

J. S. G. C.

L2f

First Report on the
Tax and Financial Problems
of the
Commonwealth of Pennsylvania
to the
General Assembly



By
The Joint State Government Commission
of
The General Assembly

JANUARY, 1941

Capitol Building - - - - - Harrisburg, Pa.

JOINT STATE GOVERNMENT COMMISSION OF THE GENERAL ASSEMBLY

(Created in 1937, P. L. 2460, as amended 1939 P. L. 1084)

“A continuing agency of the General Assembly to undertake studies and develop facts, information and data on all phases of government for the use of the General Assembly and Departments and Agencies of the State Government.”

Chairman: ELLWOOD J. TURNER, *Speaker of the House*

Vice-Chairman: FREDERICK T. GELDER, *President Pro Tem of the Senate*

Secretary: ROBERT E. WOODSIDE, JR., *Representative*

Treasurer: WILLIAM E. HABBYSHAW, *Representative*

Senate Members

CHARLES H. EALY
EDWARD R. FREY
JAMES A. GELTZ
FREDERICK L. HOMSHER
G. MASON OWLETT
HARRY SHAPIRO
GEORGE WOODWARD

House Members

LEO A. ACHTERMAN
HERBERT B. COHEN
EDWIN C. EWING
WILSON D. GILLETTE
THOMAS LYONS
CHARLES W. SWEENEY
JOHN E. VAN ALLSBURG
EDWIN WINNER

Director, A. ALFRED WASSERMAN

FINANCE COMMITTEE OF THE JOINT STATE GOVERNMENT COMMISSION

Hon. G. MASON OWLETT—Chairman

CHARLES H. EALY	WILSON D. GILLETTE
FREDERICK T. GELDER	EDWIN WINNER
HERBERT B. COHEN	ROBERT E. WOODSIDE, JR.

LETTER OF TRANSMITTAL

To the Members of the General Assembly of the Commonwealth of Pennsylvania:

In pursuance of House Resolution, Serial No. 133 of the Regular Session of 1939, and under the authority of the Act of July 1, 1937, P. L. 2460, as amended by the Act of June 26, 1939, P. L. 1084 (Act creating Joint State Government Commission), we submit herewith the First Report on the Tax and Financial Problems of the Commonwealth of Pennsylvania and Recommendations.

ELLWOOD J. TURNER, *Chairman*,
Joint State Government Commission.

January, 1941.

Table of Contents

	<i>Page</i>
Introduction	XVII
Summaries of Chapters	1
Recommendations	7

Chapter I

Economic and Population Characteristics of the Commonwealth of Pennsylvania: Past Trends and Present Structure	
Section I Introductory: Fiscal Policy and Economic and Population Trends	11
Section II The Population of Pennsylvania: Size, Occupational and Age Distribution	12
Section III Basic Productive Activities in Pennsylvania	15
Section IV The Importance of Manufacturing in Pennsylvania	17
Section V The Decline of Pennsylvania's Mines	21
Section VI The Place of the Farmer in Pennsylvania's Economy	23
Section VII Pennsylvania's Income Stream: Changes in Size and Sources	26

Chapter II

Expenditures, Actual and Estimated, of the State Government of the Commonwealth	
Section I Pennsylvania State Government Expenditures and Income of Pennsylvanians, 1927-1941	33
Section II Pennsylvania's General Fund Expenditures by Principal Functions	34
Section III The Financing of General Assistance	36
Section IV The Financing of Public Education: Some Facts and a Challenge	38

Chapter III

Pennsylvania State and Local Tax Bases, Tax Rates and Tax Yields	
Section I Changes in Pennsylvania's 'Over-all Tax Effort,' 1929-1940: Definitions and Measurements ...	49
Section II Pennsylvania's Principal State Tax Sources ..	50
Section III Recent Changes in Over-all Tax Effort in Pennsylvania and in 'Competitive States'	56
Section IV Relative Group Tax Effort in Pennsylvania and 'Competitive States'	59

Chapter IV

	Page
Impact of the Pennsylvania Tax System Upon Selected Types of Corporate Enterprise	
Section I Introductory	66
Section II Motives and Mechanics of Industrial Migration	66
Section III Industrial Migration from Pennsylvania:	
The Nature of the Evidence; Pro and Con	68
Section IV Estimated Tax Impact Differentials for Corporate Manufacturers Engaged in Diverse Types of Industrial Activity	70

Chapter V

Taxes Paid by Typical Families Resident in Pennsylvania and Selected 'Competitive States'	
Section I The Problem of Determining Taxes (State, Local and Federal) Paid by Individuals in Different Income Brackets	79
Section II Typical Families: Their Income Sources and Expenditure Patterns	80
Section III Taxes Paid (State, Local and Federal) in 1938-39 by Typical Families Resident in Pennsylvania and Selected 'Competitive States'	83

Chapter VI

A Review of Selected Revenue Bills Introduced in the General Assembly, 1936-1939	
Section I Summary of Types of Revenue Bills	91
Section II The Retail Sales Tax	92
Section III Personal Income Taxes	97

Chapter VII

Some Proposals Relating to State-Local Transfer Payments	
Section I Present State-Local Transfer Payments	107
Section II General Assistance: A Problem in State-Local Financial Relations	109
Section III Again, Public Education: Another Problem in State-Local Financial Relations	115
Section IV Some Problems of Tax Administration	121

List of Text Tables

Chapter I

			<i>Page</i>
Table	I	Population of Pennsylvania, 1890-1940	13
Table	II	Gainful Workers 10 Years Old and Over in Pennsylvania and the United States	14
Table	III	Selected Data for Manufacturing in Pennsylvania, 1927-37	16
Table	IV	Value Added by Manufacture as Percent of United States Total in Fourteen Competitive States,' 1927-37	18
Table	V	Selected Data for Principal Manufactures in Pennsylvania, 1937	20
Table	VI	Pennsylvania Factory Employment and Payrolls, 1927-1939	21
Table	VII	Mineral Production in Pennsylvania and the United States, 1927-1938	22
Table	VIII	Pennsylvania Bituminous and Anthracite Coal Production and Pennsylvania Coal Production as Percent of United States Coal Production	23
Table	IX	Gross Income from Farm Production in Pennsylvania and the United States, 1927-1939 ..	24
Table	X	Gross Income from Principal Crops and Live-stock Products in Pennsylvania, 1927, 1931, 1935 and 1938	25
Table	XI	Income Payments in Pennsylvania, 1929-1939	27
Table	XII	Income Payments in Fourteen 'Competitive States' as a Percentage of United States Totals, 1929-1939	29
Table	XIII	Component Parts of Income Payments in Pennsylvania and United States, 1929-1939	30
Table	XIV	Percentage Ratios of Wages and Salaries Paid Out in Major Industries to Total Wages and Salaries in Pennsylvania, 1938	31

Chapter II

Table	I	Total State Expenditures and Income Payments, Biennia 1927-29 to 1939-41	33
Table	II	Pennsylvania State General Fund Expenditures by Principal Functions, 1927-1941	35

		Page
Table III	State and Local Percentage Contributions Toward the Financing of General Assistance: Pennsylvania and 'Competitive States,' as of January 1, 1939	37
Table IV	Percentages of Total Public School Costs Derived From State Funds in 'Competitive States,' 1935-36	39
Table V	Adjusted Taxable Real Estate Valuation Per Pupil in Average Daily Membership for Selected Fourth Class School Districts, 1938-39	43
Table VI	Adjusted Taxable Real Estate Valuation Per Pupil in School Census for Third Class School Districts, 1936-37	45
Table VII	Number of Fourth and Third Class School Districts Having Similar Adjusted Realty Valuations Per Child	46

Chapter III

Table I	Pennsylvania State and Local Tax Collections and Income Payments, Fiscal Years, 1929-1940	51
Table II	Receipts from Principal State Tax Sources, 1929, 1935-1940	52 & 53
Table III	Index of Changes in Specific Tax Effort Required from Principal Tax Bases	55
Table IV	Percentage Ratio 'Total Tax Collections' to 'Income Payments of Residents' of 'Competitive States' for Selected Fiscal Years, 1929, 1932-38	56
Table V	Index of Total Over-all Tax Effort for Pennsylvania and 'Competing States,' 1929-1938 ...	57
Table VI	Percentage Ratios 'Local Tax Collections' to 'Income Payments of Residents' of 'Competitive States,' for Selected Fiscal Years, 1929, 1932-38	58
Table VII	Percentage Ratio 'State Tax Collections' to 'Income Payments of Residents' of 'Competitive States' for Selected Years, 1929-1939	59
Table VIII	Relative Yield of Capital-, Net Income-, Transactions-, and License-, Base State Taxes for Major Taxpayer Groups, Fiscal Year 1939	62

		Page
Table IX	Relative Yield of Proportional and Progressive State Taxes Imposed Upon Major Groups of Taxpayers, Fiscal Year 1939	65

Chapter IV

Table I	Estimated Taxes Payable by A Hypothetical Manufacturing Corporation Doing an Intra-state Business When Located in 'Competitive States'	71
Table II	Estimated Taxes Payable by an Average Corporation A Doing an Intrastate Business when Located in 'Competitive States'	73
Table III	Estimated Taxes Payable by an Average Corporation B Doing an Intrastate Business When Located in 'Competitive States'	74
Table IV	Estimated Taxes Payable by an Average Corporation C Doing an Intrastate Business When Located in 'Competitive States'	75
Table V	Estimated Taxes Payable by an Average Corporation D Doing an Intrastate Business When Located in 'Competitive States'	75
Table VI	Estimated Taxes Payable by an Average Corporation E Doing an Intrastate Business When Located in 'Competitive States'	76
Table VII	Estimated Taxes Payable by an Average Corporation F Doing an Intrastate Business When Located in 'Competitive States'	76
Table VIII	Estimated Taxes Payable by an Average Corporation G Doing an Intrastate Business When Located in 'Competitive States'	77
Table IX	Estimated Taxes Payable by an Average Corporation H Doing an Intrastate Business When Located in 'Competitive States'	77
Table X	Estimated Taxes Payable by an Average Corporation I Doing an Intrastate Business When Located in 'Competitive States'	78

Chapter V

Table I	Indifference Index for the Pennsylvania Intangibles or Personal Property Taxes	81
---------	--	----

			Page
Table	II	Tentative and Preliminary Pennsylvania State and Local, Federal, and Total Pennsylvania State, Local and Federal Taxes as Percent of Consumer Income for an Average Urban Family	84
Table	III	Tentative and Preliminary New York State and Local, Federal, and Total New York State, Local and Federal Taxes as Percent of Consumer Income for an Average Urban Family	87
Table	IV	Tentative and Preliminary California State and Local, Federal, and Total California State, Local and Federal Taxes as Percent of Consumer Income for an Average Urban Family	89

Chapter VI

Table	I	Estimated Net Yield of a Two Percent Pennsylvania Retail Sales Tax Exempting Food, Gasoline and Alcoholic Beverages Sold at State Stores	93
Table	II	Tentative and Preliminary Present State and Local Plus Proposed Retail Sales and Total Pennsylvania and Federal Taxes as Percent of Consumer Income for an Average Urban Family	94
Table	III	Percent of Per Capita Taxes Collected in Selected School Districts in 1937-38	96
Table	IV	Tentative and Preliminary Pennsylvania Present State and Local Plus Proposed Total Income and Total Pennsylvania and Federal Taxes as Percent of Consumer Income for an Average Urban Family	99
Table	V	Tentative and Preliminary Pennsylvania Present State and Local Plus Proposed Earned Income and Total Pennsylvania and Federal Taxes as Percent of Consumer Income for an Average Urban Family	101
Table	VI	Tentative and Preliminary Pennsylvania Present State and Local Plus Proposed Clear Income and Total Pennsylvania and Federal Taxes as Percent of Consumer Income for an Average Urban Family	102

		Page
Table VII	Tentative and Preliminary Pennsylvania Present State and Local Plus Proposed Progressive Income and Total Pennsylvania and Federal Taxes as Percent of Consumer Income for an Average Urban Family ..	104

Chapter VII

Table I	Estimated Equalized County Realty Assessments, State Cost Payments for General Assistance by Counties in 1939 and Effective County Real Estate Relief Tax Rate Computed on the Basis of Alternative Assumptions	112
Table II	Current Expenditures for Public Education in Pennsylvania and 'Competitive States,' 1935-36	118

errata

pages 2 and 37.—\$132,000,000 instead of \$95,000,000.

page 2.—\$1,250,000 instead of \$3,000,000.

page 34, footnote⁵.—"Report on the Organization"
instead of "Manual on"

page 300.—"State" instead of "Local Per Capita Collections."

APPENDIXES

Table of Contents

<i>Appendix A</i>		<i>Page</i>
Section I	The Legislative Histories of Major Pennsylvania Taxes	125
	1. Capital Stock and Franchise Tax	127
	2. Personal Property Tax	140
	3. Transfer Inheritance and Estate Tax	148
	4. Tax on Shares National and State Banks and Savings Institutions	161
	5. Shares Tax, Title Insurance and Trust Companies	169
	6. Municipal Loans Tax	174
	7. Corporate Loans Tax	177
	8. Foreign Bonus Tax	187
	9. Domestic Bonus Tax	190
	10. Corporate Net Income Tax	199
	11. Alcoholic Beverage Tax	203
	12. Mercantile License Tax	209
	13. Gross Receipts Tax on Private Bankers ...	216
	14. Stock Transfer Tax	218
	15. Cigarette Tax	220
	16. Liquid Fuels Tax	221
	17. Gross Receipts Tax	226
	18. Gross Premiums Tax	234
Section II	"Constitutional Limitations of the Taxing Power in Pennsylvania," a memorandum by Sheldon C. Tanner	240
<i>Appendix B</i>	Statistical Estimations: Definitions and Techniques	
Section I	Introductory	259
Section II	Business Tax Impact Differentials, Estimation Techniques	259
	A. The Necessity for Constructing Mean Effective Industrial Real Estate Tax Rates	259
	B. Definition of the Phrase Mean Effective Industrial Realty Tax Rate	260
	C. Definition of 'Industrial County'	260
	D. Estimation of Mean Effective Industrial County Tax Rates	260
	E. The Limitations of Mean Effective (Weighted and Unweighted) Industrial Real Estate Tax Rates	263

	Page
F. Definition of Competing Industrial States ..	264
Section III Estimation of Taxes Payable by Families in Different Income Groups	266
A. Composition, Income and Expenditure Pat- terns of the Average Urban Family	266
B. Pennsylvania Taxes Payable by the Average Urban Family	266
C. The Relationship Between the Pennsylvania Intangibles or Personal Property Tax and the Federal Income Tax: An Illustration .	266
Section IV Estimation of the Probable Net Yield of a Pennsylvania State Clear Income Tax	268
Section V Estimation of the Probable Net Yield of a Pennsylvania State Total Income Tax	272
Section VI Estimation of the Probable Net Yield of a Pennsylvania State Earned Income Tax ...	272
Section VII Estimation of the Probable Net Yield of a Pennsylvania State Progressive Income Tax	275
A. Some Aspects of the Problem	275
B. The Nature of the Available data	275
C. Some Necessary Adjustments of the Wis- consin Data	276
D. Estimation of Frequency Distribution of Taxable Income of Pennsylvania Residents for 1936	278
E. Estimation of Frequency Distribution of Taxable Income of Pennsylvania Residents for 1940	289
<i>Appendix C</i> Supplementary Statistical Data	283

List of Appendix Tables

Appendix B

Table B-I	Unweighted and Weighted Mean Effective Industrial County Real Property Tax Rates for Selected States	261
Table B-II	Coefficients of Variation of Effective Real Property Tax Rates for Selected States ..	264
Table B-III	Indifference Index for the Pennsylvania Intangibles or Personal Property Taxes..	267
Table B-IV	Relationship Between Pennsylvania In- come Payments and United States Income Payments	284

		Page
Table B-V	Income Paid Out in Wisconsin as Estimated by the Department of Commerce and Actual Taxable Income as Reported by the Wisconsin Tax Commission	285
Table B-VI	The Number of Returns and Amount of Taxable Income from Wisconsin as Reported by the Wisconsin Tax Commission and the Population for Various Years as Interpolated from Census Data	285
Table B-VII	Estimated Net Income of Pennsylvania Residents and Estimated Number of Income Recipients by Income Classes (1940)	287
Table B-VIII	Estimated Net Income of Pennsylvania Residents Subject to a Pennsylvania State Income Tax Under Alternative Assumptions and Estimated Number of Returns	287
Table B-IX	Estimated Gross Yield of a Pennsylvania State Personal Income Tax Under Alternative Assumptions Regarding Both Mean Effective Rates and Exemptions	288
Table B-X	Estimated Gross Yield of a Pennsylvania State Personal Income Tax if Levied at Rates Imposed in Selected States and Under Alternative Assumptions Regarding Exemptions	288

Appendix C

Table C-I	Value Added by Manufacture in Fourteen 'Competitive States,' 1927-1937	297
Table C-II	State Tax Collections in 'Competitive States,' 1929-1939	298
Table C-III	Local Tax Collections in 'Competitive States,' 1929, 1932-38	299
Table C-IV	Estimated State Per Capita Tax Collections in 'Competitive States,' 1929-1939 .	300
Table C-V	Estimated Local Per Capita Tax Collections in 'Competitive States,' 1929, 1932-1938	301
Table C-VI	Estimated State and Local Per Capita Tax Collections, 1929-1938	301
Table C-VII	Capital, Net Income, Transaction, and License, Base State Taxes for Major Taxpayer Groups in 'Competitive States,' Fiscal Year 1939	302

		Page
Table C-VIII	Proportional and Progressive State Taxes Imposed upon Major Groups of Taxpayers in 'Competitive States,' Fiscal Year 1939	301
Table C-IX	Assessed Value of Taxable and Assessed Value of Tax Exempt Real Estate for County Purposes, Pennsylvania, 1937 ...	303
Table C-X	County Personal Property Tax Collections, Combined Real Property and Occupation Tax Collections, Total County Tax Collections and Personal Property Tax Collections as Percent of Total Tax Collections, Fiscal Year 1938	304
Table C-XI	Pennsylvania Local Tax Collections by Levels of Government, 1929-1937	305
Table C-XII	Turner's Manufacturing Corporation ..	306
Table C-XIII	Average Corporation A	307
Table C-XIV	Average Corporation B	308
Table C-XV	Average Corporation C	308
Table C-XVI	Average Corporation D	309
Table C-XVII	Average Corporation E	309
Table C-XVIII	Average Corporation F	310
Table C-XIX	Average Corporation G	310
Table C-XX	Average Corporation H	311
Table C-XXI	Average Corporation I	311
Table C-XXII	Selected Fiscal Data for Distressed School Districts, 1938-39	312
Table C-XXIII	List of Permanent State Tax Commissions, 1925	324
Table C-XXIV	Changes from Tax Commissions or Commissioner to Other Tax Administering Agencies from 1925 to 1940 and vice versa	325
Table C-XXV	Agencies Administering Major State Taxes, 1940	326
Table C-XXVI	Summary of Cash Receipts: General and Special Operating Funds, Bienniums 1927-1929 to 1939-1941	328
Table C-XXVII	Summary of the General Fund and Special Operating Fund Disbursements, Bienniums 1927-1929 to 1939-1941	328
Table C-XXVIII	Citations and Principal Provisions of Tax and License Measures	329

INTRODUCTION

The present Report represents an attempt to facilitate a bird's-eye view of the vast domain of public expenditures and taxes and the effect of both upon the welfare of the citizens of the Commonwealth of Pennsylvania.

Throughout the Report the members of the Joint State Government Commission have endeavored to avoid the introduction of details which might obscure the view of the fiscal picture as a whole. This approach has been chosen because it was felt that wise and prudent legislation with regard to any specific detail presupposes knowledge of the interrelationships which bind all the details together. It is the considered judgment of all the members of the Joint State Government Commission that unless every member of the General Assembly has a realistic conception of how the specific legislation in which he may be interested is likely to fit into the general institutional framework of the Commonwealth, specific legislative measures, excellent as they may appear when considered in isolation, are likely to be productive of unnecessary friction.

Though limited as to time and funds, the Joint State Government Commission has attempted to compare Pennsylvania trends and Pennsylvania procedures with those of other states whose products may be presumed to compete with those of the Commonwealth. Perhaps the most significant among the comparisons in question are those relating to changes in population, changes in the output of manufactured products, changes in the value of Pennsylvania's mineral production, changes in the gross income of the Pennsylvania farmer, changes in Pennsylvania's per capita income, differences in major taxes in various states, differences in taxes imposed upon manufacturing enterprise in different states, and differences in the taxes payable by families in different income groups if resident in different states.

Some of the data presented in subsequent chapters represent actual count numbers, some are estimates. Some estimates are considered reasonably reliable, others are tentative and preliminary. Whenever the members of the Commission felt that a set of data presented must be considered as *tentative* and *preliminary* that fact is clearly indicated when the data in question are shown or discussed.

The members of the Commission are of the opinion that it should be one of the future tasks of the Commission to factually strengthen the materials and to undertake intense and comprehensive studies of such consequential matters as school and other

subsidy procedures, and investigate further the effects of different types of taxes upon business, and the taxes which are now payable by different types of families resident in the Commonwealth. It is only after such intensive analytical studies have been made that the members of the General Assembly can be definitely assured that their legislative acts will produce the effects they contemplate.

It is the considered judgment of the members of the Joint State Government Commission that the rapid economic and fiscal changes require continuous study, study which aims at the ascertainment of all facts pertinent to well designed legislation. Such study calls for time, resources, and great patience, for in the realm of social and economic phenomena one of the most difficult things to get at is a reliable and significant fact.

Throughout the Report the members of the Joint State Government Commission have consciously abstained from making any controversial policy recommendations whatever. Their one and only objective has been to gather, organize, analyze, and present in convenient form pertinent data bearing upon public expenditures and taxes. Though devoid of controversial recommendations, this Report was not designed to eliminate policy controversy, but to make such controversy more meaningful by supplying the contestants with the pertinent facts.

In preparing the present Report the Joint State Government Commission has been generously aided by many citizens and groups of citizens. The members of the Commission wish to take this opportunity to acknowledge the valuable services rendered by staff members of Lehigh University, The Pennsylvania State College, Temple University, and The University of Pittsburgh.¹

In addition, the members of the Joint State Government Commission wish to take advantage of this opportunity to express their appreciation of the aid freely and gratuitously given by the Pennsylvania Economy League. The League has made available to the Joint State Government Commission two studies dealing with property taxes and state taxes, respectively. It is believed that the facts presented throughout these studies are of considerable legislative interest and it has been arranged to make them available to anyone who may care to ask for them.

Thanks are due William J. Hamilton, Jr., Secretary of Revenue of the Commonwealth of Pennsylvania, Richard P. Brown, Secretary of Commerce, Dr. Edward B. Logan, Budget Secretary, Dr. Francis B. Haas, Superintendent of Public Instruction of the Commonwealth of Pennsylvania and William S. Livengood, Jr.,

¹ See, Wasserman, A. Alfred, *History, Purposes and Activities of the Joint State Government Commission of the General Assembly of Pennsylvania*, Harrisburg, April 1, 1940, p. 19 and following.

Secretary of Internal Affairs of the Commonwealth of Pennsylvania for numerous courtesies extended.

Among the many private citizens who have aided the Commission in one way or another acknowledgement is due Dr. Paul H. Wueller of State College, who assisted in the preparation of technical materials.

A. ALFRED WASSERMAN,
Director.

Harrisburg, Pennsylvania.

Summaries of Chapters

CHAPTER I

In the last analysis, levels of public as well as private expenditures are conditioned by levels of productive economic activities. In Pennsylvania more than 50% of all production is concentrated in factories, mines, and farms. Both the absolute and relative position of Pennsylvania factories and mines has changed for the worse during the last decade. This unfavorable change is reflected in declining income levels and increased public expenditures.

The percentage of total United States population residing in Pennsylvania has slowly decreased ever since 1890. This sagging of the relative population position of Pennsylvania suggests that the economic opportunities offered by the Commonwealth, when compared to those of the nation as a whole, have undergone a change for the worse, because as a general rule people are alert to move from declining areas to those which hold a brighter promise.

The importance of manufacturing in Pennsylvania is considerably greater than the importance of the same branch of economic activity for the nation as a whole. In Pennsylvania manufacturing accounted for 38.1% of all gainful workers in 1930. In the Nation as a whole it accounted for but 28.9%. In fact, there is reason to believe that future levels of welfare in the Commonwealth depend largely upon the expansion of manufacturing activities.

Any State fiscal policies which place Pennsylvania factories, mines, and farms at a competitive disadvantage as compared with other states seriously jeopardize the levels of living of all Pennsylvanians, including those businessmen whose prosperity depends upon high levels of productivity of the primary producers.

Though the position of Pennsylvania manufacturing enterprise is far from encouraging, the plight of Pennsylvania mines is far more discouraging.

During recent years, the extractive industries of Pennsylvania have encountered serious economic difficulties and though they still provide a substantial portion of the income of the residents of the State, they have also contributed heavily to relief and related problems.

Pennsylvania's mineral production has declined in value from approximately \$936,000,000 in 1927 to \$472,000,000 in 1938.

The unfavorable changes in Pennsylvania's economic position are strikingly reflected in changes in Pennsylvania's per capita income, which dropped from \$758 to \$412 in 1933. Per capita income increased however from \$543 in 1938 and to \$576 in 1939.

CHAPTER II

Though Pennsylvania's per capita income—the basic measure of economic welfare—has been declining, total State government expenditures have more than doubled during the last decade.

In 1929-31, total State government expenditures approximated 1% of the income of Pennsylvanians. In 1939, State government expenditures approximated 5% of the income payments in Pennsylvania.

By far the largest increase in State expenditures is accounted for by public assistance disbursements which will amount to a minimum of \$208,000,000 for the biennium 1939-41. This total accounts for more than one-half of all general fund disbursements exclusive of Federal funds for specific purposes.

Among the various public assistance functions, general assistance or direct relief, which, contrary to the practice in all other states, is financed exclusively by the State government in Pennsylvania, accounted for the bulk of public assistance disbursements. In 1939-41, general assistance or direct relief disbursements will amount to approximately \$95,000,000.

Though relief was Public Finance Problem No. 1 during the decade 1930-40, public education presented serious financial difficulties. Among the financial problems of public education, that of the distressed school districts is the most serious one. In fact, the distressed school district problem has been sufficiently serious to induce the General Assembly to provide for special appropriations varying from \$3,000,000 to \$5,000,000 per biennium.

CHAPTER III

Faced with mounting public expenditures, the General Assembly has increased State taxes considerably.

In 1929, State tax collections per capita amounted to \$13.20. In 1933, State per capita taxes had risen to \$14.60 and in 1938 to \$26.90. In 1939 State taxes per capita had dropped to \$23.80.

The general increase in State tax effort has been brought about primarily by increases in business tax rates, new business taxes, and miscellaneous excises upon selected articles of consumption.

Expressed as percentages of income payments, Pennsylvania state plus local tax collections have risen from 6.5% in 1929 to 10.5 in 1933, to 10.6 in 1938 and dropped to 9.3 in 1939.

However, in spite of increased State tax effort, it appears at this time that the Commonwealth will be faced with an estimated accumulated operating deficit of \$74,000,000, less any lapsed appropriations and increases in estimated revenue.

CHAPTER IV

Pennsylvania's new and increased business taxes have resulted in business tax "burdens," which on the whole are decidedly heavier than tax "burdens" upon business in the states whose products compete with products manufactured in the Commonwealth.

State differences in business tax "burdens" vary with the type of business enterprise considered.

As regards one important type of enterprise, its taxes, if located in Pennsylvania, would seem to be between 10% and 70% higher than the taxes to which it would be subject if located in seven competing states. Another type of enterprise, it would seem, could reduce its taxes from between 30% and 60% by locating in a state other than Pennsylvania.

CHAPTER V

Though business is taxed severely in Pennsylvania, natural persons and families, too, are called upon to contribute a goodly share of their income toward the financing of public functions.

At present, a Pennsylvania family residing in an urban area other than Philadelphia and having an annual income of \$1,250 pays an estimated 7.1% of its income in Pennsylvania State and local taxes, if the locality in which it resides levies both occupation and per capita taxes. If the locality in which the family resides does not levy either per capita or occupation taxes, the family under consideration pays an estimated 6.1% of its income in Pennsylvania State and local taxes. These two percentages are increased to 12.7% and 11.7% respectively if Federal taxes are added to Pennsylvania taxes.

A Pennsylvania family residing in an urban area other than Philadelphia and having an annual income of \$17,500 pays an estimated 11.3% of its income in Pennsylvania State and local taxes, if the locality in which it resides levies both occupation and per capita taxes. If the locality does not levy either one of these taxes, the family in question pays an estimated 11.1% of its income in Pennsylvania State and local taxes. These two percentages are increased to 21% and 20.8% respectively if Federal taxes are added to Pennsylvania taxes.

As regards the low income family, it may be observed that it is taxed at about the same effective rate if located in the State of New York instead of the Commonwealth of Pennsylvania. As regards the higher income family, it should be noted that it is taxed considerably heavier in Pennsylvania than it would be taxed if located in New York.

CHAPTER VI

In view of the accumulated operating deficit and a desire for a revision of the tax structure, numerous bills providing for additional taxes have been introduced in the General Assembly.

Though some of the bills introduced provide for additional business taxes, the bulk of the bills contemplates the taxation of natural persons by means of consumption excises, amusement taxes, sales taxes, and income taxes of one type or another.

From point of view of revenue possibilities, sales taxes and income taxes are more promising than selected consumption excises and amusement taxes.

For instance, a retail sales tax levied at the rate of 2% and exempting food, gasoline, and beverages sold at State Liquor Stores would have produced about \$28,000,000 if levied in 1940. A 1% income tax upon all income would have produced an estimated \$47,000,000 if levied in 1940. A 2% "clear" income tax would have produced an estimated \$40,000,000 if levied in 1940, and a 1% tax upon all non-investment income would have produced an estimated \$27,000,000.

Needless to say, the introduction of any of these taxes would have increased the percentages of income which Pennsylvania families now pay toward the support of government. However, different taxes affect differently circumstanced families quite differently.

Chapter VII

With a view of (1) improving the financial position of the Commonwealth, and (2) eliminating some acutely felt problems, groups of citizens have suggested changes in the procedures now employed in connection with the financing of relief and public education.

In substance, the proposals relating to relief financing suggest that some fraction of the cost of general assistance or direct relief be assumed by the local units of government.

These changes in Pennsylvania's per capita income are reflected in Pennsylvania's relative income position among the states. In 1929, Pennsylvania's per capita income was 11% higher than national per capita, by 1933 it was but 10% higher. In 1938 it was 6% above the national average, but in 1939 it had recovered somewhat and risen to 8% above the national average.

Had the counties been required to assume 10% of the cost of the estimated 1939-41 relief load, they would have had to levy effective real estate relief tax rates ranging from 2.36 mills in Snyder County to .14 mills in Montgomery County.

The proposals relating to the financing of public education, in essence, suggest that the general fund of the Commonwealth assume a larger share of the cost of education with a view of equalizing educational opportunities throughout the Commonwealth. Though these proposals differ in detail, they all call for additional tax effort on the part of the State government, the amount of additional tax money to be raised ranging from \$35,500,000 to approximately \$50,000,000 per year.

RECOMMENDATIONS

The Joint State Government Commission wishes to make two sets of Recommendations to the General Assembly. The first set of Recommendations is concerned primarily with matters of tax administrations which, in the main, are believed to be noncontroversial. The second set of Recommendations concerns important matters which, in the judgment of the members of the Joint State Government Commission, call for intensive further studies.

Recommendations I to X, inclusive listed below and considered in Chapter VII, Section III deal with what appear to be desirable administrative changes, and Recommendations XI to XVI suggest problems calling for further investigation.

I. The General Assembly should seriously consider the advisability of establishing an independent tax appeal body; such appeal body to consist of three members to be appointed by the Governor for overlapping terms and removable for cause only. Any decisions rendered by this body should be incorporated into memoranda and said memoranda should be open for taxpayers' inspection at the office of the appeal body. The Attorney-General should represent the Commonwealth in all cases before this agency and the agency should be allowed an appropriation sufficiently adequate to secure the services of a competent staff.

II. Refunds should be paid in cash or in the form of a credit to be applied against future taxes, and such credits may be assigned to other Pennsylvania taxpayers. Before cash refunds are made available, a certificate should be required indicating that no other taxes or moneys are owing to the Commonwealth.

III. Interest at the rate of 2% should be paid on all refunds from the date of overpayment to the date of refund.

IV. An appeal should be allowed to the courts from the decision of the Board of Finance and Revenue, or tax appeal body should it be created, in all refund cases.

V. The Department of Revenue should be required to settle all corporate tax returns within ninety days from the date when the request for resettlement is made, but the exercise of this right shall not be effective prior to ninety days before the end of the year following the year for which the report was made or became due. Otherwise, the tax report should become conclusive.

VI. The Department of Revenue should be required to dispose of a petition for resettlement within six months from the date of filing the petition, unless the petitioner in question agrees to file a waiver or causes delay by his own action. Interest liability should cease upon the expiration of the six month period if the Department fails to act unless the failure to act is due to any action of the petitioner.

VII. Petitions for resettlement should be required to be filed on or before ninety days from the date of the notice of mailing of the certified copy of the settlement.

VIII. The sixty day period for the filing of an appeal from a decision of the Board of Finance and Revenue, or the tax appeal body should it be created, should begin with the date of mailing of the formal notice of resettlement by the Department of Revenue where a resettlement is granted, or the date of mailing of the notice of refusal by the Board of Finance and Revenue where no resettlement is allowed.

IX. An appeal from the decision of the Board of Finance and Revenue, or appeal body should it be created, should be filed with the court and the appeal petition served upon the Attorney-General and a copy left with him. The necessary bond should be filed currently with the appeal, instead of within ten days from the lodging of the appeal with the prothonotary by the Attorney-General as at present.

X. An additional extension of time beyond the sixty day period now granted for the filing of corporate net income tax returns should be permitted in cases where the Federal Income Tax Authorities have granted a longer extension.

In addition to these administrative changes, the Joint State Government Commission recommends that further studies be made of the following problems:

XI. Assessment procedures employed by local assessors.

XII. The effect of contemporary Pennsylvania state and local taxes upon:

- A. Families in different income groups, and
- B. Individuals following different occupations.

These studies should be supplemented by investigations of the effects of proposed taxes upon both families in different income groups and upon persons following different occupations.

XIII. Subsidy procedures now used or proposed by citizens groups in connection with the financing of:

1. *Public Education* (Vocational and General)

Such studies to give special attention to the problem presented by distressed school districts and the proposals relating to increased teachers' minimum salaries.

2. *Public Assistance*

Such studies to consider:

- A. Possible future participation of the Federal Government as regards the financing of General Assistance or direct relief;
- B. Possible future participation of the localities as regards the financing of General Assistance or direct relief.

3. *Welfare Institutions*

4. *Public Works Programs*

It is believed that the information called for above is essential if:

- A. The financial position of the Commonwealth is to be improved, and
- B. Subsidy procedures are to take cognizance of both local need for selective public services and local capacity to finance such services.

XIV. The members of the Joint State Government Commission recommend further intensive study of business tax impact differentials and that the allocation fraction currently used to determine the tax liability of foreign corporations be carefully reexamined from point of view of:

- A. The revenue interests of the General Fund, and
- B. Its effect upon industrial migration from and to Pennsylvania.

XV. In addition, the Joint State Government suggests that the collection cost of all contemporary Pennsylvania taxes (state and local) be studied further and that a survey be made of the cost of collection of similar taxes in other states.

XVI. In conclusion, the Joint State Government Commission suggests that present tax exemption practices be re-examined with a view of determining:

- A. The equity of contemporary arrangements, and
- B. The revenue loss occasioned by these arrangements.

10 - Blank page

Chapter I

Economic and Population Characteristics of the Commonwealth of Pennsylvania: Past Trends and Present Structure

Section I

Introductory: Fiscal Policy and Economic and Population Trends

Preliminary to presentation and detailed discussion of Pennsylvania public expenditure and public revenue data, the Joint State Government Commission wishes to call the attention of the members of the Senate and the House of Representatives of the General Assembly of the Commonwealth of Pennsylvania to selected population and economic trends which are deemed to have a significant bearing upon the fiscal operations of the Commonwealth and its subordinate jurisdictions.

It is the judgment of the members of the Joint State Government Commission that inspection of population trends is helpful to both the legislator and the public spirited citizen interested in appraising the causal factors partially responsible for the present financial plight of state and local governments.

To the careful observer, changes in the rate of population growth are meaningful indices of changes in economic opportunity and changes in economic opportunity, as a rule, are sooner or later reflected in changes in the aggregate value of tax bases.

Study of the occupational distribution of the population yields helpful clues to the legislator and citizen interested in public revenue and expenditure patterns. Typically, a change in the occupational distribution of the population is accompanied by at least a temporary decline in the value of selected tax bases and an increase in the pressure for selected public services such as general assistance and categorical relief. If the declining tax bases are highly concentrated in specific localities such as the mining section of the Commonwealth, the problems of state-local fiscal interrelationships are brought into high relief. Similarly, changes in the age composition of the population tend to rudely disrupt fiscal institutions which for generations past have operated adequately and equitably. In addition, changes in population composition provide a clue—not always reliable to be sure—as regards probable future expenditure trends. An increase, for instance, in the relative number of the aged is likely to eventuate in considerably increased demands upon public treasuries for old-age assistance of one form or another. Sometimes these demands are out of proportion to the increase in the relative number of the aged, because as the relative number of the aged increases the political effectiveness of the group as a whole tends to increase as well, and public assistance offerings formerly accepted as reasonable are not longer considered adequate.

The members of the Joint State Government Commission are of the opinion that the significance of population trends is considerably enhanced if these trends are studied in conjunction with selected economic data.

Generally speaking, population and population trend data afford the legislator a first proximate measure of the needs and the probable changes in needs of groups within the community. A study of economic data facilitates judgment as to the probable political pressure that will be brought to bear upon the General Assembly to satisfy these needs by means of public services. For instance, if the economic fortunes of a given group in the community are declining, the group in question is most likely to insist that some of the services which its members formerly bought in the markets of the Commonwealth be supplied now by public agencies of one type or another. When faced with these insistent demands for additional public services, which usually require increases in current tax rates, the imposition of new and additional taxes, or both; legislators can save themselves political grief and their constituents serious economic difficulties if they have at least a speaking acquaintance with the relative national market position of the economic activities which they propose to saddle with new or additional taxes.

It is with a view of facilitating the type of legislative judgment indicated above that the Joint State Government Commission presents population and economic data.

Section II

The Population of Pennsylvania: Size, Occupational and Age Distribution

According to preliminary United States census estimates, a population of approximately 9,900,000 persons lived within Pennsylvania's 45,000 square miles of area in 1940.

It is the public services which these ten million people demand and their willingness and collective capacity to pay for these services which constitute the sum and substance of the public expenditure-revenue problem with which legislators are faced.

Though the size of the population as at present is of importance, changes in population size which have taken place in time are likewise instructive.

The changes which have taken place in the size of Pennsylvania's population over the last half century are shown in Table I.¹

Inspection of Table I, Cols. 2 and 3 indicates that though in terms of absolute numbers Pennsylvania's population has been increasing over the last half century, the rate of population growth has shown a consistently decreasing tendency. As regards the changing relationship

¹ For a recent discussion of Pennsylvania's population and population trends, see: Watson, J. P., "Comparative Growth of Population in Pennsylvania, 1790-1930", *Pittsburgh Business Review*, University of Pittsburgh, Bureau of Business Research, Vol. X, No. 7, p. 17 and following.

between rural and urban population, Cols. 4 and 5 show that the relative number of Pennsylvanians residing in urban areas has steadily increased.

As regards changes in total population and changes in the value of the ratio urban-to-rural population Pennsylvania's pattern is rather similar to that for the nation as a whole. However, as Col. 6 indicates, the percentage of total United States population residing in Pennsylvania has slowly decreased ever since 1890. This sagging of the relative population position of Pennsylvania suggests that the economic opportunities offered by Pennsylvania when compared with those of the nation as a whole have undergone a change for the worse, because as a general rule, people are alert to move from declining areas to those which hold a brighter promise.²

Table I
Population of Pennsylvania, 1890-1940

Year	Total* (000)	Percent increase from previous census	Percent urban of total population*	Percent rural of total population*	Percent of U. S. population
(1)	(2)	(3)	(4)	(5)	(6)
1890	5,258	22.8%	48.6%	51.4%	8.4%
1900	6,302	19.9	54.7	45.3	8.3
1910	7,665	21.6	60.4	39.6	8.3
1920	8,720	13.8	64.3	35.7	8.2
1930	9,631	10.4	67.8	32.2	7.8
1931	9,658				
1932	9,685				
1933	9,712				
1934	9,739				
1935	9,766				
1936	9,793				
1937	9,820				
1938	9,846				
1939	9,873				
1940	9,900	2.8			7.5

* U. S. Department of Commerce, Fifteenth Census of the United States, 1930; Population, Vol. III, part 2, p. 651. The figure for 1940 is obtained from the release of December 20, 1940; the years 1931 to 1939 inclusive are interpolations.

Changes in the year by year percentage ratios of urban to rural population are reflected in changes in the occupational adjustments of the gainful-worker segment of the population.

By 1930³ the persistent migration from rural to urban areas was mirrored by the fact that approximately thirty-eight percent of the gainful workers of Pennsylvania were employed by manufacturing enterprise.

² Compare e.g., population extrapolation of the Census Bureau as published in the *Statistical Abstract (Statistical Abstract of the United States, Washington, 1938, p. 10)* for the period 1910 to 1937 with the population data as given by the preliminary *Census* releases for 1940. See also, *Appendix C* for population changes in Pennsylvania and competitive states.

³ The occupational breakdown of 1940 Census data is not yet available.

Table II, shows the distribution of gainful workers in Pennsylvania by general occupational divisions.

Table II
Gainful Workers 10 Years Old and Over in Pennsylvania and the United States, 1930 (By general divisions of occupations)

General Division of Occupations	Pennsylvania		United States	
	Number*	Percent of total	Number*	Percent of Total
(1)	(2)	(3)	(4)	(5)
All	3,722,103	100.0	48,829,920	100.0
Manufacturing	1,416,590	38.1	14,110,652	28.9
Extraction of minerals ..	299,151	8.0	984,323	2.0
Agriculture	250,925	6.7	10,471,998	21.4
Trade	459,579	12.3	6,081,467	12.5
Transportation and communication	321,122	8.6	3,843,147	7.9
All other	974,736	26.3	13,338,333	27.3

* U. S. Department of Commerce, Fifteenth Census, Population, Vol. IV.

Inspection of Table II, Col. 3 indicates that manufacturing accounted for 38.1% of all gainful workers in 1930. Trade with 12.3% was a distant second, transportation and communication, extraction of minerals and agriculture with 8.6%, 8.0% and 6.7% of gainful workers, ranked third, fourth and fifth, respectively.

If the data for 1940 were available, they would probably show a decline of the relative number of gainful workers in the extractive industries⁴ and a slight relative improvement of the positions of manufacturing and farming.

Regardless, however, of minor changes in the relative position as regards gainful employment which Pennsylvania's major industrial divisions offer, there is no question that manufacturing continues to dominate the scene. Comparison of Cols. 3 and 5 show that the importance of manufacturing in Pennsylvania is considerably greater than the importance of the same branch of economic activity for the nation as a whole. In fact, there is reason to believe that future levels of welfare in the Commonwealth depend largely upon the expansion of manufacturing activities.⁵

Whereas the occupational distribution of the population facilitates informed judgment regarding types and probable volume of production and the likely behavior of present and possible future tax bases, the age distribution of the population is of significance to the legislator because it indicates in a general and over-all fashion the expectable fiscal load that will have to be carried by the tax machinery of the Commonwealth.

⁴ Parker, G. L., *The Coal Industry*, Washington, 1940, Chapters VI and VII, pp. 105 and 115.

⁵ See, Section IV, p. 17 and following.

Apart from the costs of the general departments of government and the relatively heavy expense of unemployment relief in one form or another, the principal items in the cost of government arise from the necessity of caring for the young and for the aged. The members of these two groups in the main are not engaged in gainful pursuits themselves from which they can derive an income and, accordingly, if they are to be maintained at all, they must have some type of access to the incomes of those who are engaged in productive pursuits. Increasingly, by means of taxation and public expenditure, such access is being facilitated.

According to the estimates of the Bureau of Research and Statistics of the Social Security Board ⁶ (made by the Division of Public Assistance Research with the advice of the U. S. Bureau of the Census), 32.5% of Pennsylvania's population was under 18 years of age as of July 1, 1937, while 6.0% was 65 years and over, and 61.5% was between the ages of 18 and 64. Or, putting the matter somewhat differently, children and aged together accounted for 62.6% of the estimated population between the ages of 18 and 64. The corresponding percentages for the nation as a whole were as follows: under 18, 31.9%; 65 and over, 6.1%; 18-64, 62.0%; and the ratio of children-plus-aged to the intermediate age group, 61.3%.

Section III

Basic Production Activities in Pennsylvania

With the intent of making possible a more detailed view of the basic economic activities carried forward in the Commonwealth of Pennsylvania, the Joint State Government Commission submits below a set of tables relating to manufacturing, mining and farming.

These three economic pursuits, which account for more than fifty percent of the gainfully employed in Pennsylvania ¹ were selected because of their strategic importance.

The members of the Joint State Government Commission consider Pennsylvania manufacturing, mining and farming of strategic importance, because employment in other economic divisions such as trade, banking, insurance, transportation, communication, amusement, etc., depends in large measure upon the level of activity that prevails in factories, in mines and on farms. These 'other' economic divisions, though of considerable importance, are typically activated by the 'primary' producers. In addition, the competitive position of the 'primary' producers is somewhat more precarious than the position of the so-called service divisions. By and large Pennsylvania manufacturers, Pennsylvania mine operators and Pennsylvania farmers have to compete in the national market. Any state fiscal policies that place Pennsylvania fac-

⁶ *Courtesy Social Security Board, Washington, D. C.*

¹ See, Table II, p. 14.

Table III

Selected Data for Manufacturing in Pennsylvania, 1927-37*

Year	Value added by manufacture			Value of Product			Wages			of Percentage ratio wages to value added	Establishments		Wage Earners	
	Amount (000)	Percent of U. S. Total	Index (1927-100)	Amount (000)	Percent of U. S. Total	Index (1927-100)	Amount (000)	Percent of U. S. Total	Index (1927-100)		Number	Percent of U. S. Total	Number	Percent of U. S. Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
1927	\$2,987,502	10.8	100.0	\$6,715,563	10.7	100.0	\$1,315,993	12.1	100.0	44.0	17,314	9.0	987,414	11.8
1929	3,426,354	10.8	114.7	7,419,197	10.6	110.5	1,378,690	11.9	104.8	40.2	16,881	8.0	1,013,557	11.5
1931	1,982,419	10.2	66.4	4,090,548	10.0	60.9	845,045	11.6	64.2	42.6	14,711	8.4	778,227	12.0
1933	1,454,489	10.0	48.7	3,051,579	9.7	45.4	599,591	11.4	45.6	41.2	12,093	8.5	716,598	11.8
1935	1,960,950	10.1	65.6	4,291,848	9.4	63.9	848,837	11.2	64.5	43.3	13,050	7.7	841,234	11.4
1937†	2,664,410	10.6	89.2	6,032,083	9.9	89.8	1,176,957	11.6	89.4	44.2	13,084	7.8	954,340	11.1

tories,² mines and farms at a competitive disadvantage as compared with other states seriously jeopardize the levels of living of all Pennsylvanians, including those business men whose prosperity depends upon high levels of productivity of the 'primary' producers. The service divisions are in a somewhat happier position. They can, within limits, recoup taxes from their customers. Though any such attempt on the part of a 'service' industry has adverse profit repercussions, the attempts, as a rule, do not endanger the very existence of 'service' enterprise as a whole, though specific firms in the service group may find their existence endangered.

Section IV

The Importance of Manufacturing in Pennsylvania

Summary data descriptive of manufacturing operations in Pennsylvania for the period from 1927 to 1937, the last year for which such data are available, are presented in Table III, below:

Extent and changes in manufacturing operations may be conveniently measured in terms of: 1) value added by manufacture, 2) value of product, 3) wages paid, 4) number of establishments, and 5) number of wage earners.

Application of these different measures sheds light upon different aspects of the same problem. 'Value added,' which is the difference between the cost of raw materials and the price of the finished product, is particularly useful when attempting appraisal of the welfare significance of a given industry in a given state. 'Value of product,' which is the product of average selling price multiplied by the number of units produced is particularly useful for interstate comparison. 'Wages paid' indicates the importance of manufacturing in general or of a specific group of manufacturing establishments as an employer. 'Number of establishments,' when taken in connection with either 'value added' or 'value of product' furnishes proximate measurement of concentration tendencies. 'Number of wage earners,' when taken in conjunction with 'wages paid,' facilitates judgment regarding changes in wage levels.

Inspection of Table III, Col. 5 indicates that in terms of 'value of product' Pennsylvania had about regained in 1937 the position which it occupied in 1927, though it had registered an extraordinarily severe decline for the period from 1927 to 1933. Similar patterns are discernible when the year by year data for 'value added' and 'wages paid' are compared. Though 'value of product,'

²In this connection it should be observed that some states have developed fiscal policies which are frankly designed to attract enterprise. (Cf. Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, Oklahoma, South Carolina, Tennessee and Virginia. Laws and description of laws listed in *Prentice-Hall*, "State and Local Tax Service, Ala.-Wyo.") Though the members of the Joint State Government Commission are not persuaded that such policies are sound, they should be taken into account by members of the General Assembly when formulating tax measures.

value added' and 'wages paid' showed pronounced recoveries after 1933, the 'number of establishments' showed a marked decline from which it never recovered to the same extent as the other series.

Though Pennsylvania's manufacturing rapidly regained its 1927 position after 1934, it never quite regained its pre-depression prominence as a member of the community of American states. Inspection of Cols. 3, 6, and 9 which represent year by year ratios for: 2) Pennsylvania value added to United States total value added, 2) Pennsylvania value of product to United States total value of products, and 3) Pennsylvania wages paid to total United States wages paid, show clearly that the relative position of the Commonwealth, like its relative population position, has changed for the worse. As yet the change in the relative position of Pennsylvania is not alarming, but inasmuch as economic trends tend to become cumulative, the change would seem to warrant the painstaking attention of the General Assembly.

It is also instructive to compare the changes in the values of the percentage ratios 'value added' in 'competitive states'¹ to 'total United States value added by manufactures.' Table IV² shows these ratios for the period from 1927 to 1937 for states making products which are identical with or similar to those manufactured in Pennsylvania.

Table IV
Value Added by Manufacture as Per Cent of U. S. Total
in Fourteen 'Competitive States,' 1927-1937 a

State	1927	1929	1931	1933	1935	1937
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Pennsylvania	10.8	10.8	10.2	10.0	10.1	10.6
California	4.0	4.2	3.9	4.2	4.2	4.3
Connecticut	2.5	2.5	2.4	2.5	2.6	2.7
Illinois	8.9	9.2	8.9	8.3	8.7	9.2
Indiana	3.4	3.6	3.3	3.2	3.7	4.0
Massachusetts	5.9	5.4	5.9	6.0	5.2	5.0
Michigan	6.9	6.5	6.5	6.5	8.1	8.3
New Jersey	5.3	5.6	5.9	5.6	5.5	5.4
New York	16.7	15.6	17.6	16.5	15.4	13.2
North Carolina	2.2	2.2	2.0	2.2	1.9	1.9
Ohio	8.5	9.1	8.1	7.8	8.6	9.2
Tennessee	1.0	1.0	1.1	1.2	1.2	1.2
West Virginia .....	.7	.8	.8	.9	.9	.9
Wisconsin	3.0	3.0	2.7	2.5	2.8	2.8

a—For underlying dollar amounts and sources, see *Appendix C*.

Inspection of Table IV, indicates that of the thirteen states whose products may be presumed to compete with goods manufactured in the Commonwealth, only four—Massachusetts, New York, North Carolina, Wisconsin—experienced a relative decline

¹ For a detailed definition of the term 'competitive state' see, *Appendix B*.

² For dollar amounts underlying the percentages shown in Table IV, see, *Appendix C*.

of position. Among these four states the most pronounced decline occurred in the State of New York, which in 1927 had contributed 16.7% of total value added by manufactures in the United States, a percentage contribution which by 1937 had dropped to 13.2%. In passing, it should be observed that New York's relative decline in manufacturing position was considerably more marked than that of the Commonwealth of Pennsylvania.

For the purpose of facilitating a close-up view of the structure of Pennsylvania's manufacturing economy, the Joint State Government Commission submits below a table which shows in terms of: 1) value added, 2) value of product, 3) wages paid and 4) number of wage earners, the absolute and relative importance of different types of manufacturing enterprise located in Pennsylvania.

Inspection of Table V shows that among the principal manufactures in Pennsylvania, steel works and rolling mills products rank decidedly first no matter how their relative importance is measured.

In terms of 'value added,' steel works and rolling mills accounted for \$510,023,000, or 19.1% of total 'value added' in Pennsylvania. In terms of 'value of product,' steel works and rolling mills in 1937 produced an output valued at \$1,109,843,000, which accounted for 18.4% of the value of all manufactured products produced in Pennsylvania. Steel works and rolling mills paid 23.2% of all manufacturing wages in Pennsylvania and employed 17.4% of all Pennsylvania wage earners. The group of firms loosely referred to as the 'steel industry'—that is, steel works, rolling mills, blast furnaces, machine shops, machinery producers not elsewhere classified, coke ovens, structural and ornamental metal works—accounted for 26.8% of total value of Pennsylvania's manufactured product, for 28.6% of 'value added' by Pennsylvania manufactures; 30.4% of all manufacturing wages paid in Pennsylvania, and 23.1% of all industrial wage earners employed in Pennsylvania.

Cursory inspection of Table V indicates that no other industry or group of related industries approaches steel in importance, no matter which of the enumerated measures of importance one chooses to apply.

Though detailed manufacturing data for the period after 1937 are not yet available, it is possible to appraise subsequent developments by reference to factory employment and factory payroll indices.

The table below shows both of these indices for the period from 1927 to 1939 inclusive.

Table V
Selected Data for Principal Manufactures in Pennsylvania, 1937*

Manufactures	Value Added			Value of Product		Wages		Percentage ratio of wages to value added	Wage earners	
	Amount (ooo)	Percent of State total	Percent of U. S.	Amount (ooo)	Percent of State total	Amount (ooo)	Percent of State total		Number	Percent of State total
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
All manufactures	\$2,664,410	100.0	10.6	\$6,032,083	100.0	\$1,176,957	100.0	44.2	954,340	100.0
Steel works and rolling mills products	510,023	19.1	34.1	1,109,843	18.4	272,637	23.2	53.5	165,952	17.4
Electrical machinery, apparatus and supplies ..	131,908	5.0	13.5	207,506	3.4	53,670	4.6	40.7	33,792	3.5
Printing and publishing newspaper and periodical	93,273	3.5	9.3	135,696	2.2	22,860	1.9	24.5	13,733	1.4
Bread and other bakery products	74,368	2.8	10.6	149,544	2.5	33,229	2.8	44.7	27,978	2.9
Hosiery	67,570	2.5	46.3	116,119	1.9	50,097	4.3	74.1	40,444	4.9
Machine shop products	63,151	2.4	16.2	102,453	1.7	24,794	2.1	39.3	16,442	1.7
Machinery†	56,625	2.1	9.6	94,189	1.6	21,754	1.8	38.4	14,769	1.5
Glass	52,517	2.0	21.3	79,579	1.3	22,119	1.9	42.1	17,728	1.9
Blast-furnace products .	40,336	1.5	31.6	229,076	3.8	12,058	1.0	29.9	7,524	0.8
Petroleum refining	39,417	1.5	8.2	259,697	4.3	15,994	1.4	40.6	9,390	1.0
Printing and publishing, book, job, and music .	37,610	1.4	7.1	56,749	0.9	15,653	1.3	41.6	12,180	1.3
Malt liquors	37,131	1.4	11.1	57,728	0.9	9,746	0.8	26.2	5,452	0.6
Paper	34,480	1.3	8.8	77,060	1.3	11,227	1.0	32.6	8,523	0.9
Chemicals†	33,123	1.2	6.9	76,894	1.3	6,690	0.6	20.2	4,691	0.5
Cigars	28,870	1.1	35.3	60,005	1.0	11,240	1.0	38.9	17,571	1.8
Men's, youths' and boys' clothing †	26,389	1.0	12.9	79,256	1.3	13,675	1.2	51.8	13,187	1.4

* U. S. Department of Commerce, Biennial Census of Manufactures, 1937, Part I, pp. 22-33 and 1403-1409.

† Not elsewhere classified.

Table VI

Pennsylvania Factory Employment and Payrolls, 1927-1939
(Index: 1923-1925 = 100)

Year	Employment		Payrolls	
	Pennsylvania	United States	Pennsylvania	United States
(1)	(2)	(3)	(4)	(5)
1927	95.7	99.5	97.0	102.4
1928	92.7	99.7	93.1	103.5
1929	98.4	106.0	102.1	110.4
1930	89.5	92.4	85.6	89.4
1931	74.6	78.1	61.3	67.8
1932	64.3	66.3	40.8	46.7
1933	68.8	73.4	43.5	50.1
1934	77.0	85.7	55.4	64.5
1935	80.8	91.3	61.5	74.1
1936	86.9	99.0	73.4	85.8
1937	94.6	108.6	88.6	102.5
1938	76.9	89.7	61.9	77.9
1939	83.1	96.8	75.1	90.8

Legend:

Columns (2) and (4) *Federal Reserve Bank of Philadelphia* release of December 1939 and other mimeographed releases; columns (3) and (5) *U. S. Department of Labor, Bureau of Labor Statistics, "Employment and Payrolls, August 1939"*, p. 20 (for years prior to 1939) and successive issues for 1939.

Inspection of Table V, Col. 2 shows that measured in terms of employment, the manufacturing situation in Pennsylvania in 1938 was considerably worse than it had been in 1937—the employment index dropping from 94.6 to 76.9. Again in 1939, the manufacturing situation improved somewhat with the employment index rising from 76.9 to 83.1.

Measured in terms of payrolls (Col. 4), Pennsylvania manufacturing activities registered a drop from 88.6 to 61.9, but improved again in 1939 when the payroll index rose from 61.9 to 75.1.

Section V

The Decline of Pennsylvania's Mines

Though the position of Pennsylvania manufacturing enterprise is far from encouraging, the plight of Pennsylvania's mines is far more discouraging.

Though of lesser importance than manufacturing activities, mining operations occupy an important place in the Commonwealth's economy.

Traditionally, mining operations have made a substantial contribution to the economic welfare of the Commonwealth through the employment which they have given, the profits which they have yielded, and the taxes which they have paid. During recent years, however, the extractive industries of Pennsylvania have encountered serious economic difficulties and, although they still provide a substantial portion of the income of the residents of the

state, they have also contributed heavily to relief and related social problems.

Significant indexes indicative of the contemporary importance of the extractive industries in Pennsylvania and the changes which they have undergone are presented in Table VII.

Table VII
Mineral Production in Pennsylvania and the United States, 1927-38 *

Year	Value of Pennsylvania Production		Value of total United States production		Percentage ratio of Pennsylvania to United States value
	Amount (000)	Index (1927=100)	Amount (000)	Index (1927=100)	
(1)	(2)	(3)	(4)	(5)	(6)
1927	\$936,773	100.0	\$5,530,000	100.0	16.9
1928	881,490	94.1	5,385,200	97.4	16.4
1929	892,914	95.3	5,887,600	106.5	15.2
1930	778,523	83.1	4,764,800	86.2	16.3
1931	594,643	63.5	3,166,600	57.3	18.8
1932	424,734	45.3	2,461,700	44.5	17.3
1933	421,847	45.0	2,555,100	46.2	16.5
1934	546,933	58.4	3,325,400	60.1	16.4
1935	520,576	55.6	3,650,000	66.0	14.3
1936	599,457	64.0	4,556,800	82.4	13.2
1937	599,817	64.0	5,413,600	97.9	11.1
1938†	472,000	50.4	4,354,000	78.7	10.8

* U. S. Bureau of Mines, *Mineral Resources of the United States and Minerals Yearbook*, and unpublished tabulations.

† Preliminary.

Inspection of Table VII, Col. 2 indicates that the value of Pennsylvania mineral production has declined from \$936,773,000 in 1927 to \$472,000,000 in 1938. In terms of an index number (Col. 3) this drop presents a decline of approximately fifty percent. Though the value of United States mineral production has also fallen over the period under consideration (Cols. 4 and 5), the Pennsylvania decline was decidedly more pronounced than that registered by the nation as a whole. Col. 6 shows the year by year percentage ratios of value of Pennsylvania mineral production to value of United States mineral production. Inspection of this column indicates that Pennsylvania's share of value of mineral production has declined from 16.9% in 1927 to 10.8% in 1938.

It has been suggested in public from time to time that Pennsylvania's decline as a mineral producer is due to the partial replacement of coal by fuel oil. Though the increased use of fuel oils is probably one of the factors contributing to the plight of Pennsylvania's mines, it is not the only one.

The table below was designed to show that Pennsylvania has not only lost ground as a mineral producer but has also suffered an adverse change as a coal producer.

Table VIII

**Pennsylvania Bituminous and Anthracite Coal Production
and Pennsylvania Coal Production as
Percent of United States Coal Production ***

Year	Pennsylvania Coal Production			Pennsylvania as Percent of U. S. Total
	Bituminous (ooo tons)	Anthracite (ooo tons)	Total (ooo tons)	
(1)	(2)	(3)	(4)	(5)
1927	132,965	80,096	212,061	35.5%
1928	131,202	75,348	206,550	35.9
1929	143,516	73,828	217,344	35.7
1930	124,463	69,385	193,848	36.1
1931	97,659	59,646	157,305	35.6
1932	74,776	49,855	124,631	34.6
1933	79,296	49,541	128,837	33.6
1934	89,826	57,168	146,994	35.3
1935	91,405	52,159	143,564	33.8
1936	109,887	54,580	164,467	33.3
1937	111,002	51,856	162,858	32.7
1938	77,040	46,099	123,139	31.7
1939†	90,436	50,808	141,244	31.9

* U. S. Bureau of Mines, *Mineral Resources of the United States and Minerals Yearbook*, and unpublished tabulations.

† Preliminary.

Inspection of Table VIII, Col. 5, indicates that the value of Pennsylvania's coal production (anthracite plus bituminous) expressed as a percentage of the value of total United States coal production has declined from 35.5% in 1927 to 31.9% in 1939. In other words, the traditional markets of Pennsylvania mines have not only been invaded by fuel oil, but whatever coal market remains is being increasingly supplied by other than Pennsylvania mines.

Section VI

The Place of the Farmer in Pennsylvania's Economy

Farming in Pennsylvania has weathered the recent crucial years better than either manufacturing or mining.

One of the more convenient over-all measures of the position of farming is gross income from farm production. The table below shows gross income from farm production by principal sources as well as government payments to farmers for Pennsylvania and the United States as a whole.

Table IX, Col. 2 shows that the Pennsylvania farmers' gross income from crops decreased from \$123,327,000 in 1927 to \$91,013,000 in 1939. However, this decline in gross income from crops was partially compensated for by an increase in gross income from livestock. Gross income from livestock increased from \$207,-

Table IX

Gross Income From Farm Production in Pennsylvania and the United States, 1927-39*

Year	Pennsylvania					United States				Percent- age ratio of Pennsylvania to United States
	Gross income from crops		Gross income from livestock and livestock products		Govern- ment pay- ments	Total gross income and government payments		Total gross income and government payments		
	Amount (000)	Index (1927-100)	Amount (000)	Index (1927-100)		Amount (000)	Index (1927-100)	Amount (000)	Index (1927-100)	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1927	\$123,327	100.0	\$207,553	100.0	.....	\$330,880	100.0	\$11,717,297	100.0	2.8
1928	112,791	91.5	217,724	104.9	.....	330,515	99.9	11,827,709	100.9	2.8
1929	129,555	105.0	234,939	113.2	.....	364,494	110.2	11,923,801	101.8	3.1
1930	106,276	86.2	213,918	103.1	.....	320,194	96.8	9,401,939	80.2	3.4
1931	75,856	61.5	174,966	84.3	.....	250,822	75.8	6,958,967	59.4	3.6
1932	55,719	45.2	135,826	65.4	.....	191,545	57.9	5,323,294	45.4	3.6
1933	78,907	64.0	135,278	65.2	\$ 817	215,002	65.0	6,393,251	54.6	3.4
1934	70,365	57.1	159,039	76.6	1,848	231,252	69.9	7,271,665	62.1	3.2
1935	82,817	67.2	192,953	93.0	1,390	277,160	83.8	8,506,937	72.6	3.3
1936	88,365	71.7	198,172	95.5	2,425	288,962	87.3	9,316,531	79.5	3.1
1937	102,797	83.4	229,870	110.8	2,443	335,110	101.3	10,424,624	89.0	3.2
1938	82,187	67.2	218,237	105.1	2,757	303,181	91.6	9,362,195	82.2	3.2
1939†	91,013	73.8	212,468	102.4	5,723	309,204	93.4	9,768,950	83.4	3.2

* U. S. Department of Agriculture, "Agricultural Yearbook", and releases of Bureau of Agricultural Economics. The figures through 1935 are on a crop-year basis and for subsequent years on a calendar-year basis.

† Preliminary.

Table X

Gross Income From Principal Crops and Livestock Products in Pennsylvania, 1927, 1931, 1935, 1938*

Product	1927		1931		1935†		1938**	
	Gross income (ooo)	Percent of total	Gross income (ooo)	Percent of total	Gross income (ooo)	Percent of total	Gross income (ooo)	Percent of total
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Total gross income from crops	\$123,334	100.0	\$ 75,856	100.0	\$ 84,068	100.0	\$ 84,713	100.0
Potatoes	26,626	21.6	11,523	15.2	14,564	17.3	11,772	13.9
Wheat	17,058	13.8	6,696	8.8	10,071	12.0	9,464	11.2
Hay	8,793	7.1	6,529	8.6	5,950	7.1	2,241	2.6
Corn	4,956	4.0	1,692	2.2	3,550	4.2	4,545	5.4
Apples	8,922	7.2	8,278	10.9	8,580	10.2	7,984	9.4
Tobacco	6,011	4.9	4,279	5.6	4,176	5.0	3,016	3.6
Total gross income from livestock and livestock products	\$207,553	100.0	\$174,966	100.0	\$193,092	100.0	\$218,887	100.0
Milk	96,946	46.7	101,934	58.3	105,799	54.8	110,642	50.5
Eggs	41,822	20.2	28,557	16.3	34,342	17.8	41,160	18.8
Hogs	26,182	12.6	11,301	6.5	12,229	6.3	14,710	6.7
Cattle and calves	17,190	8.3	14,242	8.1	20,964	10.9	31,396	14.3
Chickens	22,084	10.6	16,996	9.7	17,397	9.0	19,172	8.8

* U. S. Department of Agriculture, "Crops and Markets" and releases on farm income. The data for 1927, 1931, and 1935 are on a crop-year basis, while those for 1938 are on a calendar-year basis.

† Includes benefit payments.

** Preliminary.

553,000 in 1927 to \$212,468,000 in 1939. In further compensation for the loss of gross income from crops were government payments to farmers, which began in 1933 (Col. 6). Adding gross income from crops, live stock and government payments (Col. 7), it appears that total gross income of farmers declined but approximately seven percent between 1927 and 1939.

The relative position of Pennsylvania farming is indicated by Cols. 10 and 11.

Inspection of Col. 10 indicates that United States farming suffered a more severe decline than Pennsylvania farming (Col. 8), the index for the United States dropping from 100 to 83 over the period under consideration whereas the index for Pennsylvania dropped from 100 to but 93. Likewise the percentage ratios, Pennsylvania farm gross income to United States farm gross income show that while in 1927 Pennsylvania accounted for but 2.8% of total United States farm income, in 1939 Pennsylvania accounted for 3.2% of total United States farm income.

With a view of ascertaining the specific crops and type of live-stock responsible for the improvement of the relative farming position of the Commonwealth, Table X was prepared.

Inspection of the crop bank of Table X indicates that among principal Pennsylvania crops, only corn and apples have held their own over the period from 1927 to 1938. Per contra, the live-stock bank indicates that though hogs and chickens have lost ground, eggs have held their own and the position of milk, cattle and calves has actually shown some improvement.

Section VII

Pennsylvania's Income Stream: Changes in Size and Sources

The results of the productive efforts of men and machines are measured in terms of income. Income, or 'income payments to individuals,' as the technical phrase has it, is the most comprehensive measure of a group of individuals such as is presented by the residents of the Commonwealth of Pennsylvania. 'Income payments to individuals' or income is the sum total of wages and salaries earned, including work project wages and unemployment insurance payments, monies withdrawn from business tills by single proprietors and partners, the dollar equivalent of the produce which the farmer serves at his own table, interest and dividends earned by the investments of lenders or owners, net rents and royalties received by landlords and others, as well as all income derived from all other sources whatever, as long as it has found its way into the pockets or bank accounts of individuals.

Manifestly, changes in 'income payments' or income tell a re-

vealing tale of changes in the degree of success with which men have applied their energies, efforts and ingenuity to available resources regardless of whether those resources be assembled in factories, in mines, on farms, in the vaults of banks, in the generating stations of utilities, on the rights of way of railroads, or behind the trading counters of retailers and wholesalers.

Table XI, tells, in terms of dollars totals, the story of ten millions of Pennsylvanians working and struggling to secure a living.

Table XI
Income Payments in Pennsylvania, 1929-39

Year	Total income payments		Per capita income payments	
	Amount* (000,000)	Percent of U. S.	Amount†	Percent of national average
(1)	(2)	(3)	(4)	(5)
1929	\$7,230	8.8	\$758	111
1930	6,653	8.9	691	114
1931	5,631	8.9	583	114
1932	4,253	8.6	439	111
1933	4,002	8.5	412	110
1934	4,595	8.5	472	110
1935	4,947	8.4	506	109
1936	5,698	8.4	582	110
1937	6,038	8.4	615	110
1938	5,347	8.1	543	106
1939	5,678	8.1	576	108

* Martin, John L., "Income Payments to Individuals, by States, 1929-1939", *Survey of Current Business*, October, 1940, pp. 8-12.

† Adapted from "Income Payments to Individuals, by States", *op. cit.*, pp. 8-12 and United States population interpolations. For population sources see, Table I, Chapter I, footnote 1, p. 5.

Col. 2 of Table XI tells the story at a glance. It shows that the total income of Pennsylvanians dropped from \$7,230,000,000 in 1929 to \$5,678,000,000 in 1939, striking a depression low of \$4,002,000,000 in 1933. Because of the increase in population which took place in spite of economic adversity¹ this substantially decreased total income had to feed, clothe and shelter an increasing number of Pennsylvanians. Income and population are related to each other in Col. 4, which shows that the per capita income of Pennsylvania decreased from \$758 in 1929 to \$576 in 1939 with a depression low of \$412 in 1933.

Col. 3 and Col. 5 relate total Pennsylvania income payments and Pennsylvania per capita income, respectively, to the corresponding national figures. Col. 3 shows that whereas in 1929, 8.8% of the total United States income was received by Pennsylvanians, in 1939 only 8.1% of the national total trickled through the Commonwealth which compares unfavorably with Pennsylvania's relative position in 1932 when Pennsylvania income payments amounted to 8.5% of the national total. Again, Col. 5 indicates that while Pennsylvania's per capita income was 11% above the national average in 1929, the same per capita income

¹ See Table I, p. 13.

was closer to national per capita income in 1939 although it had improved somewhat as compared with 1938. In other words, the relative decline in the manufacturing,² mining,³ and farming⁴ position of the Commonwealth as well as the concurrent decline in other fields of economic endeavor, is reflected in the relative decline of the income position of Pennsylvania and Pennsylvanians.

It is likewise instructive to compare Pennsylvania's year by year per capita incomes when expressed as percentages of national per capita income with the comparable series for states whose products are similar to or identical with those manufactured in the Commonwealth.

Table XII, shows the per capita incomes of competitive states⁵ as percentages of United States per capita income.

Inspection of Table XII, Cols. 2 to 10, inclusive, indicates that out of the fourteen competitive states, but five, including Pennsylvania, registered declines in relative income position. It should be noted that among the states registering relative declines of varying magnitude (Pennsylvania, Illinois, Massachusetts, New Jersey, New York) only three—Pennsylvania, Massachusetts, and New York—have registered relative declines in their value added positions.⁶ It should likewise be noted that among the states whose relative manufacturing position is measured by value added has declined—Pennsylvania, Massachusetts, New York, North Carolina, Wisconsin—only Pennsylvania, Massachusetts, and New York experienced a corresponding decline in relative income position. In the case of North Carolina and Wisconsin, whose relative importance as manufacturing states has also declined over the period under consideration, the loss of manufacturing activities has apparently been compensated for by the development of other types of economic endeavor. North Carolina's relative income position actually improved in spite of the relative decline in value added. Wisconsin, though it too lost as a manufacturing state, occupied the same relative income position in 1937 it had enjoyed in 1929.

It is exceedingly instructive for fiscal purposes to ascertain the specific sources from which the income of Pennsylvanians was derived over the period under observation.

Regardless of the type of product or service that is being made available, effective production in a society characterized by private property and private enterprise requires the collaboration of men with skills, men with money to risk and men with funds to lend. The income of men who furnish skills is technically referred to as 'wages and salaries,' the income of the men taking risks on their own account (such as single proprietors or partners) is labelled 'entrepreneurial withdrawals,' the men who risk their money in corporate enterprises receive income which

² See Section IV, p. 17 and following.

³ See Section V, p. 21 and following.

⁴ See Section VI, p. 23 and following.

⁵ See, Table XII, p. 29.

⁶ See, Table IV, p. 18.

Table XII
Income Payments in Fourteen 'Competitive States' as a Percentage of United States Totals
(1929-1939)*

State	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938	1939
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Pennsylvania	8.8	8.9	8.9	8.6	8.5	8.5	8.4	8.4	8.4	8.1	8.1
California	6.6	6.8	6.9	7.0	7.0	6.8	6.8	7.1	7.2	7.3	7.3
Connecticut	1.8	1.8	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.8	1.9
Illinois	8.2	7.9	7.5	7.2	7.1	7.0	7.0	7.1	7.2	7.1	7.2
Indiana	2.3	2.2	2.2	2.1	2.2	2.3	2.3	2.4	2.4	2.5	2.4
Massachusetts	4.5	4.7	5.0	5.2	5.1	4.8	4.7	4.5	4.3	4.3	4.3
Michigan	4.4	4.1	3.9	3.8	3.6	4.0	4.2	4.3	4.6	4.2	4.5
New Jersey	3.9	4.1	4.3	4.5	4.2	4.0	3.9	3.9	3.8	3.9	3.8
New York	17.1	17.9	18.2	18.5	18.0	17.2	16.7	16.1	15.7	16.0	15.7
North Carolina	1.2	1.1	1.1	1.2	1.4	1.5	1.5	1.5	1.5	1.5	1.5
Ohio	6.0	5.8	5.7	5.5	5.6	5.7	5.9	6.0	6.1	5.8	6.0
Tennessee	1.1	1.0	1.0	1.1	1.1	1.2	1.2	1.2	1.2	1.2	1.2
West Virginia	1.0	.9	1.0	1.0	1.0	1.1	1.0	1.1	1.2	1.0	1.0
Wisconsin	2.3	2.2	2.2	2.1	2.1	2.1	2.2	2.3	2.3	2.3	2.2

* For underlying absolute amounts, see, Appendix C.

Table XIII
COMPONENT PARTS OF INCOME PAYMENTS IN PENNSYLVANIA AND UNITED STATES, 1929-39

Year	Total income payments (000,000)	Wages and salaries		Other labor income		Entrepreneurial withdrawals		Dividends, interest, net rents and royalties	
		Amount (000)	Percent of total	Amount (000,000)	Percent of total	Amount (000,000)	Percent of total	Amount (000,000)	Percent of total
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
<i>Pennsylvania</i> *									
1929	\$7,230	\$4,941	68.3	81	1.1	\$ 763	10.6	\$ 1,445	20.0
1930	6,653	4,492	67.5	86	1.3	678	10.2	1,397	21.0
1931	5,631	3,674	65.2	164	2.9	569	10.1	1,224	21.7
1932	4,253	2,751	64.7	113	2.7	452	10.6	937	22.0
1933	4,002	2,569	64.2	194	4.8	418	10.4	821	20.5
1934	4,595	2,979	64.8	266	5.8	483	10.5	867	18.9
1935	4,947	3,174	64.2	336	6.8	545	11.0	892	18.0
1936	5,698	3,570	62.7	467	8.2	609	10.7	1,052	18.5
1937	6,038	3,972	65.8	344	5.7	674	11.2	1,048	17.4
1938	5,347	3,352	62.7	483	9.0	613	11.5	899	16.8
1939	5,678	3,636	64.0	445	7.8	636	11.2	961	16.9
<i>United States</i> †									
1929	82,268	52,200	63.5	1,027	1.2	13,851	16.8	15,190	18.5
1930	74,566	47,318	63.5	1,124	1.5	11,758	15.8	14,366	19.3
1931	63,459	39,689	62.5	2,240	3.5	9,243	14.6	12,287	19.4
1932	49,275	30,801	62.5	1,737	3.5	7,136	14.5	9,601	19.5
1933	46,878	28,383	60.5	2,304	4.9	7,653	16.3	8,538	18.2
1934	54,138	32,227	59.5	3,207	5.9	9,334	17.2	9,370	17.3
1935	58,882	35,224	59.8	3,491	5.9	10,448	17.7	9,719	16.5
1936	68,051	39,298	57.7	5,204	7.6	11,951	17.6	11,598	17.0
1937	71,960	43,620	60.6	3,712	5.2	12,749	17.7	11,879	16.5
1938	66,259	39,781	60.0	4,761	7.2	11,509	17.4	10,208	15.4
1939	69,999	42,367	60.5	4,683	6.7	11,969	17.1	10,980	15.7

* Dollar figures from Martin, John L., "Income Payments to Individuals, by States 1929-1939", *Survey of Current Business*, October, 1940, pp. 8-12.
† Adapted from "Income Payments to Individuals", *op. cit.*, pp. 8-12.

is referred to as 'dividends,' the lenders' income is known as 'interest,' and the owners of special types of property receive either 'net rents' or 'royalties.' Men, temporarily out of work and men permanently withdrawn from private productive activities are said to receive 'other labor income' which consists of such items as unemployment insurance benefit payments, work project wages, and general or categorical relief.

The table following shows the above enumerated component parts of income payments in Pennsylvania and the United States.

Inspection of Table XIII, Col. 4 shows that wages and salaries, as percentages of total income payments have decreased from 68.3% in 1929 to 64.0% in 1939. This percentage decrease in salaries and wages was more than compensated for by a percentage increase in 'other labor income' (Col. 6) which consists largely of unemployment insurance benefits, work project wages, and general and categorical assistance. Adding the percentages in Col. 4 to those in Col. 6 'salaries and wages' plus 'other labor income' increased slightly from 69.5% in 1929 to 71.8% in 1939. 'Entrepreneurial withdrawals' likewise increased slightly from 10.6% in 1929 to 11.2% in 1939, whereas dividends, interest, net rents, and royalties decreased from 20.0% to 16.9% during the same period.⁷

In view of the great importance of salaries and wages as component parts of total income payments the table below has been prepared.

Table XIV

Percentage Ratios of Wages and Salaries Paid out in Major Industries to Total Wages and Salaries in Pennsylvania, 1938*

Industry	Percent
(1)	(2)
Total	100
Manufacturing	34
Trade	14
Government	12
Service	11
Transportation	8
Mining	7
Finance	4
Construction	3
Electricity and gas	2
Communication	1
Agriculture	1
Miscellaneous	3

* Computed from unpublished estimates furnished by the *National Income Division of the Department of Commerce*.

Inspection of Table XIV shows that manufacturing enterprise, of which steel is the most important single industry group,⁸ accounts for thirty-four per cent of all wages and salaries paid in Pennsylvania. The percentage contribution of manufacturing is more than twice as large as

⁷ In interpreting these data, it should be remembered that all personal taxes, that is, taxes assessed against natural persons, must be liquidated out of income payments. These personal taxes, however, have not been deducted from income payments as shown in Table XIII, p. 30.

⁸ See, Section IV, p. 17.

the wage and salary contribution made by trade, more than three times as large as the wage and salary contribution of the service enterprises, and 34 times as large as the wages and salary contribution of agriculture.

In the light of the outstanding importance of Pennsylvania manufactures as a source of wages and salaries, the fiscal policies affecting manufacturers are of special significance.

Concluding its survey of population and economic trends in Pennsylvania the members of the Joint State Government Commission wish to note that manufacturing in the Commonwealth has shown some improvement in 1939 and 1940.⁹ Unfortunately, at least part of some very recent improvement is not due to peacetime expansion of the American economy in general and the Pennsylvania economy in particular, but is caused by serious international strife and the stimulation given to heavy industry by the National Defense program. In the nature of the case, neither cause is likely to have any degree of permanency. On the contrary, there is every good reason to believe that history will repeat itself. If such should be the case, present industrial activities will cease abruptly and underlying tendencies will again reassert themselves.

It is the considered judgment of the members of the Joint State Government Commission that the interests of all the people constituting the Commonwealth of Pennsylvania will be better served in the end if legislators will heed the trends which have emerged over the last decade and a half rather than be comforted by the feeling that "things are looking up and looking better". As a matter of statistical fact, things industrial in Pennsylvania are looking better. But the present bright glow in Pennsylvania's industrial sky is in large part but the reflection of a conflagration which threatens to engulf all that used to be known as Western Civilization.

⁹ Van Pelt, Henry W., "Pennsylvania is Leader in Manufacturing", Commonwealth of Pennsylvania, Department of Internal Affairs, *Monthly Bulletin*, Vol. 9, No. 1, p. 24.

CHAPTER II

Expenditures, Actual and Estimated, of the State Government of the Commonwealth

Section I

Pennsylvania State Government Expenditures and Income of Pennsylvanians, 1927-1941

Changes in the magnitude of a state government's operations are conveniently measured in terms of changes in total state government expenditures. When total state government expenditures are expressed as percentages of the total income of Pennsylvanians a first and proximate judgment of the importance of the state government as a factor in the life of a citizen and as a claimant of part of the contents of his pocketbook are made possible.

Table I shows total state government expenditures, total income of Pennsylvanians, and, as far as availability of data permits, total state expenditures as percentages of income payments.

Table I

Total State Expenditures and Income Payments, Biennia 1927-29 to 1939-41

Biennium	Pennsylvania Income (000)	Total Expenditures (000)	$\frac{\text{Col. 3}}{\text{Col. 2}} \times 100$
(1)	(2)	(3)	(4)
1927-29	.....	\$243,432	..
1929-31	\$13,883,000	353,472	1.1
1931-33	9,884,000	328,864	3.3
1933-35	8,597,000	346,053	4.1
1935-37	10,645,000	438,646	4.2
1937-39	11,385,000	567,638	5.1
1939-41†	.....	548,439	..

Legend:

Col. (2), Martin, J. L., "Income Payments to Individuals by States, 1929-1939", *Survey of Current Business*, October, 1940, pp. 8-12. Col. (3), computation of the Joint State Government Commission.

† Estimated.

Inspection of Table I, Cols. 2 and 3 indicates that total Pennsylvania state expenditures exclusive of Federal receipts for special purposes and total income payments to Pennsylvanians have tended to move in opposite directions during the last decade. For instance, during the biennium 1929-31 income payments to Pennsylvanians amounted to \$13,883,000,000 and total state expenditures amounted to \$353,472,000. When expressed as percentages of total income, these total state expenditures amounted to 1.1 (see, Col. 4). However, during the biennium 1937-39 this percentage had reached 5.1.

Turning from the relationship of expenditures to income pay-

ments to the behavior of total state expenditures (see, Col. 3) over the period from 1927 to 1941 it will be observed that total state expenditures rose from \$243,432,000 for the biennium 1927-29 to an estimated \$548,439,000, for the biennium 1939-41. It will be observed that this last figure is more than twice as large as the first.

Section II

Pennsylvania's General Fund Expenditures by Principal Functions

The mounting sums of State expenditures are allocated among many public functions, the allocation method being somewhat different for different public services.

In the case of highway construction and maintenance all state monies¹ collected from the gasoline tax are deposited in a separate fund² and the sum total in the fund—unless borrowed under special legislative authority and devoted to the financing of other public functions—is devoted to highway purposes.³

However, this procedure is followed only in the case of highways and in connection with certain fees of minor quantitative importance.

Typically, all monies collected by the state government in the form of taxes⁴ are credited to the General Fund of the Commonwealth and allocated among the different public services by the General Assembly.

In view of the extent of the operations of the General Fund, its disbursements in time are of special legislative interest.

Table II Shows General Fund operations for the biennia 1927-29 to 1939-41.

Table II shows total General Fund expenditures as well as General Fund expenditures or disbursements for 1) protection of persons and property, 2) general government, 3) conservation of natural resources, 4) public health and welfare, 5) public assistance, and 6) public education.⁵

Inspection of Cols. 4, 6, 8, 10, 12, and 14 indicate that the above enumerated General Fund disbursements for different public functions have changed considerably as regards absolute amounts and relative importance over the period from 1927 to 1939.

By way of first observation it may be pointed out that inspection of Table II indicates that the Commonwealth's General Fund disbursements for all but one function (see, Col. 7) increased when the biennia 1927-29 and 1939-41 are compared.

¹ One-half cent per gallon of gasoline is transferred to the counties, see, *Commerce Clearing House, "Tax Systems"*, 8th ed., Chicago, 1940, p. 59.

² For Special Fund receipts and disbursements, see, *Appendix C*.

³ Part of the proceeds from the gasoline tax is returned to the counties to be used for highway purposes. See: Chapter VI.

⁴ For a discussion of principal Pennsylvania state taxes, see, Chapter III.

⁵ See Joint State Government Commission: "Manual on the State Government of Pennsylvania" Harrisburg, Pa. 1941; also for details regarding these functions see, *The Pennsylvania Manual*, Harrisburg, 1938, Vol. 83, Section 4. See also, *Appendix C*.

Table II
PENNSYLVANIA GENERAL FUND EXPENDITURES BY PRINCIPAL FUNCTIONS, 1927-1941 *
"APPLICABLE" TO THE BIENNIUM
(All money figures in \$000)

Biennium	General Fund Total Expendi- tures	Protection of Persons and Property		General Government		Conservation of Natural Resources		Public Health and Welfare		Public Assistance		Public Education	
		Amount	Col. (3) as % of Col. (2)	Amount	Col. (5) as % of Col. (2)	Amount	Col. (7) as % of Col. (2)	Amount	Col. (9) as % of Col. (2)	Amount	Col. (11) as % of Col. (2)	Amount	Col. (13) as % of Col. (2)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
1927-29	\$142,586	\$18,172	12.6	\$12,401	8.6	\$4,289	3.0	\$34,531	23.9	.....	...	\$75,132	52.0
1929-31	188,833	20,176	10.6	23,125	12.2	5,011	2.6	47,913	25.2	.....	...	90,924	47.8
1931-33	208,007	19,270	9.2	18,956	9.1	4,352	2.1	42,065	20.1	\$ 32,934	15.7	91,877	43.9
1933-35	229,218	20,292	8.6	19,230	8.2	2,635	1.1	35,229	15.0	65,257	27.8	92,019	39.2
1935-37	330,584	17,751	5.1	32,594	9.4	2,196	0.6	38,547	11.1	163,975	47.1	93,254	26.8
1937-39	409,532	29,181	6.5	34,312	7.6	4,222	0.9	43,375	9.6	239,732	53.3	98,834	22.0
1939-41†	395,024‡	19,202	4.9	37,575	9.5	1,976	0.5	48,030	12.2	193,910§	49.2	93,231	23.7

* Joint State Government Commission.

‡ Infinite.

† Estimated.

‡ Estimated to reach \$413,000,000.

§ Will amount to a minimum of \$208,000,000.

Disbursements for protection of persons and property (see, Col. 3) increased from \$18,172,000 to \$19,202,000. Disbursements for General Government (see, Col. 5) increased from \$12,401,000 to \$37,575,000. Disbursements for Public Health and Welfare (see, Col. 9) rose from \$34,531,000 to \$48,030,000. Disbursements for Public Education (see, Col. 13) rose from \$75,132,000 to \$93,231,000. Expenditures for Public Assistance, (see, Col. 11) a function which was not in existence in 1927-29, rose from \$32,934,000 for the biennium 1931-33 to \$193,910,000 for the biennium 1939-41.

Regarding the increase in General Fund disbursements for Public Assistance, it should be observed that this was the most rapid of all the increases noted.

Again, when expressed as percentages of total General Fund disbursements, Public Assistance and Public Education account for the largest percentage shares.

For the biennium 1939-41, for instance, Public Education accounted for 23.7% (see, Col. 14) of total General Fund disbursements, and Public Assistance (see, Col. 12) accounted for 49.2% of total General Fund disbursements.

In other words, in the biennium 1939-41 Public Assistance accounted for close to one-half of the disbursements of the General Fund and public education absorbed approximately one-fourth of the total disbursements of the General Fund. In terms of absolute dollar amounts public assistance will cost the state government an estimated \$208,000,000 for the fiscal period 1939-41 and public education an estimated \$93,231,000.

Because of the substantial drain which both public assistance and public education make upon the General Fund of the Commonwealth, the financing of the two functions will be briefly considered below.

Section III

The Financing of General Assistance

It would appear that among the fourteen states whose products compete with ours, Pennsylvania is the only one financing general assistance exclusively out of state tax sources.

Before indicating the nature of the financial problems which are presented by general assistance, the members of the Joint State Government Commission wish to call attention to the differences between so-called general assistance and so-called public assistance.

The term public assistance relates to the following functions: 1) aid to the blind, 2) aid to dependent children, 3) aid to the needy aged, and 4) so-called general assistance.

Aid to the blind, takes the form of "pensions" granted by the Commonwealth to blind residents of Pennsylvania. This form of aid is financed exclusively out of state tax funds.¹ Aid to dependent children, sometimes referred to as mothers' assistance consists of grants designed to benefit needy children. The state funds made available for this purpose are matched by the Federal Treasury upon proper authorization of the Social Security Board. Aid to the needy aged consists of payments to needy aged individuals, resident in Pennsylvania. Again, state payments to the needy aged are matched by the Federal Government. So-called general assistance consists of cash payments to persons not eligible for any of the other aids who are temporarily or permanently unemployed and without other means of support.

General assistance, or direct relief as it is commonly referred to in states other than Pennsylvania, is the most costly of the public assistance functions, having accounted for an estimated total of approximately \$95,000,000 for the biennium 1939-41.²

Table III indicates in a summary fashion how state and local governments of fourteen 'competitive states' share in the financing of general assistance, or direct relief.

Table III

State and Local Percentage Contributions toward the Financing of General Assistance: Pennsylvania and 'Competitive States' as of January 1, 1939^a

State	State Share	Local Share
(1)	(2)	(3)
Pennsylvania	100	0
California	x ^b	x
Connecticut	0	100 ^c
Illinois	x	x ^d
Indiana	0	100
Massachusetts	0	100 ^e
Michigan	x	x
New Jersey	x	x
New York	60	40 ^e
North Carolina	0	100
Ohio	50	50 ^f
Tennessee	0	100
West Virginia	x	x
Wisconsin	x	x

a—Lowe, R. C., *State Public Welfare Legislation*, pp. 70-76 and pp. 254-255. Washington, 1939.

b—When used in this table x indicates that the state and locality share, but the percentages are not given.

c—The state reimburses towns for the expenses of state paupers.

d—Local share determined by formula prescribed by law.

e—State reimburses 100% of cost of state poor.

f—Does not apply to \$1,500,000 appropriated from 1939 sales tax revenue.

¹ The Federal Government stands ready to match grants to the blind, provided the blind to whom the grants are made are in need, need being defined by Federal statute. To be eligible for aids or so-called "pensions" the Pennsylvania blind do not have to be "needy" in the Federal sense of the word.

² For details regarding General Fund expenditures for general assistance, see, Joint State Government Commission, "Relief Report".

Inspection of Table III shows that: 1) out of the fourteen competitive states only Pennsylvania finances general assistance exclusively out of state government funds, 2) five—Connecticut, Indiana, Massachusetts, North Carolina and Tennessee—make no state contribution whatever toward the financing of general assistance, and 3) in the remaining eight states—California, Illinois, Michigan, New Jersey, New York, Ohio, West Virginia and Wisconsin—the financing of general assistance or direct relief, as it is sometimes called, is a joint state-local responsibility with the state governments contributing varying proportions toward the payment of general assistance obligations incurred.

Because of the unique method of financing general assistance in Pennsylvania and the strain which this arrangement imposes upon the General Fund, it has been suggested that part of the responsibility for financing general assistance be returned to the local units of government³ with whom the responsibility rested prior to 1933.

Section IV

The Financing of Public Education: Some Facts and a Challenge

The financing of public education¹ in Pennsylvania, unlike the financing of general assistance, is a joint function of the state and local governments.

By way of introductory observation the members of the Joint State Government Commission wish to point out that in their judgment the financial policies of the state government as they relate to public education may well be different from those relating to the financing of general assistance or direct relief.

This judgment is bottomed upon the observable fact that whereas educational offerings made available through the local school districts can and are standardized by the General Assembly by means of legislation stipulating minimum teacher salaries as well as minimum teacher qualifications no such state wide standardization seems possible in the case of general assistance, because the determination of a given citizen's need for public relief is a highly individualized matter involving the ascertainment of facts which tend to differ in each and every individual's case.² Inasmuch as the pertinent facts necessary to the satisfactory establishment of eligi-

³ For a fuller discussion of proposals of this type, see, Chapter VII. See, also, *Joint State Government Commission, "Relief Report"*, Harrisburg, 1941.

¹ The treatment of public education presented in this section is confined to grade, high, and vocational school education. It does not include so-called 'higher education' which is in part financed by the General Fund of the Commonwealth by means of biennial subsidies to selected colleges and universities.

² For further details see: *Joint State Government Commission "Relief Report"*, Harrisburg, 1941.

bility for general assistance can best be determined locally, a state legislature that assumes exclusive responsibility for the financing of general assistance loses virtually all effective control as regards the magnitude of the financial obligations which it incurs.

Passing from the general to the concrete, the members of the Joint State Government Commission wish to outline contemporary procedures as they relate to the financing of public education in Pennsylvania.

These dollar disbursements of the Commonwealth General Fund, which are usually made available to the local school districts, constitute on the average 23.2%³ of the current cost of public education and about 21.2% of the total cost of public education, the remainders of 76.8% and 78.8% being financed by the local school districts out of local real estate and local per capita taxes.⁴

It is interesting to compare state and local percentage contributions toward meeting the cost of public education for Pennsylvania and selected⁵ competitive states. Table IV presents the pertinent data as far as they are available.

Table IV*
**Percentages of Total Public School Costs Derived from
State Funds in 'Competitive States', 1935-36**

State	State Percentage Share of Total Cost
(1)	(2)
Pennsylvania	21.2
California	Not available
Connecticut	Not available
Delaware	92.3
Illinois	10.0
Indiana	Not available
Massachusetts	10.7
Michigan	44.5
New Jersey	2.0
New York	37.2
North Carolina	Not available
Ohio	37.4
Tennessee	Not available
West Virginia	Not available
Wisconsin	16.2

* Adapted from *Pennsylvania State Education Association*, "Report of the Committee on Survey of School Costs", p. 21.

It is interesting to observe that three out of the eight competitive states for which data are readily available made larger state percentage

³ *Pennsylvania State Education Association*, "Report of the Committee on Survey of School Costs," Harrisburg, 1938, pp. 21 and 22. Also, *Pennsylvania State Education Association*, "Financing Public Education in Pennsylvania", Harrisburg, 1940, p. 30.

⁴ *Pennsylvania State Education Association*: "Financing Public Education in Pennsylvania", *op. cit.*, p. 9. It should be observed that the Federal government makes a contribution toward the financing of vocational education. However, in the recent past the Federal contribution has never exceeded one-half of one per cent of the total cost of public education.

⁵ The pertinent data for some competitive states would not seem to be readily available.

It is interesting to observe that three out of the eight competitive states for which data are readily available made larger state percentage contributions toward the financing of public education than Pennsylvania, whereas four made substantially smaller relative contributions.

In Pennsylvania, the local school districts—some 2,500 in number—are divided into four different classes on the basis of population. Different class school districts obtain different percentages of their current expenses from the General Fund of the Commonwealth.

At the present these percentages—which are often referred to as reimbursement percentages or reimbursement fractions⁶—are as follows:⁷

First Class districts	25%
Second Class districts	35%
Third Class districts	35%
Fourth Class districts	50%

These reimbursement fractions are applicable to the current expenses of all school districts unless 1) a district's true valuation of real property per teacher is between \$50,001 and \$100,000, in which case the district in question has its minimum salaries reimbursed to the extent of 60%, or 2) a given district's true valuation of real property per teacher is less than \$50,000, in which case the General Fund of the Commonwealth reimburses the district to the extent of 75% of its minimum salaries.

Generally speaking, the dollar amount of reimbursement which a given school district derives from the General Fund of the Commonwealth is obtained by multiplying teachers' minimum salaries as fixed by the General Assembly of the Commonwealth by the reimbursement fractions (.25, .35, .50, .60, and .75, respectively) which have previously been established for different classes of school districts.

Though the present system of school reimbursement which was established in 1921⁸ under the sponsorship of the Hon. Franklin Spencer Edmonds, now Senator from Montgomery County, is immeasurably superior to previous systems, the members of the Joint State Government Commission wish to call the attention of the General Assembly to some stresses and strains which the present setup has developed since its inception.

In the first place, the members of the Joint State Government Commission wish to point out that though 'true valuation' of property per teacher is an important factor in determining the reimbursement fraction of the less well-to-do school districts of the Commonwealth, at the present, no state agency has adequate powers and means to assure 'true valuation' assessments. As regards the direct interest of the state government in

⁶For a brief historical note regarding the origin of the contemporary reimbursement system, see, *Pennsylvania State Education Association*, "Report of the Committee on Survey of School Costs", Harrisburg, 1938, Chapter IV, p. 111.

⁷*Pennsylvania State Education Association*, "Financing Public Education in Pennsylvania", Harrisburg, 1940, pp. 31 and 32.

⁸*Pennsylvania State Education Association* "Report of Committee on Survey of School Costs", p. 111.

reliable 'true valuation' assessments and the defects of contemporary procedures the former Superintendent of Public Instruction of the Commonwealth of Pennsylvania, Dr. Lester K. Ade, observed in 1938:

"One of the major defects is the system of determining the true valuation per teacher. The factors used in this calculation are the assessed valuation of property, the percentage of true value at which the property is assessed, and the number of teachers. Obviously, the higher the assessment percentage, and the greater the number of teachers, the lower the true valuation per teacher.

"The assessment percentages reported by the school boards are presumably the percentages used by the assessors in making the valuation of property for levying of the county, school, and township taxes. These percentages cannot be accurate, because many assessors do not use a uniform percentage in assessing property. To most assessors the relationships between the true values and the assessed values for many properties are very indefinite. Therefore, the assessment percentages reported by school boards may or may not be accurate, and the school district may or may not be obtaining the rate of State-aid to which it is really entitled.

"When the valuation per teacher of a school district is close to the division line in determining State-aid percentages, a slight boost in the assessment percentage or in the number of teachers can put the district in a group receiving a higher percentage of State-aid. The Department of Public Instruction has made a study of districts whose rate of reimbursement has been changed under the Edmonds Act for the biennium of 1935-37 in order to ascertain the causes of the changes. Of the 289 districts studied in which the rate of reimbursement had changed, 242 had moved to a higher rate of reimbursement and 47 to a lower rate. Of 242 changes wherein the districts moved to a higher rate of reimbursement, 152 were due to increases in the rate of assessment, twenty-one to increases in the number of teachers in the districts, seven to a combination of increases in the assessment rate and increases in the number of teachers in the districts, thirty-seven to decreases in assessed value not due to changes in the rates of assessment, nine to a combination of an increase in assessment percentages and a decrease in assessed value, one to a combination of three factors—increase in assessment percentage, decrease in assessed valuation, and increase in the number of teachers, and fifteen to a higher rate of reimbursement were unexplained. Of forty-seven changes in which districts moved to a lower rate of reimbursement, twelve changes were due to decreases in the number of teachers, sixteen to decreases in the assessment rates, eleven to increases in assessed value not due to a change in the assessment rate, and two to increases in assessed valuations and decreases in assessment rates. No explanation was given for the change in the status of six districts.

"It is plain to be seen that most of the changes are toward a higher rate of reimbursement, and that the major causes are increases in the assessment rate, decreases in assessed value not due to changes in the assessment rates, and increases in the number of teachers.

"A closer view of the manner in which the system operates can be obtained by examining the situation in some of the school districts. In North Union Township in Fayette County the rate of reimbursement changed from thirty-five per cent in 1933 to sixty per cent in 1935-37, although there was a decrease of forty teachers. The increase in the rate is explained by the fact that the assessment rate of 40.5 per cent upon which the 1933-35 rate was based changed to an average of 76.6 per cent. In Madison Township School District in Lackawanna County, where the rate of assessment has been 100 per cent since 1930 and has given that school district a sixty per cent reimbursement, the addition of one teacher raised the district to a rate of reimbursement of seventy-five per cent for the biennium of 1935-37. These examples serve to show the manner in which many changes of reimbursement come about under the existing system.

"At the present time the State Council of Education has authority to correct and approve assessment percentages after investigation, but with locally elected assessors with whom they have scarcely any contact and who are not assessing property at a uniform percentage within a given school district, the task of accurately revising the assessment percentages reported is one the State Council is not equipped to do."⁹

The members of the Joint State Government Commission wish to suggest that their colleagues in the General Assembly take the real estate property assessment problem under serious advisement because inadequate assessments when utilized for school reimbursement purposes may place unjustifiable strains upon the General Fund of the Commonwealth.

Second, as has been pointed out above,¹⁰ school reimbursement fractions vary with the class into which a given school district belongs. A district's membership in a given class, in turn, depends upon the population resident in the district, and the larger the population the lower the reimbursement fraction on the basis of which the General Fund of the state government shares in the current expenses involved in operating the schools of the Commonwealth.

Underlying the classification of school districts according to population is the assumption that taxable real estate (the main source of local school revenue) varies with population. In terms of an illustration, the assumption underlying the present reimburse-

⁹ *Pennsylvania State Education Association "Report of the Committee on Survey of School Costs"*, Harrisburg, 1938, pp. 83 and 84.

¹⁰ See, p. 40 and following.

ment system is that a given school district of the third class has more taxable real estate per child of school age under its jurisdiction than a school district of the fourth class. Hence a school district of the third class is reimbursed for its minimum salaries to the extent of 35% whereas a school district of the fourth class is reimbursed to the extent of 50%. In addition, it would seem that the contemporary reimbursement system is built upon the assumption that all school districts in the same class show substantially the same amount of effectively taxable real estate per child of school age.

Table V

Adjusted Taxable Real Estate Valuation per Pupil in Average Daily Membership for Selected Fourth Class School Districts, 1938-1939*

Adjusted Valuation Per Pupil	Frequency	Cumulative Frequency
(1)	(2)	(3)
\$ 0— 500	4	4
500— 1,000	41	45
1,000— 1,500	80	125
1,500— 2,000	60	185
2,000— 2,500	43	228
2,500— 3,000	26	254
3,000— 3,500	18	272
3,500— 4,000	12	284
4,000— 4,500	10	294
4,500— 5,000	4	298
5,000— 5,500	6	304
5,500— 6,000	3	307
....		
6,500— 7,000	2	309
7,000— 7,500	3	312
7,500— 8,000	1	313
....		
8,500— 9,000	4	317
9,000— 9,500	1	318
9,500— 10,000	1	319
....		
10,500— 11,000	1	320
11,000— 11,500	1	321
11,500— 12,000	1	322
....		
16,500— 17,000	1	323
....		
17,500— 18,000	1	324
18,000— 18,500	1	325
18,500— 19,000	1	326
....		
20,500— 21,000	1	327
....		
30,500— 31,000	1	328
....		
36,000— 36,500	1	329
....		
38,000— 38,500	1	330
TOTAL	330	

* From Joint State Government Commission.

In the light of the problem presented by the so-called 'distressed school district'¹¹ a problem of which the General Assembly has taken legislative cognizance at several sessions¹² the validity of the assumption outlined above has been questioned in public discussion. With a view of testing the supposition underlying the present school reimbursement system, the Joint State Government Commission has developed the data submitted below which are believed to shed light upon the problem at hand.

Table V shows for selected 'distressed' fourth class school districts the 'adjusted' assessed valuation of taxable real estate, the main source of local school tax revenue.

Table V, Col. 1 presents the adjusted¹³ real estate valuation per child in average daily attendance and Col. 2 shows a number of selected¹⁴ distressed fourth class school districts which had a given adjusted assessed realty valuation per child in average daily attendance. To illustrate, in 1938-39 there were four (Col. 2) distressed school districts having an adjusted assessed realty valuation between \$0 and \$500. In the same year there were 41 (Col. 2) distressed fourth class school districts having an adjusted assessed real estate valuation (Col. 1) of between \$500 and \$1000 per child in average daily attendance.

Inspection of Col. 1 indicates that adjusted assessed realty valuation per child in average daily attendance ranged from \$250 to \$38,250, the mean or average value being \$2,871 and the coefficient of variation exceeding 68%¹⁵. Further inspection indicates that most of the fourth class school districts investigated in Table V had adjusted assessed realty valuations per pupil in average daily attendance ranging from \$250 to \$5,250. This segment range as well as the over-all range are of considerable significance from a state of reimbursement point of view, for they indicate that if a reimbursement fraction of 50%¹⁶ is adequate for, say, the well-to-do districts, it is necessarily inadequate for the less fortunate districts.

Table VI shows for all third class school districts, data comparable to those shown for the selected fourth class districts previously presented in Table V.

¹¹ For a complete list of distressed school districts, their assessed and adjusted real estate valuation and their per capita tax levies see, *Appendix C*.

¹² Between 1931 and 1941 the following amounts were appropriated for distressed school districts: 1—Biennium 1931-33, \$1,250,000; 2—Biennium 1933-35, \$5,000,000; 3—Biennium 1935-37, \$4,000,000; 4—Biennium 1937-39, \$3,000,000; 5—Biennium 1939-41, \$4,000,000. From a computation of the *Joint State Government Commission*.

¹³ "Adjusted real estate valuations" are assessed valuations equalized at market value levels. For technique employed in equalizing actual assessments at market levels see, *Appendix B*.

¹⁴ For methods by means of which fourth class school districts have been selected, see, *Appendix B*.

¹⁵ For a discussion of the significance of the coefficient of variation, see, *Appendix B*.

¹⁶ See, pp. 40 and 42.

Table VI
Adjusted Taxable Real Estate Valuation per Pupil in School Census for
Third Class School Districts, 1936-1937*

Adjusted Valuation Per Pupil	Frequency	Cumulative Frequency
(1)	(2)	(3)
\$ 0— 1,000	4	4
1,000— 2,000	46	50
2,000— 3,000	49	99
3,000— 4,000	39	138
4,000— 5,000	21	159
5,000— 6,000	24	183
6,000— 7,000	18	201
7,000— 8,000	13	214
8,000— 9,000	6	220
9,000—10,000	11	231
10,000—11,000	4	235
11,000—12,000	4	239
12,000—13,000	3	242
13,000—14,000	2	244
14,000—15,000	2	246
15,000—16,000	2	248
16,000—17,000	1	249
....		
18,000—19,000	2	251
....		
21,000—22,000	1	252
....		
26,000—27,000	1	253
27,000—28,000	1	254
....		
73,000—74,000	1	255
Total	255	

* Adjusted valuation of real estate taken from *Report of the Committee on Survey of School Costs*, Pennsylvania State Education Association, pp. 126-203.

School census taken from *Statistical Report of the Superintendent of Public Instruction*, Harrisburg, 1937, pp. 8-11.

Inspection of Table VI, Col. 1 reveals that adjusted assessed realty valuation per child as given by the school census in third class districts ranges from \$500 to \$73,500, the mean or average assessed valuation per child being \$5,261 and the mean having a coefficient of variation of 61.3%¹⁷. Close inspection of Col. 1 further indicates that if a given reimbursement fraction (35% of minimum salaries in the case of third class school districts) is adequate for the upper bracket districts it is necessarily inadequate for the less well-to-do districts. Similarly, if the present reimbursement fraction of .35 if considered adequate for the less well-to-do districts, it would seem to follow that it must be in excess of needs as regards the more fortunate districts.

It is likewise instructive to compare adjusted assessed valuation per child in fourth and third class districts.

¹⁷ A coefficient of variation measures the variations of actually observable values from a computed average. Assuming that a given average is 100, a coefficient of variation of 20% means that the actually observable values range anywhere from 80 to 120. The larger a given coefficient of variation, the less representative the average. See, *Appendix B*.

Comparison of Tables V and VI shows that numerous fourth and third class districts have the same adjusted taxable real estate valuation per child. The following table which is based upon Tables V and VI, shows the most frequently occurring instances of virtually identical adjusted realty valuations per child in fourth and third class districts.

Table VII
Number of Fourth and Third Class School Districts Having Similar Adjusted Realty Valuations per Child

Adjusted Realty Valuation Per Child	Number of Districts	
	Fourth Class	Third Class
(1)	(2)	(3)
\$1,000—\$2,000	14	46
2,000— 3,000	69	49
3,000— 4,000	30	39
4,000— 5,000	14	21
5,000— 6,000	9	24
	136	179

In interpreting Table VII, it should be recalled that this table does not present a complete recapitulation of Tables V and VI. It merely shows adjusted realty valuation identity in fourth and third class school districts for those districts where such identity occurs with relatively high frequency.

With this limitation in mind, it is instructive to observe that there are at least 136 fourth class districts which have approximately the same adjusted realty valuation as 179 third class districts. Unless all these districts come under the special rule which provides for reimbursement on an adjusted valuation per teacher basis,¹⁸ the third class districts will have their current school expenses reimbursed to the extent of 35%, whereas the fourth class districts will have their current expenses reimbursed to the extent of 50%.

It is the judgment of the members of the Joint State Government Commission that the situation outlined above is worthy of the attention of the General Assembly the members of which might well raise the question: Should the contemporary reimbursement system not be modified with a view of what seem to be defects which have developed in the course of its twenty years of operation? If any modifications of the system are taken under advisement they may well aim at the liquidation of the 'distressed school district' problem. The present 'emergency' method of dealing with this problem by special legislative appropriations to be allocated among the school districts at the discretion of the Superintendent of Public Instruction would not seem to be in conformity with

¹⁸ See, pp. 40 and 42.

American precepts of government. As Dr. Francis B. Haas, present Superintendent of Public Instruction of the Commonwealth of Pennsylvania has so ably said, “. . . in a democracy, no man should have the power to distribute so much public money (referring to the dollar totals involved in making grants to the distressed school districts) at his discretion.”¹⁹

¹⁹ Remarks of Dr. Francis B. Haas, meeting of the Pennsylvania Education Congress in the Forum, Harrisburg, October 2, 1940.

CHAPTER III

Pennsylvania State and Local Tax Bases, Tax Rates and Tax Yields

Section I

Changes in Pennsylvania's 'Over-all Tax Effort,' 1929-1940:

Definitions and Measurements

Any increases in public expenditures¹ necessitate corresponding and proportional increases in public revenues. Though legislators, under pressure from constituents whose interests are diverse and sometimes at cross-purposes, may ardently desire to break the discomforting connection between increases in public expenditures and the necessity for increases in public revenues, all experience and logic shows that the magic circle cannot be broken save by repudiation and bankruptcy. To be sure, legislators inconvenienced by the necessity of paying bills lawfully contracted may temporarily delay the day of reckoning. But though they may temporarily disregard the revenue and tax obligations imposed upon them inevitably and automatically by their favorable action upon appropriation bills, they cannot abolish the day of reckoning either by statute or joint resolution.

Pennsylvania's Constitution makes it relatively difficult for legislators to refuse to pay the piper that attends whenever an appropriation bill is favorably acted upon, because Article IX, Section 4² of that basic instrument decrees that the indebtedness of the Commonwealth may not exceed \$1,000,000 at any one time. However, in spite of this Constitutional restriction, some deferment is possible. For a limited time the difference between public expenditures and public revenue can be maintained by manipulations of the fiscal year, shifting of the dates on which taxes fall due, and so called temporary borrowing from Special Funds.³ Though sometimes any one of these manipulations can be justified, their persistence in time tends to introduce an element of uncertainty in the affairs of the state and the citizens who compose it which is prejudicial to the interests of both.

With a view of facilitating comparisons between the outgo and income of the public treasury, the Joint State Government Commission submits below data for Pennsylvania and selected 'competitive states'⁴ showing estimated tax yields, tax bases, tax rates and other relevant data. Before presenting these data in detail the members of the Joint State Government Commission wish to submit certain preliminary observations which they believe germane to the problem under consideration.

In the first place, tax yield or tax collection data are not particularly

¹ For recent expenditure trends in Pennsylvania, see, Chapter II.

² See, *Legislative Reference Bureau*, "Constitution of Pennsylvania; Constitution of the United States", Harrisburg, 1930, p. 37.

³ See, *Appendix C* for Special and General Fund operations.

⁴ For a definition of 'competitive state', see, *Appendix B*.

meaningful unless related to some general measure of welfare. That is to say, it is not particularly consequential to point out that tax collections have either risen or fallen over a specified period of time unless such a statement is accompanied by some other statement relative to the changes in the economic position of those individuals or groups of individuals from whom the taxes whose yields are shown to have been collected. A convenient general measure of changes in the economic position of individuals or groups of individuals is presented by income or, as the technical phrase goes, 'income payments to individuals.'¹ When the percentage ratio of 'total tax collections' to 'total income' is calculated, a useful measure is obtained which shows to what extent public revenues impinge upon private purses.² If the measurement indicated is taken for successive years, the observant legislator can learn a great deal regarding the causes of tax agitation. For instance, if the value of the percentage ratio 'tax collections' to 'income' rises rapidly over a short period of time, such rise is usually accompanied by extensive and emphatic complaints about "excessive tax burden", although the allegedly "excessive burden" may be considerably lighter than the "burden" in comparable and 'competitive states'.

Section II

Pennsylvania's Principal State Tax Sources

Table I, shows for the period from 1929 to 1940 Pennsylvania state tax collections, actual and estimated³ local tax collections; state plus estimated local tax collections, estimated per capita state taxes, estimated per capita local taxes, estimated per capita state plus local taxes, Pennsylvania per capita income, and Pennsylvania per capita taxes (state, local, state plus local) as percentages of Pennsylvania per capita income.

Inspection of Table I Col. 4 shows that Pennsylvania state plus estimated local tax collections have risen from \$468,945,000 in 1929 to \$528,155,000 in 1939. As inspection of Cols. 2 and 3 indicates, this increase in total tax collection is due exclusively to an increase in state tax collections—local tax collections over the period under consideration having actually declined, but state tax collections registering a rise from \$125,851,000 in 1929 to \$247,702,000 in 1940. In terms of indices (Cols. 5, 6, and 7) total Pennsylvania tax collections have risen from 100 in 1929 to 112.6 in 1939, an increase of approximately 12 per cent, local collections have declined approximately 15 per cent (Col. 6) and state collections (Col 5) have increased 96 per cent.

The changes in tax collections—total, state, and local—are reflected in changes in per capita tax collections shown in Cols. 8, 9, and 10. Over

¹ See, p. 26.

² See, Wueller, P. H., "Income and the Measurement of the Relative Capacities of the States", *Studies in Income and Wealth*, Vol. III, National Bureau of Economic Research, 1939, p. 437 and following.

³ For details of estimation technique. see *Appendix B*.

TABLE I
PENNSYLVANIA STATE AND LOCAL TAX COLLECTIONS AND INCOME PAYMENTS, FISCAL YEARS, 1929-1940

Year	Tax Collections			Index 1929 = 100			Per Capita Taxes			Per Capita Income	Per Capita Collections As Per cent of Per Capita Income		
	State (000)	Local (000)	Total (000)	State	Local	Total	State	Local	Total		State	Local	Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
1929	\$125,851	\$343,094	\$468,945	100.0	100.0	100.00	13.2	36.0	49.2	757.8	1.7	4.8	6.5
1930	142,791	349,949	492,740	113.5	102.0	105.1	14.8	36.3	51.2	690.8	2.1	5.3	7.4
1931	165,393	333,807	499,200	131.4	97.3	106.5	17.1	34.6	51.7	583.1	2.9	5.9	8.8
1932	136,099	305,189	441,288	108.1	89.0	94.1	14.1	31.5	45.6	439.2	3.2	7.2	10.4
1933	141,485	279,674	421,159	112.4	81.5	89.8	14.6	28.8	43.4	412.2	3.5	7.0	10.5
1934	125,353	289,331	414,684	99.6	84.3	88.4	12.9	29.7	42.6	472.0	2.7	6.3	9.0
1935	140,069	297,535	437,604	111.3	86.7	93.2	14.4	30.5	44.8	506.8	2.8	6.0	8.8
1936	180,458	303,063	483,521	143.4	89.3	103.1	18.4	30.9	49.4	582.2	3.2	5.3	8.5
1937	278,087	299,603	577,690	221.0	87.3	123.2	28.3	30.5	58.8	615.3	4.6	5.0	9.6
1938	264,548	298,700 *	563,248	210.2	87.1	120.1	26.9	30.3	57.2	543.4	5.0	5.6	10.6
1939	235,055	293,100 *	528,155	186.8	85.4	112.6	23.8	29.7	53.5	575.5	4.1	5.2	9.3
1940	247,702	.....	.....	196.8	....	....	25.0	...	...	601.2*	4.2	..	..

Legend:

Col. (2) Joint State Government Commission.
 Col. (3) Pennsylvania Department of Internal Affairs, Bureau of Statistics, Division of Assessments and Taxes.
 Cols. (8), (9), (10) Computed by dividing Col. (2), into Cols. (2), (3) and (4) respectively.
 Col. (11) Data from Martin, J. L., "Income Payments to Individuals by States, 1929-1939," *Survey of Current Business*, October, 1940, pp. 8-12, and Col. (2) Table I, Chapter I, p.

* Estimated: For local tax collections, see, *Appendix B*.
 For 1940 per capita income, see, *Appendix B*.

the period under consideration, Pennsylvania total per capita tax collections increased from \$49.20 in 1929 to \$53.50 in 1939. Local per capita tax collections decreased from \$36.00 in 1929 to \$29.70 in 1939, but state per capita tax collections increased from \$13.20 in 1929 to \$25.00 in 1940, having reached an all time high of \$28.30 in 1937.

Cols. 12, 13 and 14 show Pennsylvania per capita tax collections—state, local and total—as percentages of Pennsylvania per capita income. Inspection of these columns indicates that total per capita tax collections as percentages of per capita income increased from 6.5% in 1929 to 9.3% in 1939. Though per capita local tax collections (Col. 9) decreased between 1929 and 1939, local per capita tax collections as percentages of per capita income increased from 4.8% in 1929 to 5.2% in 1939. State per capita tax collections as percentages of per capita income exhibited the same tendency as total—and local—per capita collections as percentages of per capita income, rising from 1.7% in 1929 to 5.0% in 1938, and then dropping back to 4.2% in 1940. It should be observed that though all percentage ratios: ‘per capita collections’ to ‘per capita income’ increased over the period under consideration, the value of the ratio ‘state per capita tax collections’ to ‘per capita income’ increased more rapidly than the value of the two other ‘per capita tax collections’ to ‘per capita income’ ratios.

For convenience of reference the percentage ratio ‘total per capita tax collections’ to ‘per capita income’ will henceforth be designated as ‘over-all tax effort’. In other words, the ‘over-all tax effort’ of any one jurisdiction is measured by the value of the ratio ‘total per capita tax collections of the jurisdiction in question’ to the ‘per capita income received by the persons constituting the jurisdiction’.

It seems apparent that though this measure is useful for the purpose indicated above⁴ it does not furnish the legislator who is interested in ascertaining the specific effects of a given tax system with sufficient detail. Typically, the legislator is not only interested in what percentage the operations of government take from the income of his constituents, he is likewise vitally interested in ascertaining who among his constituents bears the brunt of an increase in over-all tax effort. A first and tentative answer to this question is facilitated by a review of statutory changes in tax rates and tax bases.

Table II, was prepared to facilitate such a review as far as tax rates are concerned.

Cursory inspection of Table II, Col. 2, which shows the title and measure of principal Pennsylvania state taxes, and Cols. 3, 4, 5, 6, 7 and 8 which show the receipts from these titles for the years 1929, 1935, 1936, 1937, 1938, 1939 and 1940, indicates that the bulk of Pennsylvania’s state tax collections is derived from business taxes, the only quantitatively consequential exception being repre-

⁴ See, p. 50.

TABLE II
RECEIPTS FROM PRINCIPAL STATE TAX SOURCES, 1929, 1935-1940
(RECEIPT FIGURES IN THOUSANDS OF DOLLARS)

Type of Tax Base		Receipts for Fiscal Year Ending May 31*										Rates*			
(1)	(2)	1929	1935	1936	1937	1938	1939	1940	1929	1935	1936	1937	1938	1939	1940
Capital	Bonus on charters—Domestic—capital stock authorized	\$ 1,565.8	\$ 132.0	\$ 206.9	\$ 438.2	\$ 337.1	\$ 108.4	\$ 96.8	1/5 of 1%	1/5 of 1%	1/5 of 1%	1/5 of 1%	1/5 of 1%	1/5 of 1%	1/5 of 1%
	Foreign—capital employed in state	189.2	143.3	497.9	426.3	294.2	144.7	1/3 of 1%	1/3 of 1%	1/3 of 1%	1/3 of 1%	1/3 of 1%	1/3 of 1%	1/3 of 1%	1/3 of 1%
	Capital stock—Domestic—actual value of whole capital stock	17,999.2	17,125.0	17,197.9	35,855.0	21,733.4	20,203.3	21,034.4	4 mills	4 mills	5 after Jan. 1	8 after Jan. 1	8 mills	8 mills	8 mills
	Foreign—capital stock, ratio of Pa. business	1,455.1	1,524.8	10,492.7	7,792.3	7,732.1	6,837.1	4,506.3	4 mills	4 mills	4 mills	4 mills	4 mills	4 mills	4 mills
	Corporation loans—value of evidences of indebtedness	4,592.5	5,242.2	3,242.2	11,148.8	7,930.1	6,457.9	5,943.8	4 mills	4 mills	4 mills	4 mills	4 mills	4 mills	4 mills
	Public loans—value of evidences of indebtedness	1,455.1	1,902.8	4,446.0	2,738.0	1,485.1	4,506.3	4 mills	4 mills	4 mills	4 mills	4 mills	4 mills	4 mills	4 mills
	Spirituous and vinous liquor floor tax—vol. stored in Dec. 1933	226.0	2,904.9	3,165.4	158.6	2.2†	5.5†	4 mills	4 mills	4 mills	4 mills	4 mills	4 mills	4 mills	4 mills
	Bank stock—actual value	4,716.1	1,191.1	1,659.8	2,068.0	96.8†	31.9†	3,507.0	4 mills	4 mills	4 mills	4 mills	4 mills	4 mills	4 mills
	Title insurance and trust companies—actual value of stock	17,526.1	19,370.8	19,548.5	16,857.2	28,698.2	21,076.6	19,344.3	4 mills	4 mills	4 mills	4 mills	4 mills	4 mills	4 mills
	Transfer, inheritance and estate—value of property	518.9	17,794.5	11,919.8	12,095.3	11,556.5	1 mill from Jan. 1	4 from Jan. 1	4 mills	4 mills	4 mills	4 mills	4 mills	4 mills	4 mills
	Personal property tax—value of intangibles	48,080.8	51,509.4	49,489.0	101,094.5	90,176.8	75,545.2	75,788.0	1 mill from Jan. 1	4 from Jan. 1	4 mills	4 mills	4 mills	4 mills	4 mills
Total Capital Base		48,080.8	51,509.4	49,489.0	101,094.5	90,176.8	75,545.2	75,788.0							
Transactions	Domestic insurance companies—gross premiums	314.9	191.3	142.4	173.6	214.4	279.4	232.3	8 mills	8 mills	8 mills	8 mills	8 mills	8 mills	8 mills
	Foreign insurance companies—gross intrastate premiums	6,707.0	6,561.4	6,465.6	7,109.5	7,601.1	7,476.4	7,476.7	2%	2%	2%	2%	2%	2%	2%
	Private bankers—gross receipts from commissions, discounts, etc.	21.0	46.2	30.6	20.8	89.8	105.5	7.7	1%	1%	1%	1%	1%	1%	1%
	Corporations—(Utilities) gross receipts—intrastate business	4,222.2	3,253.1	4,662.9	6,248.8	7,931.0	6,799.8	7,777.1	8 mills	14 mills	20 mills	20 mills	20 mills	20 mills	20 mills
	interstate, ratio of Pa. miles	3.3	5.9	6.1	11.6	10.8	6.1	8 mills	8 mills	8 mills	8 mills	8 mills	8 mills	8 mills	8 mills
	Stock transfer—face value of stocks sold or transferred	630.5	245.0	493.9	545.0	316.1	362.0	Par stock 2c per \$100; no par 2c per share							
	Writs, wills and deeds—value represented	446.8	292.4	291.8	293.5	294.2	281.2	300.5			50 cents graduated to \$3.50				
	Documentary stamp tax—value represented	9,016.6	1.2†	5.4†	472.8	56.7†	1.6†	5c per \$100	5c per \$100	5c per \$100	5c per \$100	5c per \$100	5c per \$100	5c per \$100	5c per \$100
	Anthracite coal tax—market value of tons mined	86.4	34.0	32.8	47.6	42.2	38.5	45.4	1 1/2%	5%	5%	5%	5%	5%	5%
	Boxing and wrestling matches—total gross receipts	2,662.8	4,140.7	965.8†	2.5†	1.0†	1.0†	1.0†							
	Amusement tax—admission price	240.6†	65.0†	60.8†	19.8†	4.4†	6.7†	1%							
	Emergency relief sales tax—gross sales	2,928.5	2,353.6	2,657.5	2,353.8	2,607.8	2,559.9	2,553.6			1 mill plus flat fee of \$2.00				
	Mercantile license tax—Retail—gross volume of business	851.6	550.8	607.2	740.8	710.0	626.4	638.2			1/2 mill plus flat fee of \$3.00				
	Mercantile license tax—Wholesale—gross business	397.1	436.3	605.9	678.3	624.9	780.6								
	Mercantile license tax—Miscellaneous—gross business	24,008.6	32,892.6	44,786.4	53,346.6	55,648.9	56,188.2	57,007.6	3 cents	3 cents	4 cents	4 cents	4 cents	4 cents	4 cents
	Cigarette tax—volume of sales	6,702.1	6,749.0	7,406.6	7,433.5	6,843.2	7,183.6	16.1			1c per 25c	1c per 25c	1c per 25c	1c per 25c	1c per 25c
	Gasoline tax—per gallon	32.8	30.3	27.4	27.7	19.8	16.1				1/2c per pint	1/2c per pint	1/2c per pint	1/2c per pint	1/2c per pint
	Malt beverage tax—volume manufactured or imported	1,379.3	7,290.3	7,290.3	7,290.3	7,290.3	7,290.3				4 cents	4 cents	4 cents	4 cents	4 cents
	Spirituous and vinous liquor tax—volume manufactured or imported	224.0†	7,803.4	7,803.4	7,803.4	7,803.4	7,803.4				10%	10%	10%	10%	10%
	Distilled spirits tax—purchase price payable by Liquor Board	7,290.3	7,290.3	7,290.3	7,290.3	7,290.3	7,290.3				10%	10%	10%	10%	10%
	Emergency liquor sales tax—net price of sale by Board	49,809.4	53,168.2	79,242.3	103,076.2	103,967.4	100,719.8	103,472.0							
Total transactions base		49,809.4	53,168.2	79,242.3	103,076.2	103,967.4	100,719.8	103,472.0							
Income	Emergency profit tax†	20.8	0.2	0.3	0.1	0.5	0.2	2.0	5%	5%	5%	5%	5%	5%	5%
	Domestic marine insurance—annual underwriting profit	1.2	1.0	0.1	0.1	0.8	1.6	1.5							
	Foreign marine insurance—annual underwriting profit	165.1	71.4	24.6	314.6	174.2	71.2	130.0	3%	3%	3%	3%	3%	3%	3%
	Income tax on saving fund societies—net income	12,969.7	12,969.7	12,969.7	12,969.7	12,969.7	12,969.7	12,969.7							
	Corporate income tax—net income	185.9	75.8	12,997.9	30,196.6	28,358.7	16,422.5	23,778.7							
Total income base		185.9	75.8	12,997.9	30,196.6	28,358.7	16,422.5	23,778.7							
Fees and Licenses	Motor vehicle registration, etc.	27,774.9	31,366.7	33,695.4	37,986.1	35,250.2	35,311.5	37,320.0							
	Liquor license fees and permits	3,949.0	5,033.1	5,733.8	6,795.2	7,056.3	7,342.8								
Total Fees and Licenses Base		27,774.9	35,315.7	38,728.5	43,719.9	42,045.4	42,367.8	44,662.8							
Total Receipts from Principal Tax Sources		\$125,851.0	\$140,068.2	\$180,457.7	\$278,087.2	\$264,548.3	\$235,055.3	\$247,701.5							

* From Joint State Government Commission: Rates also from "Federal and State Tax Systems" 2d edition: "Tax Systems of the World" 6th, 7th, 8th editions: "Purdon's Pennsylvania Statutes."
 † Tax no longer operative; figures represent delinquent collections.
 ‡ Restaurant operators, \$2 license plus 1 mill per \$1 of gross business; vendors and dealers at any exchange or board of trade, 25 cents per \$1,000 of gross sale.
 § \$1 per proof gallon on distilled spirits, or wine gallon below proof; 30 cents per proof gallon on rectified spirits or wine gallon below proof (\$1.30 on imports); wine 1/2 cent per unit of proof per wine gallon.

sented by the personal property tax, the cigarette tax, the inheritance tax, and the gasoline tax.

Inspection of Cols. 9 to 15, inclusive, which show the rates carried by the titles listed in Col. 2, indicates that the specific tax effort required from selected tax payers has increased considerably between 1935 and 1940.

To mention only the more conspicuous increases in specific tax effort—a term which may be defined as the percentage ratio 'tax due' to 'value of tax base'—such increased specific state tax effort has been primarily required from the corporate stock base, the corporate net income base, the personal property base, and that segment of the transaction or commodity base represented by cigarettes, alcoholic beverages, and gasoline.⁵

Table III, presents an index of major changes in specific state tax effort which have taken place between 1935 and 1940.

Table III*

Index of Changes in Specific Tax Effort Required from Principal Tax Bases

Tax Base (1)	State Taxes Due as Percentages of Unit Value of Bases	
	1935 (2)	1940 (3)
Corporate Loans	4	8
Bank Stock	4	8
Title Insurance and Trust Companies	5	8
Personal Property	0	4
Utilities Gross Receipts	14	20
Emergency Relief-Sales	1	0
Cigarettes	0	1
Gasoline	3	4
Emergency Liquor	0	10
Corporate Net Income	0	7

* Computed on the basis of data shown in Table II.

Inspection of Table III indicates, for example, that one dollar of corporate net income, while not subject to any state income tax whatever prior to 1935, was subject to a seven per cent corporate net income tax in 1940. Similarly, whereas a gallon of gasoline was subject to a tax of three cents in 1935, it was subject to a tax of four cents in 1940.

Generalizing upon Table III, it appears that though the tax contribution of certain personal consumption items (gasoline, liquor, cigarettes) as well as the taxes required from personal property have increased, the increases in specific tax effort are decidedly concentrated in the so-called business tax field.

The increase in specific tax effort required from business bases

⁵ For a detailed legislative history of these levies, see, *Appendix A*.

is somewhat more severe than would appear upon inspection of Table III, because the corporate stock base was considerably broadened in 1935 by the removal of the manufacturers' exemption which, prior to that date exempted manufacturing concerns from liability under the levy in question.⁶

Section III

Recent Changes in Over-all Tax Effort in Pennsylvania and in 'Competitive States'

With a view of comparing changes in Pennsylvania's over-all tax effort with changes in over-all tax effort in 'competitive states',¹ Tables IV, V, VI, and VII have been prepared.

Table IV, immediately following, shows changes in over-all total tax effort² for Pennsylvania and thirteen competing states for the year 1929 and the period from 1932 to 1938.

Table IV

Percentage Ratio 'Total Tax Collections' to 'Income Payments of Residents' of 'Competitive States' for Selected Fiscal Years* 1929, 1932-38

State	1929	1932	1933	1934	1935	1936	1937	1938
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Pennsylvania ...	6.5	10.4	10.5	9.0	8.8	8.15	9.16	10.6
California	7.7	12.2	10.8	9.7	9.4	9.1	9.7	11.0
Connecticut	6.8	11.3	10.9	9.6	9.2	8.7	8.5	9.6
Illinois	5.5	11.6	11.1	10.8	11.1	9.3	9.2	10.7
Indiana	8.8	16.3	13.2	11.2	11.4	9.5	9.6	11.2
Massachusetts ..	8.0	11.7	11.9	11.5	11.2	10.4	10.9	12.2
Michigan	9.0	15.7	15.4	11.9	10.2	9.1	8.8	10.3
New Jersey	9.7	13.1	15.5	14.2	13.6	13.3	12.5	14.1
New York	7.5	11.9	11.6	11.3	11.1	11.0	11.2	12.5
North Carolina .	9.5	15.5	12.5	9.3	9.3	9.2	9.7	10.6
Ohio	7.5	13.3	10.7	9.4	9.9	9.1	8.6	9.2
Tennessee	7.2	13.1	12.9	9.0	8.5	8.3	9.2	11.3
West Virginia ..	8.8	14.8	12.0	8.9	9.9	9.0	9.1	10.4
Wisconsin	9.2	17.1	15.7	12.9	11.3	10.5	10.7	12.4

* For underlying tax data and sources, see, *Appendix B*. Also, Martin, J. L., "Income Payments to Individuals, by States, 1929-1939", *Survey of Current Business*, October, 1940, pp. 8-12.

Inspection of Table IV³ indicates that 1) contemporary (1938) over-all tax effort varies considerably among the states, 2) the changes in time of over-all tax effort are somewhat different for different states.

As regards 1938 differences in over-all total state tax effort, it should be observed (Table IV, Col. 9) that whereas the Pennsylvania percentage ratio 'total per capita tax collections' to 'per

⁶ For details of the history of the manufacturers' exemption, see, *Appendix A*.

¹ For a definition of 'competitive state' see, *Appendix B*.

² For a definition of 'over-all tax effort' see, p. 52.

³ The absolute dollar amounts underlying Table IV are shown in *Appendix C*.

capita income' stood at 10.6, four of the thirteen 'competing states', showed somewhat lower over-all tax effort ratios than Pennsylvania. These states were Connecticut with an over-all tax effort of 9.6%, Michigan with 10.3%, Ohio with 9.2%, and West Virginia with 10.4%. It should be noted, however, that though all these states showed a lower over-all tax effort than the Commonwealth, the percentage differential between Pennsylvania and any one of the other 'competitive states' in no case exceeds twenty per cent. Per contra, eight of the thirteen 'competitive states' showed higher over-all percentage tax effort ratios than Pennsylvania. The states showing greater tax effort than Pennsylvania in 1938 were: California with an over-all tax effort of 11.0%, Illinois with 10.7%, Indiana with 11.2%, Massachusetts with 12.2%, New Jersey with 14.1%, New York with 12.5%, Tennessee with 11.3% and Wisconsin with 12.4%. Again it should be noted that the over-all tax effort differentials between Pennsylvania and those states with a greater tax effort than the Commonwealth are relatively small.

As regards changes in time in total over-all tax effort in Pennsylvania and 'competitive states' for the period from 1929 to 1938, the last year for which complete comparative data are available, Table V, which is based upon Table IV, shows that the increase in Pennsylvania's over-all tax effort exceeded 63 per cent.

Table V
Index of Total Over-all Tax Effort for Pennsylvania
and 'Competing States,' 1929-1938.

State	Index of Total Over-all Tax Effort	
	1929	1938
(1)	(2)	(3)
Pennsylvania	100	163.1
California	100	142.9
Connecticut	100	141.2
Illinois	100	194.5
Indiana	100	127.3
Massachusetts	100	152.5
Michigan	100	114.4
New Jersey	100	145.4
New York	100	166.7
North Carolina	100	111.6
Ohio	100	122.7
Tennessee	100	156.9
West Virginia	100	118.2
Wisconsin	100	134.8

Inspection of Col. 3 indicates that for the period from 1929 to 1938 Pennsylvania's total over-all tax effort increased with 63.1%, a rise which was exceeded only by Illinois which registered a tax

effort increase of 94.5% and New York with a tax effort increase of 66.7%.

Table VI shows changes in local over-all tax effort

Table VI
Percentage Ratios 'Local Tax Collections' to Income Payments of
Residents of 'Competitive States' for Selected Fiscal Years*
1929, 1932-1938

State	1929	1932	1933	1934	1935	1936	1937	1938
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Pennsylvania ..	4.8	7.2	7.0	6.3	6.0	5.3	5.0	5.6
California	6.0	9.6	8.4	6.3	5.6	5.3	5.3	6.0
Connecticut	4.8	8.1	8.0	7.1	6.8	6.1	5.7	6.4
Illinois	4.6	9.5	8.7	7.4	7.9	6.1	5.9	6.7
Indiana	6.8	12.3	10.2	6.9	6.9	5.6	5.5	6.5
Massachusetts ..	6.6	9.7	9.8	8.6	8.2	7.5	7.5	8.4
Michigan	6.8	11.3	12.4	7.2	5.9	5.0	4.7	5.9
New Jersey	7.4	9.7	11.7	9.8	9.3	8.4	8.4	9.4
New York	5.3	9.1	8.7	8.1	8.1	7.5	7.7	8.5
North Carolina .	6.4	9.5	6.8	4.2	3.9	3.6	3.4	3.7
Ohio	6.3	11.1	8.7	6.3	5.3	4.7	4.4	4.9
Tennessee	4.9	8.2	8.3	5.3	4.8	4.7	5.2	6.4
West Virginia .	6.3	11.0	8.8	4.6	4.2	3.5	3.4	3.9
Wisconsin	6.9	12.4	11.0	7.8	6.9	6.1	6.1	7.0

* For underlying tax data and sources see *Appendix C*. Also, Martin, J. L., "Income Payments to Individuals, by States, 1929-1939", *Survey of Current Business*, Oct. 1940 pp. 8-12.

Inspection of Table VI shows that unlike total tax effort, local tax effort—e. g. per capita local tax collection over per capita income—has shown somewhat different tendencies.

Local over-all tax effort, like total tax effort, increased in eight of the fourteen 'competitive states'. The states registering increases are Pennsylvania, Connecticut, Illinois, Massachusetts, New Jersey, New York, Tennessee, and Wisconsin. The following five 'competitive states' registered a decrease in local over-all tax effort: Indiana, Michigan, North Carolina, Ohio and West Virginia. California was the only state among the fourteen under consideration whose local over-all tax effort remained constant over the period from 1929 to 1938.

Table VII, was designed to measure changes in state over-all tax effort, that is, changes in the value of the percentage ratio 'state per capita tax collection' to 'per capita income'.

Inspection of Table VII shows that, unlike local tax effort, state over-all tax effort has increased in every one of the fourteen 'competitive states' with Illinois registering the largest percentage and Pennsylvania occupying a close to median position.

In the light of the above observed tendencies with respect to changes in tax effort, it appears established that the increase in total over-all

tax effort is primarily due to substantial increases in state rather than local over-all tax effort.⁴

Table VII

Percentage Ratio 'State Tax Collections' to 'Income Payments of Residents' of 'Competitive States' for Selected Years, 1929-1939*

State	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938	1939
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Pennsylvania .	1.7	2.1	2.9	3.2	3.5	2.7	2.8	3.2	4.1	5.0	4.1
California	1.7	1.8	2.3	2.6	2.4	3.4	3.8	3.8	4.4	5.0	4.8
Connecticut ...	2.0	2.3	2.8	3.2	2.9	2.5	2.4	2.6	2.8	3.2	3.0
Illinois .....	.9	1.4	2.3	2.1	2.4	3.4	3.2	3.2	3.4	4.0	3.7
Indiana	2.0	2.5	3.2	3.6	3.0	4.3	4.5	3.9	4.1	4.7	4.3
Massachusetts .	1.4	1.5	1.6	2.0	2.1	2.9	3.0	2.9	3.4	3.8	3.5
Michigan	2.2	3.2	3.7	4.4	3.0	4.7	4.3	4.1	4.1	4.4	4.3
New Jersey ..	2.3	2.4	2.9	3.4	3.8	4.4	4.3	4.9	4.1	4.7	4.4
New York ...	2.2	2.6	2.6	2.8	2.9	3.2	3.0	3.5	3.5	4.0	3.8
North Carolina	3.1	4.3	4.1	6.0	5.7	5.1	5.4	5.6	6.3	6.9	6.3
Ohio	1.2	1.4	1.8	2.1	2.0	3.1	4.6	4.4	4.2	4.3	4.6
Tennessee	2.3	3.5	4.2	4.9	4.6	3.7	3.7	3.6	4.0	4.9	4.8
West Virginia	2.5	3.0	3.4	3.9	3.2	4.3	5.7	5.5	5.7	6.5	5.8
Wisconsin	2.3	2.9	3.6	4.7	4.7	5.1	4.4	4.4	4.6	5.4	4.9

* For underlying tax data and sources see Appendix C. Also, Martin, J. L., "Income Payments to Individuals, by States, 1929-1939", *Survey of Current Business*, Oct. 1940, pp. 8-12.

Though interstate comparisons of changes in time of over-all tax effort (total, state and local) shed light upon general tendencies, a knowledge of which facilitates informed judgment with regard to possible and probable future developments, the significance of the over-all picture is considerably enhanced by factual knowledge regarding the group or groups of taxpayers, whose contributions to the public treasury account for the above noted increases in over-all tax effort.

Section IV

Relative Group Tax Effort in Pennsylvania and 'Competitive States'

Relative group tax effort may be defined as the value of the percentage ratio of 'total taxes paid by a defineable group in the community' to 'total tax collections'.

Before this definition can be given quantitative content, it is necessary to define the groups in the community whose relative group tax effort is to be measured.

⁴It would appear that the decline in local over-all tax effort is primarily due to two factors: 1) a decrease in the relative importance of realty as a tax base, and 2) severe statutory and constitutional limitations upon local realty tax rates. See, Wueller, P. H., "Real Property as a Tax and Reimbursement Base During the Depression", in *Property Taxes*, Tax Policy League, 1940, p. 21 and following. See also, Holmes, L. G., "Over-all Tax Limitation", in *Property Taxes*, p. 35 and following; Haygood, T. F., "Over-all Tax Limits in West Virginia", in *Property Taxes*, p. 44 and following; Emch, D. F., "The Effects of Tax Limitation in Ohio", in *Property Taxes*, p. 56 and following.

In view of the fact that recent and contemporary public¹ and legislative discussion² seems to be largely concerned with the relative contributions which 'business' and natural persons, respectively, make toward the maintenance of public functions, the Joint State Government Commission has essayed to determine the magnitude of the relative tax contribution which 'business' and natural persons are required to make in Pennsylvania and 'competitive states'.

Before submitting the actual data relating to relative group tax effort, however, the members of the Joint State Government Commission wish to caution their colleagues in the General Assembly as well as the general public against inappropriate use of the data.

To present a wholly satisfactory picture of relative tax effort required of 'business' and natural persons, two conditions would have to be met. In the first place, 'business' would have to be defined in such rigorous manner as to exclude all natural persons. Second, business taxes would have to be painstakingly segregated from taxes upon natural persons.

It is widely agreed that 'business' does not lend itself to the rigorous definition required³ and but a brief consideration of the problems involved shows that so-called business taxes cannot be satisfactorily segregated from so-called personal taxes.

With regard to the second point, consider for instance the gasoline tax. This tax is a state levy and paid by both 'business' and natural persons. In the light of the limited data available at the present, it is well nigh impossible to determine what percentage of total gasoline tax yield is paid by private persons and business firms, respectively. Again, consider the real estate tax which, though primarily local, is a quantitatively consequential levy. It again is paid by both private citizens and business firms and again readily available data do not permit valid generalizations as to what percentage of the realty tax falls upon each of the two groups whose relative tax effort is under consideration.

Fully cognizant of these and related difficulties, the members of the Joint State Government Commission have reluctantly decided to omit all local taxes⁴ from relative group tax comparisons and to make certain assumptions with regard to state taxes which are payable by both 'business' and private individuals.

As regards state taxes to which both 'business' and private persons are subjected, the members of the Commission have proceeded upon the assumption that all consumption excises, admission taxes, retail sales taxes, and gasoline taxes, though liquidated in the first instance by

¹ *Pennsylvania State Education Association*, "Report of the Committee on Survey of School Costs", Harrisburg, 1938, Chapter II, p. 49 and following.

² See, *Commonwealth of Pennsylvania*, "Report to the General Assembly of the Industrial Tax Survey Committee", Harrisburg, 1939. (Dent Committee) See also, *Commonwealth of Pennsylvania*, "Joint Legislative Industrial Tax Survey Committee", *Supplemental Report* by Israel Stiefel, Harrisburg, 1939.

³ Williamson, K. M., "What Is Business and What are Business Taxes?" in *How Shall Business be Taxed?* Tax Policy League, 1937, p. 1 and following.

⁴ For local realty tax rates, see *Appendix C*.

'business' are paid in the end by private persons.⁵ Hence, for purposes of determining relative group tax effort, consumption excises, admission taxes and retail sales taxes have been considered personal taxes.⁶

So-called gasoline taxes and motor registration fees have been omitted from all group tax effort comparisons, because both types of imposts partake of the nature of price levies. A price levy, in contradistinction to a tax proper, is a charge for specific governmental services rendered. In the case under consideration the charge is made for the use of highway facilities.

Table VIII, shows group tax effort for Pennsylvania and competitive states for the year 1939.

Inspection of Table VIII, Cols. 6 and 11 indicates the relative state collections from 'business' and personal taxes, respectively. It will be observed that on the basis of the assumption noted above, Pennsylvania received 41.8% of its total state collections from personal taxes in 1939. It will likewise be noted that among the remaining thirteen 'competitive states' only New Jersey (33.9%), Tennessee (38.7%), and Wisconsin (27.5%) derived a lesser relative amount from personal taxes. All the remaining states received a larger amount of their total state tax collections from personal levies, West Virginia, with 91.3% of its taxes derived from personal levies, leading this group of states, and Indiana and California with 74.1% and 73.0%, respectively, ranking second and third.

With a view of ascertaining the form rather than the relative magnitude of group tax effort, Table VIII, Cols. 2, 3, 4, 7, 8 and 9 indicate the percentage contribution which different types of bases make toward total 'business' and personal tax collections, respectively.

It will be observed that the collections from all personal taxes and all business taxes are segregated according to the bases upon which specific business and personal taxes are imposed.

The bases whose relative contributions to total business and personal tax collections are shown, are: (1) the capital value base, (2) the net income base, (3) the transaction or commodity base and (4) licenses. A capital value base tax is a levy which is assessed against some capital value such as real estate, bonds and stocks. Net income base taxes are assessed against income. The transaction or commodity base classification comprises such levies as retail sales taxes, admissions taxes, gross receipts taxes, gross premiums taxes, and such commodity excises as e. g., cigarette taxes.

Classification of taxes in the manner indicated serves two important purposes. In the first place, it permits preliminary judgments regarding the yield stability in time of a state tax system.

⁵ Those interested in appraising the partial justification for this assumption are referred to: Haig, R. M., and Shoup, C., *The Sales Tax in the American States*, New York, 1934, and Jacoby, N. H., *Retail Sales Taxation*, Chicago, 1938.

⁶ For the absolute dollar amounts underlying the percentages shown in Table VIII, see, *Appendix C*.

Table VIII

Relative Yield of Capital-, Net Income-, Transactions-, and License-, Base State Taxes for Major Taxpayer Groups,
Fiscal Year 1939*

State	Business Taxes					Personal Taxes					Total Business and Personal Taxes
	Capital Value	Income	actions	License	Total	Capital Value	Income	Trans- actions	License	Total	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Pennsylvania	24.0	11.4	17.9	4.9	58.2	28.7	0.0	13.1	0.0	41.8	100.0
California	0.2	11.8	11.7	3.3	27.0	4.9	11.9	53.5	2.7	73.0	100.0
Connecticut	0.0	29.0	22.6	0.6	52.1	36.6	0.0	11.2	0.0	47.8	100.0
Illinois	2.5	0.0	22.7	2.5	27.7	5.0	0.0	66.7	0.6	72.3	100.0
Indiana	0.5	0.0	15.9	9.5	25.9	20.3	1.8	49.8	2.2	74.1	100.0
Massachusetts ...	21.0	0.8	14.8	0.0	36.6	37.4	24.2	1.5	0.4	63.4	100.0
Michigan	16.7	0.0	4.9	9.5	31.1	8.1	0.0	60.8	0.0	68.9	100.0
New Jersey	6.3	0.0	59.7	0.1	66.1	33.9	0.0	0.0	0.0	33.9	100.0
New York	11.1	15.1	21.6	5.8	53.6	11.7	34.2	0.5	0.0	46.4	100.0
North Carolina ...	10.0	19.9	17.9	8.6	56.4	4.2	7.9	31.5	0.0	43.6	100.0
Ohio	3.8	0.0	31.1	5.1	40.0	10.5	0.0	48.7	0.8	60.0	100.0
Tennessee	11.2	10.2	30.9	9.0	61.3	15.2	8.0	15.5	0.0	38.7	100.0
West Virginia ...	4.7	0.0	4.0	0.0	8.7	7.1	6.1	77.1	1.0	91.3	100.0
Wisconsin	33.9	17.5	8.1	13.0	72.5	10.6	16.9	0.0	0.0	27.5	100.0

* For underlying taxes and sources see, Appendix C. Gasoline taxes and motor registration fees have been omitted.

Second, it facilitates first approximations regarding the probable effect of different state tax systems upon economic development.⁷

Generally speaking, capital base taxes are not sensitive to cyclical fluctuations. That is to say, their year by year yield, in the absence of changes in rates, does not tend to vary with the ups and downs of the business cycle. Net income base taxes, of the type used in most American states, tend to fluctuate with changes in business activities, whereas transaction base or commodity base taxes show a stability in response to cyclical changes which is similar to that of capital base taxes. However, transaction and commodity base taxes differ from capital base taxes by virtue of the fact that they seem to exhibit a higher trend decline resistance than the former. In other words, while capital base taxes tend to crumble under the strain of prolonged depressions, transaction and commodity base taxes tend to hold their own under such adverse conditions.

Inspection of Table VIII, Cols. 2, 3, 4, 7, 8 and 9 shows that in 1939 Pennsylvania derived 24.0% of its business taxes from capital base levies, 11.4% from net income taxes, 17.9% from transaction base taxes, and 4.9% licenses. As regards the relative yields of capital base business taxes in Pennsylvania and 'competitive states' it will be observed that only one state (Wisconsin) derived a higher percentage of business taxes from this base than the Commonwealth. As regards the relative exploitation of net income business taxes, Pennsylvania ranked sixth from the top. As regards the relative contribution of transaction base taxes, it should be noted that among the fourteen 'competitive states' considered, six (California, Indiana, Massachusetts, Michigan, West Virginia and Wisconsin) derived a lesser percentage from this source than the Commonwealth.

As regards personal taxes (Table VIII, Cols. 7, 8, and 9) the relative contribution of different bases to total tax collections is somewhat different from the picture presented by business taxes. Only three states derived a larger percentage of personal taxes from the capital base than did the Commonwealth in the year under consideration. However, the relative contribution of the net income base was considerably larger in eight states (California, Indiana, Massachusetts, New York, North Carolina, Tennessee, West Virginia, Wisconsin) than it had been in Pennsylvania. Eight states derived a larger percentage of their personal taxes from the transaction and commodity base than was derived from the same base in Pennsylvania.

It is highly instructive also to classify taxes in accordance with their rate structure.

⁷ For an extended discussion of this point, see, Chapter IV, p. 66.

From point of view of rate structure one can differentiate between proportional taxes and progressive taxes. Proportional taxes are levies whose rate does not vary as the value of the base changes. Progressive taxes provide for rates which increase as the value of the base increases. In Pennsylvania, the personal property tax,⁸ the gross receipts tax,⁹ and the corporate net income tax¹⁰ are good illustrations of proportional taxes, because regardless of the value of a person's investment portfolio, or a utility's volume of gross receipts, or the magnitude of a corporation's net income, the tax rate applied does not change. The Pennsylvania inheritance transfer tax,¹¹ on the other hand, is a progressive tax, because its rate increases as the value of the inheritance transferred increases.¹²

Broad social considerations aside, the use of progressive as compared with proportional taxes has far-reaching implications as regards the yield possibilities of a given levy. For purposes of illustration only, consider the case of a personal net income tax. If a personal net income tax is to be proportional, the legislator must provide for a rate low enough so as not to seriously impinge upon the low income brackets.

Hence, one is justified in saying that the yield of a proportional income tax is limited by the rate which may be imposed upon the lowest income groups. Manifestly, a progressive net income tax, which, by definition, provides for low rates on low income brackets, and increasingly higher rates on higher income brackets, does not suffer from these severe yield limitations.

Table IX¹³ shows collections from proportional and progressive taxes as percentages of total collections and collections from proportional and progressive business taxes as well as collections from proportional and progressive personal taxes as percentages of total tax collections.

Inspection of Table IX, Cols. 4 and 7, shows that in Pennsylvania, proportional taxes (business plus personal) accounted for 85.3% of total tax collections, whereas progressive taxes accounted for 14.7% of total tax collections. As regards the relative position of Pennsylvania from point of view of relative importance of proportional taxes it should be observed that all but three of the 'competitive states' other than Pennsylvania derived a larger percentage of their respective total tax collections from the imposition of proportional levies.

⁸ For details regarding the present structure and past changes in structure of this levy, see, *Appendix A*.

⁹ *Appendix A*.

¹⁰ *Appendix A*.

¹¹ *Appendix A*.

¹² Although Pennsylvania's rates are nominally flat (2% direct heirs and 1% collateral heirs) they are in effect progressive by virtue of the credit clause in the Federal estate tax.

¹³ For the absolute dollar amounts underlying Table IX see, *Appendix C*.

Column 2 shows collections from proportional business taxes as percentages of total state tax collections. Inspection of this column indicates that the percentage of total taxes which Pennsylvania derives from proportional business taxes is larger than the comparable proportion in all but two of the 'competitive states'. Again, inspection of Col. 6 indicates that the percentage ratio 'collections from proportional personal taxes' to 'total tax collections' shows a lower value for Pennsylvania than for four of the 'competitive states'.

Table IX

Relative Yield of Proportional and Progressive State Taxes Imposed Upon Major Groups of Taxpayers. Fiscal Year 1939*

State	Proportional			Progressive			Total Taxes
	Business	Personal	Total	Business	Personal	Total	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Pennsylvania	58.3	27.0	85.3	0.0	14.7	14.7	100.0
California	27.0	56.3	83.3	0.0	16.7	16.7	100.0
Connecticut	51.2	31.6	82.9	1.0	16.2	17.2	100.0
Illinois	27.3	67.8	95.1	0.3	4.6	4.9	100.0
Indiana	19.2	71.5	90.7	6.7	2.6	9.3	100.0
Massachusetts	36.6	49.2	85.8	0.0	14.2	14.2	100.0
Michigan	30.3	63.1	93.4	0.7	5.9	6.6	100.0
New Jersey	66.1	24.2	90.3	0.0	9.7	9.7	100.0
New York	53.5	0.5	54.0	0.0	46.0	46.0	100.0
North Carolina	56.5	33.0	89.5	0.0	10.5	10.5	100.0
Ohio	39.9	55.3	95.2	0.0	4.8	4.8	100.0
Tennessee	61.3	30.5	91.8	0.0	8.2	8.2	100.0
West Virginia	6.1	83.8	89.9	2.6	7.5	10.1	100.0
Wisconsin	49.1	2.1	51.2	23.4	25.4	48.8	100.0

* For underlying taxes and sources see, Appendix C. Gasoline taxes and motor vehicle registration fees have been omitted.

The above outlined changes in over-all tax effort, specific tax effort, and relative group tax effort have affected different types of economic enterprise and differently circumstanced natural persons differently.

Chapter IV shows in considerable detail how contemporary business taxes in the fourteen 'competitive states' affect different types of corporate enterprise and Chapter V essays to ascertain the effects of contemporary personal taxes upon the members of different income groups.

CHAPTER IV

Impact of the Pennsylvania Tax System Upon Selected Types of Corporate Enterprise

Section I

Introductory

It has been frequently alleged that Pennsylvania's business taxes are "oppressive", that Pennsylvania manufacturers are leaving the Commonwealth, that industrial promoters fail to locate new enterprises in the Commonwealth, and that those manufacturers who still operate within the borders of Pennsylvania are eagerly looking for an opportunity to bid the state goodbye.

The members of the Joint State Government Commission have been impressed by these allegations, for if they are substantially true the already lowered levels of living which now prevail in Pennsylvania¹ are in grave danger of further impairment. Such possible impairment is the more serious by virtue of the fact that Pennsylvania's mining appears to be suffering from the effects of a trend decline,² which, if persistent in the immediate future, calls for the development of compensatory types of economic activities if Pennsylvania's standard of living is to be restored to its *relative* pre-depression level.³

In view of the serious implications of the charge, the members of the Joint State Government Commission have investigated the facts bearing upon the problem under consideration, but before submitting their evidence, they wish to call attention to some general considerations.

Section II

Motives and Mechanics of Industrial Migration

Plants and business operations are moved from one state to another in response to more favorable wage rate differentials, more favorable freight rate differentials, more favorable tax rate differentials and attitudes of the community toward business and business men. Manifestly all these factors are given due consideration when a given manufacturer contemplates expansion. In other words any study confined to tax rate differentials only does not tell the whole story and should be supplemented by pertinent observations regarding the three other migration-inducing factors. By the same token, a state imposing heavier business taxes than other competing states does not necessarily push enterprise across its borders unless its heavy business taxes are not compensated for by a more attractive freight and wage rate situation.

¹ See, Chapter I, Table XI, p. 27.

² See, p. 21.

³ See, p. 27.

Regardless, however, of the combined effect of wage, freight, tax rate differentials and attitudes, there are but certain selected types of business that have a meaningful option as regards the state in which they choose to operate. Generally speaking, it is only producers who operate in the national market who can decide whether to locate their operations in one state rather than in another. The baker, the corner grocer, the retail merchant, in short all types of so-called 'service' enterprisers are pretty firmly tied to local markets and while taxes may harass them unduly and impinge heavily upon their margin and even force them into bankruptcy, the possibility that they may move is remote. The cause is quite different when the options available to a national or regional manufacturer are considered. The operations of such a manufacturer—and it is manufacturing operations which generate the bulk of Pennsylvania's salaries and wages¹—may be concentrated in one of quite a large number of states without necessarily involving the impairment of essential markets.²

An established national or regional corporate manufacturer who contemplates the transfer of his operations from one state to another is usually not free to act spontaneously upon the inducement offered by more favorable wage, freight and tax differentials. In the first place, the matter of primary concern to him is the stability in time of what appear to be more favorable differentials at a given moment. As a rule he must study these differentials carefully, for it would profit him little to move his operations in response to favorable differentials which are likely to be wiped out in the near future. In the second place, even if he were persuaded that attractive differentials in a given state were likely to be maintained over a considerable period of time, he usually has made a substantial commitment by way of specialized plant facilities in his present location; he must carefully weight the magnitude of the cost involved in scrapping the equipment, (which is generally necessary and may be calculated almost exactly) and compare it with the probable advantages which are likely to accrue to him in consequence of a change in location.³ In other words, changes in significant cost differentials including tax cost differentials, are not likely to produce industrial migration at the very moment when they appear. On the contrary, the rule would seem to be that a considerable period of time must elapse before established manufacturers can conveniently and advantageously act upon cost differentials or changes in cost differentials. But though most industries of the type domiciled in Pennsylvania cannot very well move on short notice, some businesses not requiring much fixed equipment may move without much delay. Sometimes the presence of highly mobile business in a small community spells the difference between communal prosperity and heavy

¹ See, Chapter I, Table XIV, p. 30.

² In passing, it may be observed that most of the complaints regarding the weight of Pennsylvania's business taxes refer to the effect of these taxes upon corporate manufacturers.

³ See, Clark, J. M., *Studies in the Economics of Overhead Costs*, Chicago, 1923, *passim*.

relief rolls. It goes without saying that a manufacturer contemplating expansion is not limited in his movements by previous investments such as are represented by fixed units of one type or another.

Section III

Industrial Migration from Pennsylvania:

The Nature of the Evidence: Pro and Con

With a view of ascertaining the effect of Pennsylvania's taxes, the General Assembly of Pennsylvania (132d regular session, 1937) created the Industrial Tax Survey Committee,¹ generally known as the Dent Committee, and charged it—among other duties—with the task of making a “careful, thorough and impartial investigation of the total tax burdens placed upon industry in Pennsylvania and other industrial and mining states.”² Inasmuch as the General Assembly saw fit to appropriate but \$5,000.00 for the purposes of the Industrial Survey Committee, Senator John H. Dent, Chairman of the Committee, had to abandon the “detailed factual study” which he had contemplated³ and confine the activities of the Committee to public hearings and the inspection of secondary materials, the validity and adequacy of which he could not intensively investigate because of inadequate funds.

The Industrial Tax Survey Committee, after two years of operation made two Reports in 1939. One of the Reports was submitted by Senator Dent, apparently reporting for the Committee majority, the other was presented by Senator Israel Stiefel,⁴ who apparently dissented from what seems to be the majority opinion.

The majority report, in the main, is confined to the reproduction of testimony gathered at various hearings. Though certified factual evidence was not extensively⁵ submitted at the hearings which the Committee held in various parts of the state, apparently the majority members of the Committee were inclined to conclude that Pennsylvania business taxes tended to place manufacturers located in the Commonwealth at a disadvantage as compared with manufacturers operating out of other states. Speaking of migration and Pennsylvania business taxes as a factor inducing such migration, the majority of the Committee concluded: “. . . there is no conclusive evidence that this (referring to industrial migration) is due alone to the tax burden. The reasons are more

¹ Concurrent resolution adopted by the Senate on March 8, 1937 and by the House of Representatives on March 15, 1937.

² *Commonwealth of Pennsylvania*, “Report to the General Assembly of the Industrial Tax Survey Committee,” 1939, (Dent Committee Report).

³ *Dent Committee Report*, p. 7.

⁴ *Commonwealth of Pennsylvania*, “Joint Legislative Industrial Tax Survey Committee,” *Supplemental Report* by Israel Stiefel, Harrisburg, 1939.

⁵ The evidence submitted by Mr. Clarence L. Turner, C. P. A. will be closely examined in a subsequent section. See, p. 70 and following.

widespread and involved and not attributable to taxation alone . . . the Commission (referring to the Industrial Tax Survey Committee) is, however, of the opinion that taxation is one of the most important factors influencing migration and that the present system of taxation unquestionably retards the expansion of industry in this Commonwealth.”⁶

It would appear that Senator Stiefel did not quite agree with his fellow Committee members, for he submitted a Supplemental Report and pointed out in his letter of transmittal to the Hon. John H. Dent that his report was designed to “concentrate mostly upon the tenability of ‘the general argument that industries are driven out of Pennsylvania by burdensome taxation’.”⁷

With a view of showing that it was “an egregious error . . . to maintain that there is an exodus of industry from our state”⁸ Senator Stiefel submits extensive statistics⁹ which, in the main, mirror industrial operations in Pennsylvania for the period from 1933 to 1937. Though these statistics are exceedingly interesting and show in a persuasive and reliable fashion what happened in industrial Pennsylvania over the period from 1933 to 1937, they unfortunately do not facilitate judgment regarding the effect of the frequently complained of business taxes upon enterprise, because most of these taxes were not enacted until 1935 and 1936, and did not become effective until 1937.¹⁰ In the judgment of the members of the Joint State Government Commission the period between the enactment of the allegedly “oppressive” business taxes and the terminal period for which Senator Stiefel submits data was not of sufficiently long duration to facilitate informed judgments as regards the effect of these taxes upon the industrial development of the Commonwealth.

Though Mr. Clarence L. Turner’s “Report on the Comparative Study of Corporate Taxes in Fifteen Industrial States,” prepared for the Pennsylvania State Chamber of Commerce,¹¹ is not an official document of the Commonwealth, it warrants extensive mention in connection with the problems under consideration, because the Dent Committee, Majority Report, leans heavily upon Mr. Turner’s findings,¹² findings which in the judgment of the members of the Joint State Government Commission convey a limited impression of the probable effects of Pennsylvania’s business taxes upon the industrial development of the Commonwealth.

⁶ *Dent Committee Report*, p. 35.

⁷ *Supplemental Report*, submitted by Israel Stiefel, p. 2.

⁸ *Ibid.*, p. 2.

⁹ *Supplemental Report*, pp. 12-124.

¹⁰ See, Chapter II. Also, *Appendix A*.

¹¹ Turner, Clarence L., “Report on Comparative Study of Corporate Taxes in Fifteen Industrial States,” *The Pennsylvania State Chamber of Commerce*, Harrisburg, February 16, 1938.

¹² *Dent Report*, pp. 10, 11, 12.

Section IV

Estimated Tax Impact Differentials for Corporate Manufacturers Engaged in Diverse Types of Industrial Activity

In an attempt to facilitate appraisal of the effect of Pennsylvania's business taxes upon the industrial development of the Commonwealth, Mr. Turner computes selected taxes which a hypothetical manufacturer would have to pay if he should operate in fifteen different industrial states.

This approach to the problem, which for convenience may be designated as the tax impact differential approach, though of limited significance¹ is highly instructive, provided: 1) the computation of tax impact differentials takes account of all taxes and not merely of a selected number of taxes, and 2) the balance sheet underlying the computation of tax impact differentials is typical of the major types of manufacturing activities carried forward in the state whose taxes are under investigation.

First as regards the necessity of considering **all** taxes rather than a selected number of taxes when computing tax impact differentials. It goes without saying that an established manufacturer who contemplates moving from one state to another considers **all** taxes in his calculations rather than a selected number, because any taxes which he might neglect in his calculation might spell the difference between bankruptcy and prosperity. Likewise any enterpriser contemplating the establishment of a factory or some other business considers **all** taxes imposed in alternative and optional jurisdictions, because it is only upon consideration of **all** cost factors (including **all** taxes) that he can make a rational choice. Hence it would seem mandatory upon the investigator who is interested in ascertaining what business men are likely to do to perform the same calculations as the business man in whose decision he is interested and whose action he attempts to anticipate.

Mr. Turner frankly admits² that he has computed his tax differentials **without** taking account of local real estate taxes and other local property levies. Mr. Turner explains that he has omitted local property taxes from his calculations because "there is great diversity of tax rates, tax laws, and assessment policies as between the various states, counties and municipalities within a given state. To undertake to make any comparisons of local taxes which would be representative would be practically impossible since it would depend upon the city or town selected in the

¹ See, p. 66 and following.

² Turner, *op. cit.*, p. 9.

state illustrated to determine the total amount of taxes which the corporation would be required to pay for local purposes.”³

The members of the Joint State Government Commission cannot share Mr. Turner’s view as regards the necessity for omitting local taxes, because of the admitted variability in local tax rates.

With a view of facilitating meaningful comparisons, average local industrial real estate tax rates have been constructed⁴ and these rates have been applied to Mr. Turners hypothetical balance sheet.⁵ Both Mr. Turner’s tax impact differentials and those calculated by a group of certified public accountants⁶ associated with the Joint State Government Commission, who, in calculating tax differentials have taken account of all state as well as local realty taxes are shown in Table I, below.

Table I

Estimated Taxes Payable by a Hypothetical Manufacturing Corporation Doing an Intrastate Business When Located in ‘Competitive States’*

State	State Taxes from Turner Report †		Local Taxes on Real	Total	
	Amount Penna.=100	Index Property‡		Col. (2) plus	Index Penna.=100
(1)	(2)	(3)	(4)	(5)	(6)
Pennsylvania	\$66,272	100.00	\$46,442	\$112,714	100.00
Connecticut	15,612	23.55	42,474	58,086	51.53
Illinois	1,875	2.82	40,122	41,997	37.26
Indiana	47,762	72.06	45,313	93,075	84.26
Massachusetts	30,600	46.17	68,693	99,293	89.78
New Jersey	none	.....	72,237	72,237	65.77
New York	47,094	71.06	55,892	102,986	93.05
North Carolina	61,369	92.60	30,461	91,830	83.16
Ohio	22,227	33.53	35,100	57,327	52.54
Tennessee	35,407	53.42	51,339	86,746	78.64
West Virginia	73,088	110.28	25,612	98,700	89.25

* From, Turner, C. L., “Report on Comparative Study of Corporate Taxes in Fifteen Industrial States,” *Pennsylvania State Chamber of Commerce*, Harrisburg, 1938, p. 17.

† State Taxes are taken from above report. No recomputation was made in the state taxes to compensate for changes of rates and effect of local tax payments upon income taxes, since it is believed that the Index would not be changed materially.

‡ Local taxes were computed from data given in Turner Mfg., Company Balance Sheet and Income Statement. Rates used were compiled by Dr. Paul H. Wueller and explained in *Appendix B*, and are applied to book values on balance sheets

Table I, Col. 2 presents the state taxes for eleven competitive states⁷ as computed by Mr. Turner. Col. 3 presents the dollar amounts shown in Col. 2. Inspection of Col. 3 indicates that the differences in state taxes, which are the only levies Mr. Turner considers in his report, imposed

³ Turner, *op. cit.*, pp. 8 and 9.

⁴ See, *Appendix B*.

⁵ For the details of Mr. Turner’s hypothetical balance sheet see *Appendix C*.

⁶ The group of accountants who made the calculation of tax impact differentials consisted of Sterling K. Atkinson, Ph. D. and Charles J. Rowland, C. P. A., assisted by Dr. Russell H. Mack and Dr. Robert W. Mayer. Responsibility for the average effective industrial real estate tax rates rests with Dr. Paul H. Wueller. For further details see, *Appendix B*.

⁷ Upon examination of the economies of the states for which Mr. Turner computes corporate tax impact differentials it was found that only the eleven states for which impact differentials are shown in Table I make similar or identical products.

by the states listed in Col. 1 including Pennsylvania, vary widely. According to this column Pennsylvania imposes higher taxes than any other state listed, the difference between Pennsylvania and New Jersey, for instance, being infinitely large.

Col. 4 shows the local real estate taxes as computed by the certified public accountants associated with the Joint State Government Commission, and Col. 5 shows state taxes as per Turner plus estimated local property taxes. Col. 6 presents an index of Col. 5. Inspection of Col. 6 is of particular interest. This column indicates that when state plus local real estate taxes are considered, Pennsylvania, though still ranking higher than any other state listed, is much closer to other states than if the comparison is confined to state taxes only, (see Col. 3). For instance, on the basis of state plus local realty taxes, Pennsylvania, having been assigned a value of 100, ranks close to New York with 93, Massachusetts with 89 and Indiana with 84. Again, whereas the difference between Pennsylvania and New Jersey was infinitely large on the basis of state taxes only (See, Col. 3) the difference in taxes payable by a hypothetical manufacturing corporation is but finite when state taxes plus local realty taxes are considered. On the basis of Mr. Turner's report a given manufacturing corporation would pay \$66,272,000 in state taxes in Pennsylvania (See, Col. 2) and nothing in New Jersey. Assigning a value of 100 to Pennsylvania state taxes, New Jersey's value then becomes 0. However, the story is utterly different when state plus local real estate taxes are considered. In terms of absolute amounts, the hypothetical manufacturing corporation now pays \$112,714,000 in Pennsylvania and \$72,237,000 in New Jersey. Again assigning a value of 100 to Pennsylvania state plus local taxes, New Jersey receives a value of 65. In other words, New Jersey, while still taxing the hypothetical manufacturing corporation at a lesser over-all rate than Pennsylvania, ranks closer to Pennsylvania than it did when state taxes only were under consideration.

However, state taxes plus realty taxes do not tell the entire story of corporate enterprise taxation in all the states, because some of the states under consideration use what is technically known as "general property taxes". Under this tax all property, not merely real estate is taxable at the same rate. For the purpose in hand, this means that a corporate manufacturer located in a state using the general property tax is not merely taxed on his real property but has the real property tax rate applied to the machinery, his equipment, and his inventory.

It goes without saying that in all those states which use general property taxes, the figures shown in Col. 5 which present state taxes plus local real estate taxes are in the nature of lower limits. In other words, in general property tax states taxes upon a corporate manufacturer are higher than indicated by the dollar amounts shown in Col. 5.

Unfortunately little is known as regards the exact practice of the

general property tax states with regard to the percentages at which such property as machinery, equipment and inventory is assessed.

Because of the absence of reasonably reliable knowledge regarding assessment practices, no attempt was made to cover the taxation of property other than real property when computing tax impact differentials.

As was pointed out above, the taxes which a given corporate manufacturer pays in a given state depend upon the composition of his balance sheet and his income statement. For instance, a corporate manufacturer who has a relatively large percentage of his assets in real property may pay less by way of taxes in a given state than a corporate manufacturer who uses but relatively little realty. With a view of illustrating how balance sheet composition affects tax liability, the Joint State Government Commission submits below several tables showing tax impact differentials for corporate manufacturers engaged in the making of different types of products and having balance sheets of different composition.

Though the Joint State Government Commission purposely refrains from identifying the line of business in which the manufacturers for whom tax impact differentials are shown below are engaged, all balance sheets and associated income statements for which tax impact differentials are shown are important in Pennsylvania's economy.⁸ Likewise, the states other than Pennsylvania for which tax impact has been computed compete with Pennsylvania in the manufacture of one or more products.

Table II

Estimated Taxes Payable by an Average Corporation A Doing an Intrastate Business When Located in 'Competitive States'*

State	State Taxes		Local	Total	
	Amount	Index Penna.=100	Taxes on Real Property †	Col. (2) plus Col. (4)	Index Penna.=100
(1)	(2)	(3)	(4)	(5)	(6)
Pennsylvania	\$2,666	100.00	\$1,258	\$3,924	100.00
Illinois	72	2.90	1,086	1,158	29.89
Massachusetts . . .	1,677	62.90	1,861	3,538	90.10
Michigan	881	33.24	1,299	2,180	55.94
New York	1,472	55.40	1,514	2,986	76.48
Ohio	910	34.32	951	1,861	47.81
Wisconsin	1,245	46.89	1,492	2,737	70.13
New Jersey	none	.....	1,957	1,957	50.26

* Based upon balance sheet and income statement of an average Corporation A; constructed by the Accountants' Committee from statements supplied by the Pennsylvania Department of Revenue.

† Local taxes have been computed from data given in the statements referred to above. The rates used are the mean effective rates compiled by Dr. Paul H. Wueller and explained in Appendix B. Attention is called to the fact that the rates are applied to book values shown on the balance sheets.

Table II shows tax impact differentials for an average corporation, designated as Corporation A, whose products compete with products

⁸ The balance sheets and income statements underlying the tax impact computations subsequently shown were obtained from the Pennsylvania Department of Revenue. This Department assumes exclusive responsibility for the typicality of the balance sheets and income data submitted.

manufactured in Illinois, Massachusetts, Michigan, New York, Ohio, Wisconsin and New Jersey.

Inspection of Table II, Col. 6 and Table I, Col. 6 indicates that the fiscal treatment accorded Corporation A in different competitive states varies from the treatment accorded the hypothetical manufacturing corporation in many respects. For instance, state taxes plus local realty taxes payable by the hypothetical manufacturing corporation when located in Illinois would be about 63% lower than the sum of state taxes plus local realty taxes if the hypothetical manufacturing corporation were located in Pennsylvania.

Table III, shows tax impact differentials for a Corporation B, which, like Corporation A represents an important industry in the Pennsylvania economy. The products of Corporation B compete with products manufactured in California, Illinois, Massachusetts, Michigan, New Jersey, New York and Ohio.

Table III

Estimated Taxes Payable by an Average Corporation B Doing an Intrastate Business When Located in 'Competitive States'*

State	State Taxes		Local Taxes on Real Property †	Total	
	Amount	Index Penna.=100		Col. (2) plus Col. (4)	Index Penna.=100
(1)	(2)	(3)	(4)	(5)	(6)
Pennsylvania	\$3,459	100.00	\$2,433	\$5,892	100.00
California	1,721	50.09	2,399	4,120	70.26
Illinois	180	5.53	2,103	2,283	39.08
Massachusetts . . .	1,445	41.77	3,599	5,044	85.60
Michigan	1,322	38.55	2,513	3,835	65.42
New Jersey	None	.....	3,786	3,786	64.59
New York	1,673	48.70	2,930	4,603	78.46
Ohio	1,215	35.46	1,840	3,055	52.18

* Based upon balance sheet and income statement of an average Corporation B; constructed by the Accountants' Committee from statements supplied by the Pennsylvania Department of Revenue.

† Local taxes have been computed from data given in the statements referred to above. The rates used are the mean effective rates compiled by Dr. Paul H. Wueller and explained in Appendix B. Attention is called to the fact that the rates are applied to book values shown on the balance sheets.

Table IV shows tax impact differentials for a Corporation C, which, like previously shown corporations, represents an important industry in the Pennsylvania economy. The products of corporation C compete with products manufactured in Illinois, Massachusetts, New York, Ohio and New Jersey.

Table IV

Estimated Taxes Payable by an Average Corporation C Doing an Intrastate Business When Located in 'Competitive States'*

State	State Taxes		Local Taxes on Real Property †	Total	
	Amount	Index Penna.=100		Col. (2) plus Col. (4)	Index Penna.=100
(1)	(2)	(3)	(4)	(5)	(6)
Pennsylvania	\$14,613	100.00	\$3,986	\$18,599	100.00
Illinois	679	4.65	3,443	4,122	22.16
Massachusetts	10,611	72.61	5,896	16,507	88.75
New York	9,326	63.82	4,797	14,123	75.93
Ohio	4,418	30.23	3,012	7,430	39.95
New Jersey	none	.....	6,200	6,200	33.39

* Based upon balance sheet and income statement of an average Corporation C; constructed by the Accountants' Committee from statements supplied by the Pennsylvania Department of Revenue.

† Local taxes have been computed from data given in the statements referred to above. The rates used are the mean effective rates compiled by Dr. Paul H. Wueller and explained in Appendix B. Attention is called to the fact that the rates are applied to book values shown on the balance sheets.

Tables V to X, inclusive, shown below, present tax impact differentials for diverse corporate manufacturers, all of whom are important parts of the Pennsylvania economy.

Table V

Estimated Taxes Payable by an Average Corporation D Doing an Intrastate Business When Located in 'Competitive States'*

State	State Taxes		Local Taxes on Real Property †	Total	
	Amount	Index Penna.=100		Col. (2) plus Col. (4)	Index Penna.=100
(1)	(2)	(3)	(4)	(5)	(6)
Pennsylvania	\$1,981	100.00	\$ 831	\$2,812	100.00
Connecticut	392	19.78	764	1,156	41.33
Illinois	89	4.49	721	810	29.02
Massachusetts ...	1,485	74.96	1,235	2,720	96.73
North Carolina ..	1,544	77.94	548	2,092	74.61
Ohio	1,087	54.87	631	1,718	61.31
New Jersey	none	.....	1,298	1,298	46.37
New York	1,001	50.53	1,000	2,001	71.37

* Based upon balance sheet and income statement of an average Corporation D; constructed by the Accountants' Committee from statements supplied by the Pennsylvania Department of Revenue.

† Local taxes have been computed from data given in the statements referred to above. The rates used are the mean effective rates compiled by Dr. Paul H. Wueller and explained in Appendix B. Attention is called to the fact that the rates are applied to book values shown on the balance sheets.

Table VI

Estimated Taxes Payable by an Average Corporation E Doing an Intrastate Business When Located in 'Competitive States'*

State	State Taxes		Local	Total	
	Amount	Index Penna.=100	Taxes on Real Property †	Col. (2) plus Col. (4)	Index Penna.=100
(1)	(2)	(3)	(4)	(5)	(6)
Pennsylvania	\$2,119	100.00	\$ 791	\$2,910	100.00
Indiana	1,857	87.64	772	2,629	90.38
North Carolina . . .	1,890	89.19	519	2,409	82.81
New Jersey	none	....	1,230	1,230	42.30
Tennessee	1,109	52.34	875	1,984	68.21
Wisconsin	929	43.84	938	1,867	64.19

* Based upon balance sheet and income statement of an average Corporation E; constructed by the Accountants' Committee from statements supplied by the Pennsylvania Department of Revenue.

† Local taxes have been computed from data given in the statements referred to above. The rates used are the mean effective rates compiled by Dr. Paul H. Wueller and explained in *Appendix B*. Attention is called to the fact that the rates are applied to book values shown on the balance sheet.

Table VII

Estimated Taxes Payable by an Average Corporation F Doing an Intrastate Business When Located in 'Competitive States'*

State	State Taxes		Local	Total	
	Amount	Index Penna.=100	Taxes on Real Property †	Col. (2) plus Col. (4)	Index Penna.=100
(1)	(2)	(3)	(4)	(5)	(6)
Pennsylvania	\$39,663	100.00	\$16,094	\$55,757	100.00
Connecticut	7,313	18.46	14,678	21,991	39.48
Illinois	1,602	4.06	13,865	15,467	27.78
Indiana	12,874	32.48	15,659	28,533	51.22
Michigan	12,373	31.21	16,570	28,943	51.95
New York	24,256	61.17	19,315	43,571	78.19
Ohio	12,176	30.72	12,130	24,306	43.64

* Based upon balance sheet and income statement of an average Corporation F; constructed by the Accountants' Committee from statements supplied by the Pennsylvania Department of Revenue.

† Local taxes have been computed from data given in the statements referred to above. The rates used are the mean effective rates compiled by Dr. Paul H. Wueller and explained in *Appendix B*. Attention is called to the fact that the rates are applied to book values shown on the balance sheet.

Inspection of Tables V to X, inclusive, shows that if consideration is given only to the sum of state taxes plus local realty taxes, Pennsylvania's taxes (see, Tables V, VI, VII, VIII, IX, and X, Col. 6) are heavier than those of the states which produce one or more products competing with products manufactured in Pennsylvania. However, the state to state differences as regards the taxes under consideration are not anything like the differences suggested by the state taxes computed for a hypothetical manufacturing corporation (see, Table I, Col. 3).

Uniformly assigning a value of 100 to the sum of Pennsylvania state plus Pennsylvania local real estate taxes, New York, Massachusetts and Indiana frequently come close to Pennsylvania. In the case of Corporation D (See, Table V, Col. 6) Massachusetts approximates Pennsylvania with 96. In the case of Corporation E (See, Table VI, Col. 6), Indiana approaches Pennsylvania with 90. In the cases of Corporations F, G, H, and I, New York approaches Pennsylvania with 78, 85, 71 and 83, respectively.

Table VIII

Estimated Taxes Payable by an Average Corporation G Doing an Intrastate Business When Located in 'Competitive States'*

State	State Taxes		Local	Total	
	Amount	Index Penna.=100	Taxes on Real Property †	Col. (2) plus Col. (4)	Index Penna.=100
(1)	(2)	(3)	(4)	(5)	(6)
Pennsylvania	\$46,518	100.00	\$12,134	\$58,652	100.00
Illinois	1,558	3.35	10,483	12,041	20.53
Indiana	13,560	29.14	11,839	25,399	43.30
New York	35,471	76.25	14,603	50,074	85.37
Ohio	13,700	29.45	9,171	22,871	38.99
West Virginia ...	18,094	38.89	6,691	24,785	42.26

* Based upon balance sheet and income statement of an average Corporation G; constructed by the Accountants' Committee from statements supplied by the Pennsylvania Department of Revenue.

† Local taxes have been computed from data given in the statements referred to above. The rates used are the mean effective rates compiled by Dr. Paul H. Wueller and explained in *Appendix B*. Attention is called to the fact that the rates are applied to book values shown on the balance sheets.

Table IX

Estimated Taxes Payable by a Corporation H Doing an Intrastate Business When Located in 'Competitive States'*

State	State Taxes		Local	Total	
	Amount	Index Penna.=100	Taxes on Real Property †	Col. (2) plus Col. (4)	Index Penna.=100
(1)	(2)	(3)	(4)	(5)	(6)
Pennsylvania ...	\$115,032	100.00	\$50,309	\$165,341	100.00
New York	57,808	50.25	60,547	118,355	71.58
Ohio	35,970	31.27	38,024	73,994	44.75
New Jersey	None	.....	78,253	78,253	47.33

* Based upon balance sheets and income statements of a Corporation H; constructed by the Accountants' Committee from statements supplied by the Pennsylvania Department of Revenue.

† Local taxes have been computed from data given in the statements referred to above. The rates used are the mean effective rates compiled by Dr. Paul H. Wueller and explained in *Appendix B*. Attention is called to the fact that the rates are applied to book values shown on the balance sheet.

As was pointed out previously, the above impact differentials do not tell the whole story. To give all the details of a fiscal

picture it would be necessary to have considerable and reliable knowledge regarding the taxation practices in competing states with respect to tangible property other than realty. As such knowledge becomes available it may well be found that in some instances Pennsylvania, from a tax point of view, is more attractive than the above computations would suggest.

Table X

Estimated Taxes Payable by an Average Corporation I Doing an Intrastate Business When Located in 'Competitive States'*

State	State Taxes		Local	Total	
	Amount	Index Penna.=100	Taxes on Real Property †	Col. (2) plus Col. (4)	Index Penna.=100
(1)	(2)	(3)	(4)	(5)	(6)
Pennsylvania	\$54,481	100.00	\$37,642	\$92,123	100.00
Illinois	2,329	4.27	32,520	34,849	36.83
Indiana	24,452	44.88	36,727	61,179	65.41
New York	32,489	59.63	45,302	77,791	83.44
Ohio	12,017	22.06	28,449	40,466	42.92

* Based upon balance sheet and income statement of an average Corporation I; constructed by the Accountants' Committee from statements supplied by the Pennsylvania Department of Revenue.

† Local taxes have been computed from data given in the statements referred to above. The rates used are the mean effective rates compiled by Dr. Paul H. Wueller and explained in Appendix B. Attention is called to the fact that the rates are applied to book values shown on the balance sheets.

In conclusion, the members of the Joint State Government Commission wish to point out again that it is not tax impact differentials alone that induce enterprise to move into, out of, or avoid a given state. Tax impact differentials merely afford a first clue, sometimes significant and sometimes misleading. Any such first clue must be carefully followed up by an investigation of tax types, marketing possibilities, wage rates, insurance rates, freight rates, supply of equity capital, and last but not least the community's attitude toward business. These other factors, at times, more than compensate for what may appear to be an unfavorable tax situation.

CHAPTER V

Taxes Paid by Typical Families Resident in Pennsylvania and Selected 'Competitive States'

Section I

The Problem of Determining Taxes (State, Local and Federal) Paid by Individuals in Different Income Brackets

The problem of determining the approximate amount of taxes paid by individual families is of the same importance as the problem of determining business tax impact differentials.¹

The determination of business tax differentials facilitates informed judgment as to the probable effects of state and local taxes upon the location and migration of industries. The migration of industries in turn affects the volume of wages and salaries and general levels of living. Given a certain volume of wages and salaries, or income, generally speaking, it becomes important to inquire what percentages of the incomes of differently circumstanced individuals or families is absorbed by state, local and Federal taxes. It is only after these percentages are at least tentatively approximated that legislators concerned with fiscal affairs can adequately appraise the consequences of their deeds.

The estimation of the dollar amounts of taxes paid by single individuals or individual families is precarious business. At every turn the investigator meets with inadequate statistics and stubborn facts which do not yield their secrets. To proceed at all, he must make assumptions and hazard guesses which may or may not be correct. After he has labored his way through a dimly illuminated labyrinth of uncertainty he emerges with some few figures which, if they are to be of any value whatever, must be swallowed with a generous dose of good common sense and the judgment of his forbearing contemporaries.

To visualize some of the difficulties of the task in hand it must be realized that single individuals or individual families, no matter where domiciled in the United States, are subject to three distinct sets of taxes. In the first place, they are subject to the taxes that their state of domicile and its minor jurisdictions choose to impose. Second, they are subject to certain taxes which other states choose to levy. Last but not least, the citizens of every state are also citizens of the United States and hence subject to such taxes, excises and fees as Congress in its wisdom may care to write into the Federal statute books.

¹ See p. 66 and following.

Again the inter-relationship between state and local taxes on the one hand, and Federal taxes on the other, is not a simple one. Frequently state and/or local taxes may be deducted when computing Federal taxes due. For instance, a citizen of Pennsylvania who has paid Pennsylvania's state and county personal property taxes² may deduct both these taxes when computing his net income for Federal income tax purposes.

The table, below, which is introduced for purely illustrative purposes, shows how the relative importance of state and Federal taxes as determinants of total taxes due changes as taxpayers in different income groups are taken under consideration.

Inspection³ of Table I, Col. 3, shows that if the General Assembly should decide to abolish both the county and the state personal property or intangibles taxes, a taxpayer's "total tax obligation," assumed to consist of the Federal income tax and Pennsylvania personal property taxes, would undergo different percentage changes—the difference in percentage change depending upon the income bracket in which a given taxpayer belongs. For instance, a taxpayer having a net income of \$5,414 (Col. 2), upon abolishment of the Pennsylvania personal property taxes, would have his "total tax obligation" decreased by 60.12%. However, a taxpayer having a net income of \$594,691 would have his "total tax obligation" decreased by but 4.36%.

This illustration shows clearly that state and Federal taxes are mutually dependent upon each other.

The difficulties of an investigator concerned with the determination of the total amount of taxes due from single individuals or individual families belonging to different income classes, though already formidable, are further accentuated by the fact that some taxes, though payable in the first instance by some business entity, are included in the price which the business obtains for its products, and hence are in the last analysis liquidated out of the incomes of the persons buying the commodities. At the present state of knowledge it is impossible to say with any degree of certitude which taxes are shifted from business to natural persons. To overcome the present inadequacies of knowledge it is necessary to make certain assumptions, believed to be reasonable, regarding the shiftability of the major taxes.

Section II

Typical Families: Their Income Sources and Expenditure Patterns

In view of the limited time and funds the Joint State Government Commission has not attempted to ascertain the taxes pay-

² See Chapter III, Table II, pp. 53, 54.

³ For the methods employed in constructing Table I, see, *Appendix B*.

able by single individuals who belong in different income brackets. The subsequently presented tables show tentatively estimated taxes paid for families only.

Table I
**Indifference Index for the Pennsylvania Intangibles
or Personal Property Taxes**

Net Income Classes	Average Net Income	Indifference Index of Intangibles Taxes
(1)	(2)	(3)
\$ 5,000 — 6,000	\$ 5,414	60.12%
6,000 — 7,000	6,465	56.20
7,000 — 8,000	7,470	53.43
8,000 — 9,000	8,465	50.18
9,000 — 10,000	9,481	48.76
10,000 — 11,000	10,478	46.18
11,000 — 12,000	11,478	44.23
12,000 — 13,000	12,484	43.08
13,000 — 14,000	13,474	41.43
14,000 — 15,000	14,490	39.97
15,000 — 20,000	17,180	35.87
20,000 — 25,000	22,229	28.44
25,000 — 30,000	27,352	24.00
30,000 — 40,000	34,408	20.51
40,000 — 50,000	44,487	16.82
50,000 — 60,000	54,638	14.29
60,000 — 70,000	64,864	12.43
70,000 — 80,000	74,595	12.06
80,000 — 90,000	85,177	9.73
90,000 — 100,000	95,228	8.73
100,000 — 150,000	119,839	7.90
150,000 — 200,000	167,876	7.19
200,000 — 250,000	219,754	6.42
250,000 — 300,000	274,871	5.74
300,000 — 400,000	341,409	5.39
400,000 — 500,000	430,717	4.74
500,000 — 750,000	594,691	4.36
750,000 — and over	1,092,973	3.05

Legend:
Column (2) *Statistics of Income, 1937.*
Column (3) *See Appendix B.*

Before proceeding with the presentation and discussion of the tables it would seem advisable to consider briefly how individual families are being taxed.

All families are taxed on both their income and their outgo. The taxes imposed upon family income vary with the source or sources from which the income is derived. Typically, a family unit having no investment income whatever—that is, income from stocks, bonds, real property—is taxed on that income only under Federal and state income tax statutes, provided, of course, the magnitude of the income is such as to subject it to tax. Per contra, a Pennsylvania family deriving its income in part in the form of salary and in part from investments, is taxed under both

the Pennsylvania personal property tax statute and the Federal income tax statute.¹ In addition to income and personal property taxes, there are assessed against family incomes what may be called "deferred tax charges" which are represented by inheritance and state taxes. However, these "deferred tax charges" have been disregarded throughout the entire subsequently presented statistical analysis.

Family outgo or family expenditure is subjected to a multiplicity of taxes. There are real estate taxes upon the house in which the family lives. There are taxes upon the family automobile, the tires on the automobile, the inner tubes, the oil in the crankcase, the gasoline in the tank, the radio under the dashboard, and the upholstery on the seats. There are taxes upon the cigarettes, cigars, and tobacco smoked in the family parlor. There are taxes upon the case of beer in the pantry, the wine in the cellar and the spirits in the cupboard. There are taxes upon the accoutrements of charm exhibited on dressing tables. There are taxes upon the coal in the bin. There are taxes upon the electricity that illuminates the home. There are taxes upon the sugar that sweetens the coffee. There is barely a household article that is not taxed and the tax gatherer stands by and takes his due when the desperate family, tired of taxes and other realities, escapes into the movies.²

It goes without saying that taxes on both family income and family outgo are different for different classes of families.

For instance, a family having an annual income of, say, \$1,000 pays no Federal income tax whereas a family enjoying an annual income of \$5,000 does pay this tax. Again, a family having an income of \$1,000 usually derives no part of such income from the ownership of intangibles and hence is not subject to Pennsylvania state and county personal property taxes. However, a family having an annual income of \$5,000 typically derives some small fraction of such income from the ownership of taxable intangibles and hence pays the Pennsylvania state and county personal property taxes on whatever fraction of its income is derived from taxable securities.

Looking at families from the point of view of expenditure pattern, noticeable differences become apparent. Families, for instance, in different income classes spend different proportions of their income for houses, the proportion of income spent for housing typically decreasing as family income increases. Hence, the Pennsylvania real estate tax takes increasingly smaller fractions of

¹ See, p. 80 and following for the relationship between Pennsylvania personal property taxes and the Federal personal income tax.

² For a complete catalogue of Pennsylvania state and Federal taxes, see, *Commerce Clearing House*, "Tax Systems," 8th edition, Chicago, 1940, p. 1 and p. 59. For the legislative history of principal Pennsylvania state taxes, see, *Appendix A*.

family income as one moves from lower income bracket families to higher income bracket families.

For purposes of the subsequently presented computations it has been assumed that individual families consist of 3.5 members, that they reside in urban sections, and that their expenditure patterns conform to national expenditure patterns,³ that Pennsylvania families pay on the whole the same amounts in Federal indirect taxes as similarly circumstanced families anywhere in the United States, and that they do not evade any of the Pennsylvania taxes (state and local) to which they are subject under contemporary Pennsylvania tax statutes.⁴

Section III

Taxes Paid (state, local and Federal) in 1938-39 by Typical Families Resident in Pennsylvania and 'Competitive States'

Table II, below, shows tentative and preliminary estimates of Pennsylvania state and local taxes, Federal taxes, and combined Pennsylvania and Federal taxes paid by typical families in different income brackets as percentages of family income.

Table II, Col. 1 shows average family income¹ for families having annual incomes ranging from \$1,000 to \$20,000. As regards the social significance and numerical importance of this income range, it should be observed that according to Statistics of Income² only 0.06% of the population of Pennsylvania have incomes in excess of \$20,000 per year.

Table II, Cols. 2, 3, and 4 shows: 1) Pennsylvania state plus local taxes as percentages of family income; 2) Federal taxes as percentages of family income, and 3) Pennsylvania state³ plus Pennsylvania local plus Federal taxes as percentages of the incomes of families in different income classes, respectively.

Because the imposition of per capita school taxes and occupation taxes is optional with school districts and counties, respectively,⁴ two sets of Pennsylvania state and local taxes have been computed. Set I (Table II, Col. 2) shows Pennsylvania state and local taxes in communities where both per capita and occupation taxes are imposed. Set II (Table II, Col. 3) shows Pennsylvania

³ See, *National Resources Committee*, "Consumer Incomes in the United States," Washington, 1938, Parts I and II, p. 13 and following; also, *National Resources Committee* "Consumer Expenditures in the United States," Washington, 1939, Part I, Section 3, p. 37 and following.

⁴ For a detailed description of all procedures employed in computing taxes paid by families in different income groups as well as the limitations of these procedures, see, *Appendix B*.

¹ For the items entering into the computation of family income see, *National Resources Committee*, "Consumer Incomes in the United States," Part II, p. 13.

² *U. S. Treasury Department, Bureau of Internal Revenue*, "Statistics of Income for 1937," Washington, 1940.

³ For details concerning the computation of Pennsylvania taxes see, *Appendix B*.

⁴ First, second and third class counties are not permitted under state law to use the occupation tax. *Act of May 22, 1933. P. L. 853.*

state and local taxes as percentages of family incomes where neither occupation nor per capita taxes are imposed.

Inspection of Table II, Cols. 2 and 3 indicates that families resident in Pennsylvania having an annual income from \$1,000 to

Table II
Tentative and Preliminary Pennsylvania State and Local, Federal,
and Total Pennsylvania State, Local and Federal Taxes *
as Percent of Consumer Income for an
Average Urban Family †

Average Family Income	Taxes as Percent of Consumer Income				
	State and Local Set I ‡	State and Local Set II §	Federal ¶	Total Taxes	
				Col. (2) plus Col. (4)	Col. (3) plus Col. (4)
(1)	(2)	(3)	(4)	(5)	(6)
\$ 1,250	7.1	6.1	5.6	12.7	11.7
1,750	6.7	5.9	5.6	12.3	11.5
2,250	6.3	5.7	5.5	11.8	11.2
2,750	6.0	5.4	5.3	11.3	10.7
3,500	9.0	8.5	5.3	14.3	13.8
4,500	9.0	8.7	5.7	14.7	14.4
5,500	8.6	8.3	5.9	14.5	14.2
6,500	9.0	8.7	5.9	14.9	14.6
7,500	9.3	9.0	5.9	15.2	14.9
8,500	9.6	9.3	6.3	15.9	15.6
9,500	10.0	9.7	6.6	16.6	16.3
12,500	10.7	10.5	7.8	18.5	18.3
17,500	11.3	11.1	9.7	21.0	20.8

* State, local and Federal taxes are for 1939-1940; Federal consumption taxes are for 1938-1939.

† Average family of two adults and 1.5 children assumed.

‡ Bases: (a) Real Property Tax—housing expenditures capitalized at 10%; see, *National Resources Committee*, "Consumer Expenditures in the United States," Washington, 1939, pp. 78 and 86.

(b) Occupation Tax—estimated on the basis of material received from county officials, see *Appendix B*.

(c) Per Capita Tax—estimated on the basis of material received from the Superintendent of Public Instruction, see, *Appendix B*.

(d) Intangibles Tax—national pattern of investment income utilized, see, *U. S. Treasury Department, Bureau of Internal Revenue*, "Statistics of Income for 1937," Washington, 1940, pp. 133-137, 162. Capitalization rate assumed to be 4%; investment income for incomes between \$3,000 and \$5,000 was extrapolated.

(e) Cigarette tax—tobacco expenditures assumed entirely for cigarettes; see "Consumer Expenditures in the United States," *op. cit.* pp. 78 and 86.

(f) Gasoline Tax—average number of gallons purchased by families in three middle-sized East Central cities; see, *U. S. Department of Labor, Bureau of Labor Statistics*, "Family Expenditures in Selected Cities, 1935-36," Bulletin 648, Vol. 6, Washington, 1940, p. 126.

(g) Liquor taxes—data for gross liquor store sales taken from the Joint State Government Commission. For techniques and sources underlying the allocation of these sales to consumer groups, see, *Temporary National Economic Committee*, "Who Pays the Taxes?" Monograph No. 3, Washington, 1940, pp. 19 and 20, and "Consumer Expenditures in the United States," *op. cit.*, pp. 78 and 86.

Rates: (a) Real property and Occupation Tax—mean, weighted, urban real estate rate utilized; for underlying rates, see, Mohaupt, R., "Comparative Tax Rates of 287 Cities, 1939," *National Municipal Review*, Vol. 28, December, 1939, pp. 848-866. Population weights taken from *U. S. Department of Commerce, Bureau of the Census*, preliminary release of September, 1940.

(b) All other tax rates taken from *Commerce Clearing House*, "Tax Systems" 8th edition, Chicago, 1940, p. 59.

Taxes: (a) Motor Vehicle Registration—average registration fees for three middle sized East Central cities were assumed applicable; see, "Family Expenditures in Selected Cities, 1935-36," *op. cit.* p. 126.

(b) All other taxes obtained by multiplication of base by rate.

§ Obtained by subtracting per capita and occupation taxes due from taxes underlying Col. (2) and expressing result as percentage of consumer income.

¶ (a) Federal Personal taxes—the Federal Income Tax only was considered; the base and rates were taken from Altman, G. T., "The Revenue Act of 1940," *Taxes*, Vol. 18, No. 8, August, 1940, pp. 467-470.

(b) Federal Consumption taxes—percentages were taken from "Who Pays the Taxes?" *op. cit.*, pp. 13, 42, 47.

\$1,500 pay an estimated 7.1% and an estimated 6.1% of their income in Pennsylvania state and local taxes. The families who pay an estimated 7.1% live in communities where both occupation and per capita taxes are imposed, and the families who pay an estimated 6.1% live in communities where neither of the above mentioned local levies are used.

Further inspection of Table II indicates that families having incomes ranging from \$1,500 to \$3,000 pay a somewhat lower percentage of their incomes in Pennsylvania taxes than families having annual incomes of from \$1,000 to \$1,500 but that families having annual incomes in excess of \$3,000 pay a higher percentage than the other two family groups mentioned.

As regards the causes underlying the behavior of the 'Pennsylvania taxes paid' to 'family income' ratio, it may be observed that four factors are in all likelihood primarily responsible for it.

In the first place, as regards the somewhat larger tax-due-income ratio of low bracket families as compared with higher bracket families, Pennsylvania's per capita taxes, the yield of which is devoted exclusively to school purposes and which seems to be levied at the rate of about \$5.00⁵ in the less fortunate sections of the state, rest relatively heavily upon low income bracket families. Second, occupation taxes, like per capita taxes appear to extract a larger percentage of income from low bracket families than from higher income bracket families.⁶ In the third place, low value real estate, typically owned or rented by low income bracket families, tends to be assessed closer to market value—and is thereby subjected to a heavier real estate tax—than high value real property.⁷

In the fourth place, as regards the increase in the tax-due-income percentage ratios which occur when one moves from families having incomes up to \$3,000 to families having above \$3,000, it may be observed that this increase is in all likelihood due to the fact that families in the second group are frequently subject to Pennsylvania's personal property or intangibles taxes.

Inspection of Col. 4⁸ indicates that families having annual incomes of \$1,250 pay 5.6% of their income in Federal taxes, whereas families having annual incomes of \$17,500 pay 9.7% of their income in Federal taxes.

Inspection of Table II, Cols. 5 and 6 shows that total taxes paid by the families under consideration range from 12.7% and 11.7%

⁵ See Appendix C.

⁶ See Appendix C.

⁷ See, Logan, E. B., *The Taxation of Real Property in Pennsylvania*, Philadelphia, 1934, p. 39.

⁸ For methods used in computing Col. 3 see, *Temporary National Economic Committee*, "Who Pays the Taxes?" Monograph No. 3, Washington, 1940.

in the case of a family having an income of \$1,250 to 21.0% and 20.8% in the case of a family having an income of \$17,500.

The members of the Joint State Government Commission wish to call the special attention of their colleagues in the General Assembly to the taxes paid by families in the lower income brackets. Many low income bracket families operate at an annual deficit. That is to say, some low income bracket families, year after year, spend in excess of their incomes.⁹ It is believed that this situation is of grave concern to responsible legislators who take an active interest in the welfare of their constituents. The basic remedy, in the judgment of the members of the Joint State Government Commission is action on the part of the General Assembly aiming at a revision of the Pennsylvania tax system with a view of creating a fiscal situation conducive to the expansion of Pennsylvania enterprise—the only effective means of improving employment opportunities and levels of living.

Following its general plan of facilitating comparisons between population,¹⁰ and economic,¹¹ and fiscal differences¹² which set Pennsylvania apart from other states, the Joint State Government Commission submits below tentative computations showing estimated taxes paid by families resident in the State of New York and the State of California.

The comparison of taxes paid by families in different income brackets is not extended to the other competitive states,¹³ because the data in question are admittedly highly tentative and any extension of the survey in hand must wait until the basic data utilized can be considerably strengthened.

The Joint State Government Commission decided to choose New York and California for this comparison because among the thirteen states whose manufactured products may be presumed to compete with those of Pennsylvania, the two states mentioned occupy an extreme position from point of view of recent changes in the volume of national income to their respective residents.

As regards the State of New York, the decline in the value of the ratio¹⁴ 'per capita income payments of New York residents' to 'national per capita income payments' has been more pronounced than in any of the other competitive states. Per contra, the increase in the value of the ratio 'per capita income payments of California residents' the 'national per capita income payments' has been more marked than the increase in any other of the competitive states. In other words, the per capita income payments of

⁹ See, Temporary National Economic Committee, "Who Pays the Taxes?," *op. cit.*, p. 7.

¹⁰ See, pp. 11, 12.

¹¹ See, pp. 11, 12.

¹² See, Chapter IV, *passim*.

¹³ For a definition of 'competitive state,' see, Appendix B.

¹⁴ See, Chapter I.

New Yorkers have undergone the most severe relative decline, whereas the per capita income payments of Californians have shown the most pronounced relative improvement.

Table III, below, which from point of view of contents and construction is comparable to Table II shown above¹⁵ presents taxes (state-plus-local, Federal and total) as percentages of the incomes of differently circumstanced families resident in urban areas in the State of New York.

Table III
Tentative and Preliminary New York State and Local, Federal, and Total New York State, Local and Federal Taxes* as Percent of Consumer Income for an Average Urban Family†

Average Family Income	Taxes as Percent of Consumer Income		
	State and Local‡	Federal§	Total
(1)	(2)	(3)	(4)
\$ 1,250	6.1	5.6	11.7
1,750	6.0	5.5	11.6
2,250	5.7	5.5	11.2
2,750	5.5	5.3	10.8
3,500	5.4	5.5	10.9
4,500	5.5	5.9	11.4
5,500	5.8	6.0	11.8
6,500	6.0	6.1	12.1
7,500	6.1	6.2	12.3
8,500	6.2	6.6	12.8
9,500	6.4	6.9	13.3
12,500	7.1	8.3	15.4
17,500	7.4	10.4	17.8

* State local and Federal taxes are for 1939-1940; Federal Consumption taxes are for 1938-1939.

† Average family of two adults and 1.5 children assumed.

‡ Bases: (a) Real Property Tax—housing expenditures capitalized at 10%; see, *National Resources Committee*, "Consumer Expenditures in the United States", Washington, 1939, pp. 78, 86.

(b) Cigarette tax—tobacco expenditures assumed entirely for cigarettes, see "Consumer Expenditures in the United States", *op. cit.*, pp. 78, 86.

(c) Gasoline Tax—average number of gallons purchased by families in three middle-sized East Central cities; see, *U. S. Department of Labor, Bureau of Labor Statistics*, "Family Expenditures in Selected Cities, 1935-36", Bulletin 648, Vol. 6, Washington, 1940, p. 126.

(d) Personal Income Tax—average income less deductions for family allowances, dependents, all state taxes except the Income Tax; see, *U. S. Department of Commerce, Bureau of the Census*, "Digest of State Laws Relating to Net Income Taxes, 1938", Washington, 1938, p. 82; and *Commerce Clearing House*, "Tax Systems", 8th edition, Chicago, 1940, p. 190.

Rates: (a) Real Property Tax—mean weighted, urban real estate rate utilized, for underlying rates, see, Mohaupt, R., "Comparative Tax Rates of 287 Cities, 1939", *National Municipal Review*, Vol. 28, December, 1939, pp. 848-866. Population weights taken from *U. S. Department of Commerce, Bureau of the Census*, preliminary release of September, 1940.

(b) All other rates taken from *Tax Systems*, *op. cit.*, pp. 51, 191.

Taxes: (a) Motor Vehicle Registration—average registration fees for three middle-sized East Central cities were assumed applicable, see "Family Expenditures in Selected Cities, 1935-36", *op. cit.*, p. 126.

(b) All other taxes obtained by multiplying base by rate.

§ (a) Federal Personal Taxes—the Federal Income Tax only was considered; the base and rates were taken from Altman, G. T., "The Revenue Act of 1940", *Taxes*, Vol. 18, No. 8, August, 1940, pp. 467-470.

(b) Federal Consumption Taxes—percentages were taken from *Temporary National Economic Committee*, "Who Pays the Taxes?", Monograph No. 3, Washington, 1940, pp. 13, 42, and 47.

¹⁵ See, Table II, p. 84.

Inspection of Table III, Col. 2 shows that tentatively estimated New York taxes¹⁶ paid by families in different income brackets, when expressed as percentages of family income, range from 6.1% in the case of a family having an income of \$1,250 to 7.4% in the case of a family having an income of \$17,500, the in-between families devoting a modal percentage of approximately 6 to the payment of New York state and local taxes.

If these percentages are compared with those shown in Table II, Col. 2, it will be observed that, by and large, New York families in the income brackets under consideration enjoy lighter taxes than comparable Pennsylvania families.

It would seem that the reason for this difference is twofold. First, as regards lower income bracket families, New York, unlike Pennsylvania, does not use per capita or occupation taxes, levies, which if imposed¹⁷ and collected, take a relatively large percentage of the income of less well-to-do families. Second, as regards families having annual incomes in excess of \$3,000, it should be observed that New York taxes the incomes of these families under a personal income tax which grants the average family under consideration an exemption of \$3,100 and provides for rates ranging from 2% to 7%¹⁸. In Pennsylvania, on the other hand, such fraction of income as is derived from the ownership of intangibles is taxed at the rate of eight mills per thousand dollars of capital value of taxable intangibles owned. Assuming that on the average intangibles yield a three percent return, Pennsylvania's state and county personal property taxes are the equivalent of an income tax upon income from intangibles levied at a rate of approximately 26.0%.

Table IV, below, which from point of view of contents and construction is comparable to Tables II and III shown above¹⁹ presents taxes (state plus local, Federal and total) as percentages of the incomes of differently circumstanced families resident in urban areas in the State of California.

Inspection of Table IV, Col. 2 indicates that California state-plus-local taxes as percentages of family income range from 7.1% in the case of a family having an income of \$1,250 to 4.4% in the case of a family having an income of \$17,500, the average percentage for the in-between families being somewhat larger than 5.

By way of comparison it may be observed that the 'state-plus-local taxes paid' to 'family income' percentage ratios for California differ in several respects from those for Pennsylvania²⁰ and New

¹⁶ For a catalogue of principal New York state taxes see, *Commerce Clearing House, "Tax Systems,"* 8th edition, p. 51.

¹⁷ See, p. 85 and following.

¹⁸ *Commerce Clearing House, op. cit.*, pp. 51 and 189.

¹⁹ See, Table II p. 84 and Table III p. 87.

²⁰ See, Table II p. 84.

Table IV

**Tentative and Preliminary California State and Local, Federal, and Total
California State, Local and Federal Taxes * as Percent of Consumer
Income for an Average Urban Family †**

Average Family Income	Taxes as Percent of Consumer Income		
	State and Local ‡	Federal §	Total
(1)	(2)	(3)	(4)
\$ 1,250	7.1	5.6	12.7
1,750	7.0	5.6	12.6
2,250	6.6	5.5	12.1
2,750	6.3	5.3	11.6
3,500	6.1	5.5	11.6
4,500	5.9	6.0	11.9
5,500	5.8	6.1	11.9
6,500	5.6	6.2	11.8
7,500	5.4	6.1	11.5
8,500	5.2	6.1	11.3
9,500	5.1	6.0	11.1
12,500	4.9	6.5	11.4
17,500	4.4	7.9	12.3

* State local and Federal taxes are for 1939-1940, Federal Consumption taxes are for 1938-1939.

† Average family of two adults and 1.5 children assumed.

‡ Bases: (a) Real Property Tax—housing expenditure capitalized at 10%; see, *National Resources Committee*, "Consumer Expenditures in the United States", Washington, 1939, pp. 78, 86.

(b) Gasoline Tax—average number of gallons purchased in three middle-sized Pacific Northwest cities; see, *U. S. Department of Labor, Bureau of Labor Statistics*, "Family Expenditures in Selected Cities, 1935-36", Bulletin 648, Vol. 6, Washington, 1940, p. 128.

(c) Sales Tax—food and household operations, i. e., gas, electricity, and water, exemption subtracted from outlays for consumption; see, "Consumer Expenditures in the United States", *op. cit.*, 78, 79, and 86. For gasoline exemption see, "Family Expenditures in Selected Cities, 1935-36", *op. cit.*, p. 128.

(d) Personal Income Tax—average income less deductions for family allowance and dependents, and all state taxes except Sales and Gasoline Taxes (following Federal income tax practices for California); see *U. S. Department of Commerce, Bureau of the Census*, "Digest of State Laws Relating to Net Income Taxes, 1938", Washington, 1938, p. 15; and *Commerce Clearing House*, "Tax Systems", 8th edition, Chicago, 1940, p. 189.

Rates: (a) Real Property Tax—mean weighted, urban real estate tax rate utilized, for underlying rates, see Mohaupt, R., "Comparative Tax Rates of 287 Cities, 1939", *National Municipal Review*, vol. 28, December, 1939, pp. 848-866. Population weights taken from *U. S. Department of Commerce, Bureau of the Census*, preliminary release of September 1940.

(b) All other tax rates taken from "Tax Systems", *op. cit.*, pp. 11 and 191.

Taxes: (a) Motor Vehicle Registration—average registration fees for three middle-sized Pacific Northwest cities were assumed applicable; see, "Family Expenditures in Selected Cities, 1935-36", *op. cit.*, p. 128.

(b) All other taxes obtained by multiplication of base by rate.

§ (a) Federal Personal Taxes—the Federal Income Tax only was considered; the base and rates were taken from Altman, G. T., "The Revenue Act of 1940", *Taxes*, Vol. 18, No. 8, August, 1940, pp. 467-470.

(b) Federal Consumption Taxes—percentages were taken from "Who Pays the Taxes?" *op. cit.*, pp. 13, 42, and 47

York.²¹ While it would appear that the tax burden on the lower income bracket families in all three states is approximately the same, it may be pointed out that as regards state and local taxation of incomes from \$3,000 to \$15,000, Pennsylvania imposes heavier taxes than the other two. This difference would seem to be largely due to the Pennsylvania personal property taxes.²²

The difference between Pennsylvania, California and New York is particularly striking in the case of families in the income bracket

²¹ See, Table III p. 87.

²² See, pp. 80-82 and 88.

from \$15,000 to \$20,000. In the order of magnitude, families in this bracket pay an effective over-all rate of 11.3% and 11.1% in Pennsylvania, 7.4% in New York and 4.4% in California. This difference is again largely due to the presence of personal property taxes in the Pennsylvania system and the existence of the institution of 'community of property' in California. ²³

Before leaving the subject in hand, the members of the Joint State Government Commission wish to remind their colleagues in the General Assembly and the general reader that the 'taxes paid' to 'family income' percentage ratios presented above are to be regarded as tentative and preliminary.²⁴ All those who wish to use the percentage ratios extensively are urged to familiarize themselves thoroughly with their limitations as set forth in Appendix B.

²³ Montgomery, R. H., *Federal Income Tax Handbook*, New York, 1938, pp. 600-604.

²⁴ See, Chapter V, p. 79 and following.

CHAPTER VI

A Review of Selected Revenue Bills Introduced in the General Assembly 1936-39

Section I

Summary of Types of Revenue Bills

A large variety of revenue bills has been introduced in the General Assembly between 1936 and 1939 which for one reason or another failed of passage.

Though the bills introduced with a view of providing for sadly needed tax revenue for the chronically depleted coffers of the Commonwealth range anywhere from lotteries¹ to a tax upon labor saving machinery,² the bulk of the bills, which if favorably acted upon, might have produced substantial revenue provide for taxes upon public utilities, amusements, personal income and retail sales.

Apparently leading among the proposed measures providing for additional taxes upon utilities is a bill which proposes to tax the operating properties of utilities,³ a bill providing for the repeal of all laws now exempting public utilities from general taxes,⁴ a bill providing for a tax upon telephones,⁵ a bill providing for a tax on public pay stations and private switch boards,⁶ and a tax on gas, water, electricity and other meters.⁷

Legislators intent upon making amusements of one type or another contribute toward the replenishment of the treasury of the Commonwealth proposed taxes upon the gross receipts of gambling houses,⁸ "every form of entertainment,"⁹ dog racing tracks,¹⁰ pin ball games,¹¹ bingo games,¹² coin machines,¹³ music producing machines,¹⁴ and prizes received at bank nights.¹⁵

The taxation of personal incomes had its share of attention. A special tax upon the income from corporate stock debentures and mortgages was proposed.¹⁶ The emoluments from elective public office were covered by another income tax bill.¹⁷ A resolution to amend the Constitution of the Commonwealth which would permit the imposition of graduated personal income taxes¹⁸ was intro-

¹ *Special Session, 1940, H. B. 25 and Special Session, 1936, H. B. 35.* The second measure was designed to raise \$85,000,000. It was passed upon second reading in the House, then recommitted to the Ways and Means Committee.

² *Special Session, 1936, H. B. 86.*

³ *Regular Session, 1939, H. B. 78.*

⁴ *Regular Session, 1939, H. B. 524.*

⁵ *Regular Session, 1937, H. B. 207.*

⁶ *Regular Session, 1937, H. B. 394.*

⁷ *Regular Session, 1937, H. B. 395.*

⁸ *Regular Session, 1939, H. B. 230.*

⁹ *Regular Session, 1939, H. B. 402 and H. B. 989.*

¹⁰ *Regular Session, 1939, H. B. 185.*

¹¹ *Regular Session, 1939, H. B. 277.*

¹² *Regular Session, 1939, H. B. 350.*

¹³ *Regular Session, 1939, H. B. 542 and H. B. 414.*

¹⁴ *Regular Session, 1939, H. B. 415.*

¹⁵ *Regular Session, 1939, H. B. 391.*

duced. Again another bill provided for the imposition of a tax upon all income, the proceeds from such tax to be used for the relief of distressed school districts.¹⁹ Still another bill provided for the imposition of a personal income tax, the proceeds to be used for school purposes in general.²⁰

Sales taxes of one sort or another have had their proponents. It has been proposed to tax the sale of soft drinks,²¹ books,²² natural gas,²³ "luxuries,"²⁴ and cosmetics.²⁵ Last but not least, it was proposed to impose a retail sales tax.²⁶

In view of the limited funds available to the Joint State Government Commission, the members have decided to confine the review of revenue proposals to those measures providing for the imposition of general taxes which, if enacted, promise to yield substantial revenue.

From point of view of revenue yield possibilities, personal income taxes and general retail sales taxes are more promising than any one of the other tax measures suggested in the recent past. It is for this reason that the yield as well as the possible impact implications of these two levies will be discussed further in the following pages.

Section II

The Retail Sales Tax

The common type of state retail sales tax is represented by a levy which is imposed upon sales at retail of tangible personal property.¹

Sales taxes of one type or another are not newcomers upon the American fiscal scene.² Gross receipts taxes,³ gross premiums taxes,⁴ and Pennsylvania's mercantile license tax⁵ are well established members of the Pennsylvania tax family. What is famil-

¹⁶ *Regular Session, 1939, H. B. 800.* As regards this bill it should be observed that corporate stock is already taxed under either the Pennsylvania corporate stock tax or, if the stock has been issued by a foreign corporation, under Pennsylvania's personal property taxes. See, Chapter III, Table II, p. 8, and Chapter V, Section III, p. 8 and following.

¹⁷ *Regular Session, 1939, H. B. 380.*

¹⁸ *Regular Session, 1939, H. B. 212.*

¹⁹ *Regular Session, 1939, H. B. 409.*

²⁰ *Regular Session, 1939, H. B. 157.*

²¹ *Regular Session, 1939, H. B. 774.*

²² *Regular Session, 1939, H. B. 736.*

²³ *Regular Session, 1939, H. B. 2180.*

²⁴ *Special Session, 1936, H. B. 11.*

²⁵ *Special Session, 1936, H. B. 2904.*

²⁶ *Regular Session, 1937, H. B. 2035.*

¹ See, *Commerce Clearing House, "Tax Systems"*, 8th edition, Chicago, 1940, pp. 325-349.

² Haig, R. M. and Shoup, C., *The Sales Tax in the American States*, New York, 1934, *passim*. Also, Jacoby, N. H., *Retail Sales Taxation*, Chicago, 1938, Chapter II, p. 21.

³ See, Chapter III, Table II, pp. 53 and 54. Gross receipts taxes, which are frequently imposed upon the sales of public utilities, are but taxes assessed against *selected sales* such as are represented by the sale of electricity, gas and water.

⁴ See, Chapter III, Table II, pp. 53 and 54. Gross premiums taxes, which are frequently used in connection with the taxation of insurance companies, are in essence selective sales taxes imposed upon the sale of such services as are represented by fire, theft and life insurance protection.

⁵ See, Chapter III, Table II, pp. 53 and 54.

iarly known as a state retail sales tax is new only by virtue of its relatively high rates and the fact that it is collected at the counters of retail merchants.

The so-called retail sales tax came into its own after 1929 when the pressure for additional state revenues sent legislators scrambling for new taxes.⁶ In 1938 and 1939 state general sales taxes were used in 29 out of the forty-eight states.⁷ The total yield of these taxes was close to half a billion dollars.⁸ While not used in all states,⁹ some states derive a substantial portion of their total tax revenue from retail sales levies. For instance, in 1939 Illinois derived 32% of its total state tax collections from the imposition of a retail sales tax, California obtained 24% of its tax revenue from this source, and Indiana ranked third with 21%¹⁰

Though state retail sales taxes are substantial revenue producers they are frequently and sometimes violently objected to because they are alleged to be decidedly regressive.¹¹

However, the members of the Joint State Government Commission feel that before a retail sales tax is ruled out of consideration, its effects upon differently circumstanced taxpayers should be carefully compared with the effects of other taxes now on the statute books of the Commonwealth. Again, the social significance of the regressivity of any retail sales tax depends upon its coverage.

Table I*

Estimated Net Yield of a Two Percent Pennsylvania Retail Sales Tax Exempting Food, Gasoline, and Alcoholic Beverages Sold at State Stores

Year	Value of Base (000)	Rate	Estimated Net Yield at Different Degrees of Effectiveness				
			100%	95%	(000) 90%	85%	80%
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1940	\$1,843,000	2%	\$35,754	\$33,967	\$32,179	\$30,391	\$28,604
1939	1,827,000	2%	33,504	31,829	30,154	28,478	26,803

The Joint State Government Commission has estimated the probable net yield of a two percent retail sales tax, exempting food, gasoline and beverages sold at state liquor stores. Table I shows the estimated yield of such a tax for 1939 and 1940.

⁶ See, Haig and Shoup, *op. cit.*, Part I, p. 3.

⁷ *Tax Systems, op. cit.*, p. 219.

⁸ *Ibid.*, p. 316.

⁹ In 1939 the following states did not use state retail sales taxes: Florida, Georgia, Idaho, Maine, Massachusetts, Minnesota, Montana, Nebraska, Nevada, New Hampshire, New Jersey, Oregon, Rhode Island, South Carolina, Tennessee, Texas, Vermont, Virginia and Wisconsin.

¹⁰ *Tax Systems, op. cit.*, pp. 330 and 326.

¹¹ When used in this sense the term 'regressive' indicates that the value of the ratio 'tax due' to 'income of taxpayer' decreases as the taxpayer's income increases. In other words, a regressive tax is a tax which takes a larger percentage of the income of less well-to-do taxpayers than of the income of economically more fortunate taxpayers.

* For methods used in estimating net yields, see, *Appendix B*.

Table II

**Tentative and Preliminary Pennsylvania Present State and Local plus
Proposed Retail Sales and Total Pennsylvania and Federal Taxes* as
Percent of Consumer Income for an Average Urban Family†**

Average Family Income	Taxes as Percent of Consumer Income				
	State and Local Set I‡	Local Set II§	Federal¶	Total Taxes	
				Col. (2) plus Col. (4)	Col. (3) plus Col. (4)
(1)	(2)	(3)	(4)	(5)	(6)
\$ 1,250	8.1	7.1	5.6	13.7	12.7
1,750	7.7	7.0	5.6	13.3	12.6
2,250	7.4	6.7	5.5	12.9	12.2
2,750	7.0	6.4	5.3	12.3	11.7
3,500	9.9	9.5	5.3	15.2	14.8
4,500	10.0	9.6	5.7	15.7	15.3
5,500	9.6	9.2	5.9	15.5	15.1
6,500	9.9	9.6	5.9	15.8	15.5
7,500	10.1	9.9	5.9	16.0	15.8
8,500	10.4	10.2	6.3	16.7	16.5
9,500	10.8	10.5	6.5	17.3	17.0
12,500	11.4	11.2	7.7	19.1	18.9
17,500	12.0	11.9	9.6	21.6	21.5

* State, local and Federal personal taxes are for 1939-40; Federal consumption taxes are for 1938-39.

† Average family of two adults and 1.5 children assumed.

‡ Bases: (a) Real Property Tax—housing expenditures capitalized at 10%; see, *National Resources Committee*, "Consumer Expenditures in the United States", Washington, 1939, pp. 78, 86.

(b) Occupation Tax—estimated on the basis of material received from county officials, see, *Appendix B*.

(c) Per Capita Tax—estimated on the basis of material received from the Superintendent of Public Instruction, see, *Appendix B*.

(d) Intangibles Tax—national pattern of investment income utilized, see, *U. S. Treasury Department, Bureau of Internal Revenue*, "Statistics of Income for 1937", Washington, 1940, pp. 133-137, 162. Capitalization rate assumed to be 4%; investment income for incomes between \$3,000 and \$5,000 was extrapolated.

(e) Cigarette Tax—tobacco expenditures assumed entirely for cigarettes; see, "Consumer Expenditures in the United States", *op. cit.* pp. 78, 86.

(f) Gasoline Tax—average number of gallons purchased by families in three middle-sized East Central cities; see, *U. S. Department of Labor, Bureau of Labor Statistics*, "Family Expenditures in Selected Cities, 1935-36", Bulletin 648, Vol. 6, Washington, 1940, p. 126.

(g) Liquor Taxes—data for gross liquor store sales were taken from the Joint State Government Commission. For techniques and sources underlying the allocation of these sales to consumer groups, see, *Temporary National Economic Committee*, "Who Pays the Taxes?", Monograph No. 3, Washington, 1940, pp. 19 and 20; and "Consumer Expenditures in the United States", *op. cit.*, pp. 78 and 86.

(h) Proposed Retail Sales Tax—obtained by subtracting percentages of consumer income expended for food, imputed housing and tobacco from percent of total income expended; see, "Consumer Expenditures in the United States", *op. cit.*, pp. 78, 79, 86; for gasoline exemption the average gasoline expenditures for families in three middle-sized East Central cities were assumed applicable; see, "Family Expenditures in Selected Cities, 1935-36", *op. cit.*, p. 126.

Rates: (a) Real Property and Occupation Tax—mean, weighted, urban real estate rate utilized; for underlying rates, see Mohaupt, R., "Comparative Tax Rates of 287 Cities, 1939", *National Municipal Review*, Vol. 28, December, 1939, pp. 848-866. Population weights taken from *U. S. Department of Commerce, Bureau of the Census*, preliminary release of September, 1940.

(b) Proposed Retail Sales Tax—2%.

(c) All other tax rates were taken from *Commerce Clearing House*, "Tax Systems", 8th edition, Chicago, 1940, p. 59.

Taxes: (a) Motor Vehicle Registration—average registration fees for three middle-sized East Central cities were assumed applicable, see, "Family Expenditures in Selected Cities, 1935-36", *op. cit.*, p. 126.

(b) All other taxes obtained by multiplication of base by rate.

§ Obtained by subtracting per capita and occupation taxes due from taxes underlying Col. (2) and expressing the result as a percentage of consumer income.

¶ (a) Federal Personal Taxes—the Federal Income Tax only was considered; the base and rates were taken from Altman, G. T., "The Revenue Act of 1940". *Taxes* Vol. 18, No. 8, August, 1940, pp. 467-470. The sales tax was assumed deductible for Federal Income Tax purposes.

(b) Federal consumption taxes—percentages were taken from "Who Pays the Taxes?", *op. cit.*, pp. 13, 42, 47.

Inspection of the above table indicates that assuming an effectiveness of 80% (Col. 8) a Pennsylvania retail sales tax exempting food, gasoline and alcoholic beverages sold at state stores could have been expected to yield \$28,604,000 in 1940.

With a view of showing the proximate effect of such a retail sales tax upon families in different income groups resident in the Commonwealth, Table II, has been prepared.

Inspection of Table II, Cols. 2 and 3 shows that the introduction of a two percent Pennsylvania retail sales tax exempting food, gasoline, and alcoholic beverages sold at state stores would increase Pennsylvania state and local taxes payable by Pennsylvania families in all income brackets shown in the table.

Pennsylvania families having average annual incomes of \$1,250 and living in communities where both per capita taxes and occupation taxes are imposed (see, Table II, Col. 2) would pay 8.1% of their incomes in Pennsylvania taxes if a retail sales tax of the type indicated were imposed in addition to contemporary taxes, and families having average annual incomes of \$17,500 would be required to pay 12.0% of those incomes in Pennsylvania taxes.

Similarly Pennsylvania families having average annual incomes of \$1,250 and living in a community where no per capita or occupation taxes are imposed (see, Table II, Col. 3) would pay 7.1% of their income in Pennsylvania taxes under the new set up and families having average annual incomes of \$17,500 would be called upon to pay 11.9% of those incomes in Pennsylvania taxes.

In view of these increases in taxes which would ensue if a retail sales tax were imposed in addition to all levies now on Pennsylvania's statute books, it has been suggested that a retail sales tax be imposed in lieu of both contemporary occupation and per capita taxes.¹²

When evaluating the effect of a retail sales tax imposed in addition to contemporary Pennsylvania levies it must not be forgotten, however, that even in communities where both occupation and per capita taxes are levied, the collection of either levy seems to present serious difficulties. These difficulties are not just current phenomena but have been characteristics of the local tax situation in Pennsylvania for quite some time.¹³

In connection with the occupation tax the total value traditionally set upon occupations for tax purposes is ludicrously low. To mention but one example, in 1935 the value of salaries and occupations as determined for occupation tax purposes was \$203,492,530.¹⁴ When evaluating the adequacy of this total it should

¹² See, *Pennsylvania State Education Association*, "Report of the Committee on Survey of School Costs", Harrisburg, 1938, p. 78.

¹³ Nicholson, Blake E., *Collection of Local Taxes in Pennsylvania*, Harrisburg, 1932, *passim*.

be remembered that between 1930 and 1940 annual wages and salaries earned in Pennsylvania fluctuated between three and three and a half billion dollars.¹⁵

As regards the per capita tax, which is used exclusively for school purposes, it should be observed that while its assessment too appears inadequate, its collection record is positively scandalous.

Table III, shows per capita tax collections as percentages of per capita taxes levied for selected school districts for which the information was available for the fiscal year ending June 30, 1938.

Table III*
Percent of Per Capita Taxes Collected in Selected School Districts in 1937-38

School District	Percent of Per Capita Taxes Collected
(1)	(2)
Reading	69.89
Easton	52.40
Bethlehem	48.19
Williamsport	44.10
Allentown	43.77
York	40.50
Altoona	38.02
Chester	35.10
Johnstown	32.65
Wilkes-Barre	27.27
Hazleton	26.77
Scranton	21.30

Inspection of the above table (Col. 2) shows that a collection record of 69% for school per capita taxes is outstanding and that collections of from 25% to 40% seem to be about normal. The members of the Joint State Government Commission are persuaded that the collection record of the Pennsylvania per capita tax is not equalled anywhere in these United States by any tax collection record except possibly right here in Pennsylvania as exemplified by jurisdictions attempting in vain to collect the occupation tax.¹⁶

These facts regarding the collectibility of both per capita and occupation taxes should be remembered when attempting to appraise the percentage ratios presented in Table II, Col. 2, because they would seem to indicate that even in communities where per capita and occupation taxes are imposed only a relatively small percentage of the families discharge their lawful obligations.

¹⁴ Computation, courtesy Pennsylvania Department of Internal Affairs.
¹⁵ U. S. Department of Commerce, "Survey of Current Business," April, 1940.
¹⁶ See, Nicholson, *op. cit.*, *passim*.
* Adapted from Report of the Allentown Branch of the Pennsylvania State Education Association on the Financial Problems of the School District, City of Allentown, Pennsylvania, Allentown, 1940., p. 16.

Section III

Personal Income Taxes

As has been previously noted¹ several bills which provide for the imposition of personal income taxes have been introduced in the General Assembly in the recent past.

On the chance that similar bills may be introduced in the General Assembly during the Regular Session of 1941, the Joint State Government Commission presents below 1) net yield estimates of various types of state personal income taxes, and 2) approximations of the burden which different types of income taxes would be likely to impose upon families in different income groups.

By way of preliminary remark, it may be observed that for the purpose in hand, personal income taxes² may be divided into two groups. These two groups may be distinguished by virtue of the rate schedule and the source of the income the taxation of which is contemplated.

On the basis of rate schedule differences, one may conveniently differentiate between progressive and proportional income taxes. Progressive income taxes carry a rate schedule which provides for rates which increase as the taxpayer's income increases. Most state income taxes as well as the Federal income tax are of this type.³

As regards source of income differences, it is useful to distinguish between personal income taxes which contemplate—by means of a progressive or proportional rate schedule—the taxation of 1) all income from whatever source derived, 2) investment income, that is, income from securities of one type or another, and 3) labor income, that is, income derived in the form of wages, salaries and from business operations carried forward by means of individual proprietorships or partnerships.

The Joint State Government Commission presents estimates of the probable 1940 net yield of: 1) a one percent personal income tax upon all income received or paid within Pennsylvania, such tax providing for no exemption whatever, 2) a one percent personal income tax upon all labor incomes received or paid in Pennsylvania, such tax providing for no exemption whatever, 3) a two percent clear income tax upon all income received and paid within Pennsylvania, such tax permitting the deduction of necessary living costs up to a maximum of \$800 per income recipient, and 4) a progressive personal income tax providing the same exemptions now permitted in the State of New York and carrying the same

¹ See, p. 91.

² For a legislative history of the Federal Income Tax, see, Blakey, R. C., and Blakey, G. C., *The Federal Income Tax*, New York, 1940, *passim*. For a discussion and appraisal of Federal and state taxes upon small incomes, see, Strayer, Paul J., *The Taxation of Small Incomes*, New York, 1939, *passim*.

³ See, *Tax Systems*, *op. cit.*, pp. 1 and 189.

rates as those of the New York State Income Tax, except the 'emergency' rate of one percent which was imposed in New York in 1940.⁴

In addition to net yield data, the Joint State Government Commission presents several tables showing the tentatively estimated effect of these personal income levies upon families in different income brackets.

A One Percent Personal Income Tax Upon All Income received or paid within Pennsylvania providing for no exemption whatever, if imposed upon 1940 income would have produced an estimated net yield of \$47,433,688.⁵

It is interesting to observe how such an income tax, if it had been on the Pennsylvania statute books in 1940, would have affected families in different income brackets.

Table IV, shows the tentatively estimated effect of the tax in question upon families having annual incomes up to \$20,000.

Inspection of Table IV, Cols. 2 and 3 shows that the introduction of a one percent personal income tax upon all income received or paid within Pennsylvania would increase Pennsylvania state and local taxes payable by Pennsylvania families in all the income brackets shown in the table.⁶

Pennsylvania families having average annual incomes of \$1,250 and living in communities where both per capita and occupation taxes are imposed (see, Table IV, Col. 2) would pay 8.1% of their incomes in Pennsylvania taxes, if an income tax of the type suggested were imposed in addition to contemporary taxes. Families in the same communities having average annual incomes of \$17,500 would be required to pay 12.2% of these incomes in Pennsylvania taxes.

Likewise, Pennsylvania families having average annual incomes of \$1,250 and living in communities where no per capita or occupation taxes are imposed (see, Table IV, Col. 3) would pay 7.1% of their incomes in Pennsylvania taxes. Families living in the same communities with average annual incomes of \$17,500, however, would be expected to contribute 12.1% of these incomes in Pennsylvania taxes.

It is instructive to observe that while families having average annual incomes of \$1,250 and living in both types of communities would be taxed at the same percentage under either the personal income tax on all income or the retail sales tax,⁷ Pennsylvania families in the \$17,500 income bracket however, would have a somewhat heavier burden if this income tax were to be enacted.⁸

⁴ See, *Tax Systems, op. cit.*, p. 51 and p. 189.

⁵ For methods and techniques used in estimating net yield see, *Appendix B*.

⁶ Compare Cols. 2 and 3, Table II, Chapter V, p. 84.

⁷ Compare Cols. 2 and 3, Table II, p. 94.

⁸ Compare Cols. 2 and 3, Table II, p. 94.

Table IV

**Tentative and Preliminary Pennsylvania Present State and Local Plus
Proposed Total Income and Total Pennsylvania and Federal Taxes*
as Percent of Consumer Income for an Average Urban Family†**

Average Family Income	Taxes as Percent of Consumer Income				
	State and Local		Federal¶	Total Taxes	
	Set I‡	Set II§		Col. (2) plus Col. (3) plus Col. (4)	Col. (3) plus Col. (4)
(1)	(2)	(3)	(4)	(5)	(6)
\$ 1,250	8.1	7.1	5.6	13.7	12.7
1,750	8.7	6.9	5.6	13.3	12.5
2,250	7.3	6.7	5.5	12.8	12.2
2,750	7.0	6.4	5.3	12.3	11.7
3,500	10.0	9.5	5.3	15.3	14.8
4,500	10.0	9.6	5.7	15.7	15.3
5,500	9.6	9.3	5.9	15.5	15.2
6,500	10.0	9.7	5.9	15.9	15.6
7,500	10.3	10.0	5.8	16.1	15.8
8,500	10.6	10.3	6.2	16.8	16.5
9,500	11.0	10.7	6.5	17.5	17.2
12,500	11.7	11.4	7.7	19.4	19.1
17,500	12.2	12.1	9.5	21.7	21.6

* State, local and Federal personal taxes are for 1939-40; Federal consumption taxes are for 1938-39.

† Average family of two adults and 1.5 children assumed.

‡ Bases: (a) Real Property Tax—housing expenditures capitalized at 10%; see, *National Resources Committee*, "Consumer Expenditures in the United States", Washington, 1939, pp. 78, 86.

(b) Occupation Tax—estimated on the basis of material received from county officials, see, *Appendix B*.

(c) Per Capita Tax—estimated on the basis of material received from the Superintendent of Public Instruction, see, *Appendix B*.

(d) Intangibles Tax—national pattern of investment income utilized, see, *U. S. Treasury Department, Bureau of Internal Revenue*, "Statistics of Income for 1937", Washington, 1940, pp. 133-137, 162. Capitalization rate assumed to be 4% investment income for incomes between \$3,000 and \$5,000 was extrapolated.

(e) Cigarette Tax—tobacco expenditures assumed entirely for cigarettes; see, "Consumer Expenditures in the United States", *op. cit.*, pp. 78, 86.

(f) Gasoline Tax—average number of gallons purchased by families in three middle-sized East Central Cities; see, *U. S. Department of Labor, Bureau of Labor Statistics*, "Family Expenditures in Selected Cities, 1935-36", Bulletin 648. Vol. 6. Washington, 1940, p. 126.

(g) Liquor Taxes—data for gross liquor store sales taken from the Joint State Government Commission. For techniques and sources underlying the allocation of these sales to consumer groups, see, *Temporary National Economic Committee*, "Who Pays the Taxes?", Monograph No. 3, Washington, 1940, pp. 19 and 20; and "Consumer Expenditures in the United States", *op. cit.*, pp. 78 and 86.

(h) Proposed Total Income Tax—no exemptions were allowed, but interest from all Government obligations was not considered taxable.

Rates: (a) Real Property and Occupation Tax—mean, weighted, urban real estate tax utilized; for underlying rates, see, Mohaupt, R., "Comparative Tax Rates of 287 Cities, 1939", *National Municipal Review*, Vol. 28, December, 1939, pp. 848-866. Population weights taken from *U. S. Department of Commerce, Bureau of the Census*, preliminary release of September, 1940.

(b) Proposed Total Income Tax—1%.

(c) All other tax rates were taken from *Commerce Clearing House*, "Tax Systems", 8th edition, Chicago, 1940, p. 59.

Taxes: (a) Motor Vehicle Registration—average registration fees for three middle-sized East Central cities were assumed applicable, see, "Family Expenditures in Selected Cities, 1935-36", *op. cit.*, p. 126.

(b) All other taxes obtained by multiplication of base by rate.

§ Obtained by subtracting per capita and occupation taxes due from taxes underlying Col. (2) and expressing the result as a percentage of consumer income.

¶ (a) Federal Personal taxes—the Federal Income Tax only was considered; the base and rates were taken from Altman, G. T., "The Revenue Act of 1940", *Taxes*, Vol. 18, No. 8, August, 1940, pp. 467-470.

(b) Federal Consumption Taxes—percentages were taken from "Who Pays the Taxes?" *op. cit.*, pp. 13, 42, 47.

A One Percent Income Tax Upon All Labor Incomes which does not provide for any exemptions whatever, if levied in Pennsylvania in 1940 would have produced an estimated net yield of \$27,819,590.*

As regards the expectable effects of such a levy upon families in different income classes, Table V facilitates appraisal.

Inspection of Table V, Cols. 2 and 3 indicates that a one percent personal income tax upon all labor incomes, providing for no exemptions whatever would somewhat increase taxes due from Pennsylvania families.⁹

It will be observed that Pennsylvania families having average annual incomes of \$1,250 and living in communities where both per capita and occupation taxes are imposed (see, Table V, Col. 2) would pay 8.1% of these incomes in Pennsylvania state and local taxes. Families in the same communities having average annual incomes of \$17,500 would pay 11.8% of their incomes in Pennsylvania taxes.

Pennsylvania families having average annual incomes of \$1,250 and living in communities not using per capita and occupation taxes (see, Table V, Col. 3) would pay 7.1% of their incomes in Pennsylvania taxes and families having average annual incomes of \$17,500 would be required to pay 11.7% of those incomes in state and local taxes.

Comparing these percentages with the comparable percentages in Table IV, Cols. 2 and 3,¹⁰ it will be noted that whereas the burden upon families in the \$1,250 income class is identical, Pennsylvania families having average annual incomes of \$17,500 would pay slightly less under an earned income tax than they would if a total income tax were imposed.

A Two Percent Clear Income Tax Upon All Income received or paid in Pennsylvania which would permit the deduction of necessary living expenses up to a legislatively stipulated maximum of \$800 per income recipient would have produced an estimated net yield of \$40,150,592 in 1940.¹¹ This net yield is estimated on the assumption that every income recipient would have claimed the maximum allowable living expenses.

Table VI shows the effect of a clear income tax, as defined, upon families in different income groups.

Inspection of Table VI, Cols. 2 and 3 shows that a two percent clear income tax permitting the deduction of necessary living expenses up to \$800 per year for each income recipient would

* For methods and techniques used in estimating net yields, see, *Appendix B*.

⁹ Compare Cols. 2 and 3, Table II, Chapter V, p. 84.

¹⁰ See, Table IV p. 99.

¹¹ For methods and techniques used in estimating net yield see, *Appendix B*.

Table V

Tentative and Preliminary Pennsylvania Present State and Local Plus
Proposed Earned Income and Total Pennsylvania and Federal Taxes*
as Percent of Consumer Income for an Average Urban Family†

Average Family Income	Taxes as Percent of Consumer Income				
	State and Local		Federal¶	Total Taxes	
	Set I‡	Set II§		Col. (2) plus Col. (4)	Col. (3) plus Col. (4)
(1)	(2)	(3)	(4)	(5)	(6)
\$ 1,250	8.1	7.1	5.6	13.7	12.7
1,750	7.7	6.9	5.6	13.3	12.5
2,250	7.3	6.7	5.5	12.8	12.2
2,750	7.0	6.4	5.3	12.3	11.7
3,500	9.8	9.4	5.3	15.1	14.7
4,500	9.9	9.5	5.7	15.6	15.2
5,500	9.4	9.1	5.9	15.3	15.0
6,500	9.8	9.5	5.9	15.7	15.4
7,500	10.0	9.7	5.9	15.9	15.6
8,500	10.3	10.0	6.3	16.6	16.3
9,500	10.7	10.4	6.5	17.2	16.9
12,500	11.3	11.1	7.7	18.0	18.8
17,500	11.8	11.7	9.6	21.4	21.3

* State, local and Federal personal taxes are for 1939-40; Federal consumption taxes are for 1938-39.

† Average family of two adults and 1.5 children assumed.

‡ Bases: (a) Real Property Tax—housing expenditures capitalized at 10%; see, *National Resources Committee*, "Consumer Expenditures in the United States", Washington, 1939, pp. 78, 86.

(b) Occupation Tax—estimated on the basis of material received from county officials, see, *Appendix B*.

(c) Per Capita Tax—estimated on the basis of material received from the Superintendent of Public Instruction, see, *Appendix B*.

(d) Intangibles Tax—national pattern of investment income utilized, see, *U. S. Treasury Department, Bureau of Internal Revenue*, "Statistics of Income for 1937", Washington, 1940, pp. 133-137, 162. Capitalization rate assumed to be 4% investment income for incomes between \$3,000 and \$5,000 was extrapolated.

(e) Cigarette Tax—tobacco expenditures assumed entirely for cigarettes; see, "Consumer Expenditures in the United States", *op. cit.*, pp. 78, 86.

(f) Gasoline Tax—average number of gallons purchased by families in three middle-sized East Central Cities; see, *U. S. Department of Labor, Bureau of Labor Statistics*, "Family Expenditures in Selected Cities, 1935-36", Bulletin 648, Vol. 6, Washington, 1940, p. 126.

(g) Liquor Taxes—data for gross liquor store sales taken from the Joint State Government Commission. For techniques and sources underlying the allocation of these sales to consumer groups, see, *Temporary National Economic Committee*, "Who Pays the Taxes?", Monograph No. 3, Washington, 1940, pp. 19 and 20; and "Consumer Expenditures in the United States", *op. cit.*, pp. 78 and 86.

(h) Proposed Earned Income Tax—total investment income pattern for the United States assumed here; see, "Statistics of Income for 1937", *op. cit.*, pp. 133-137, 162, 181-182. For incomes between \$3,000 and \$5,000 extrapolation was used. Total investment income was subtracted from the average family income to obtain the base.

Rates: (a) Real Property and Occupation Tax—mean, weighted, urban real estate tax utilized; for underlying rates, see, Mohaupt, R., "Comparative Tax Rates of 287 Cities, 1939", *National Municipal Review*, Vol. 28, December, 1939, pp. 848-866. Population weights taken from *U. S. Department of Commerce, Bureau of the Census*, preliminary release of September, 1940.

(b) Proposed Earned Income Tax—1%.

(c) All other tax rates were taken from *Commerce Clearing House*, "Tax Systems", 8th edition, Chicago, 1940, p. 59.

Taxes: (a) Motor Vehicle Registration—average registration fees for three middle-sized East Central cities were assumed applicable, see, "Family Expenditures in Selected Cities, 1935-36", *op. cit.*, p. 126.

(b) All other taxes obtained by multiplication of base by rate.

§ Obtained by subtracting per capita and occupation taxes due from taxes underlying Col. (2) and expressing the result as a percentage of consumer income.

¶ (a) Federal Personal taxes—the Federal Income Tax only was considered; the base and rates were taken from Altman, G. T., "The Revenue Act of 1940", *Taxes*, Vol. 18, No. 8, August, 1940, pp. 467-470.

(b) Federal Consumption Taxes—percentages were taken from "Who Pays the Taxes?" *op. cit.*, pp. 13, 42, 47.

Table VI

Tentative and Preliminary Pennsylvania Present State and Local Plus
Proposed Clear Income and Total Pennsylvania and Federal Taxes*
as Percent of Consumer Income for an Average Urban Family†

Average Family Income	Taxes as Percent of Consumer Income				
	State and Local		Federal¶	Total Taxes	
	Set I‡	Set II§		Col. (2) plus Col. (3) plus Col. (4)	Col. (4)
(1)	(2)	(3)	(4)	(5)	(6)
\$ 1,250	7.8	6.8	5.6	13.4	12.4
1,750	7.8	7.0	5.6	13.4	12.6
2,250	7.6	7.0	5.5	13.1	12.5
2,750	7.4	6.9	5.3	12.7	12.2
3,500	10.5	10.0	5.2	15.7	15.2
4,500	10.7	10.3	5.7	16.4	16.0
5,500	10.3	10.0	5.9	16.2	15.9
6,500	10.7	10.4	5.9	16.6	16.3
7,500	11.0	10.8	5.8	16.8	16.6
8,500	11.4	11.1	6.2	17.6	17.3
9,500	11.8	11.5	6.4	18.2	17.9
12,500	12.5	12.3	6.6	20.1	19.9
17,500	13.1	12.9	9.4	22.5	22.3

* State, local and Federal personal taxes are for 1939-40; Federal consumption taxes are for 1938-39.

† Average family of two adults and 1.5 children assumed.

‡ Bases: (a) Real Property Tax—housing expenditures capitalized at 10%; see, *National Resources Committee*, "Consumer Expenditures in the United States", Washington, 1939, pp. 78, 86.

(b) Occupation Tax—estimated on the basis of material received from county officials, see, *Appendix B*.

(c) Per Capita Tax—estimated on the basis of material received from the Superintendent of Public Instruction, see, *Appendix B*.

(d) Intangibles Tax—national pattern of investment income utilized, see, *U. S. Treasury Department, Bureau of Internal Revenue*, "Statistics of Income for 1937", Washington, 1940, pp. 133-137, 162. Capitalization rate assumed to be 4% investment income for incomes between \$3,000 and \$5,000 was extrapolated.

(e) Cigarette Tax—tobacco expenditures assumed entirely for cigarettes; see, "Consumer Expenditures in the United States", *op. cit.*, pp. 78, 86.

(f) Gasoline Tax—average number of gallons purchased by families in three middle-sized East Central Cities; see, *U. S. Department of Labor, Bureau of Labor Statistics*, "Family Expenditures in Selected Cities, 1935-36", Bulletin 648. Vol. 6. Washington, 1940, p. 126.

(g) Liquor Taxes—data for gross liquor store sales taken from the Joint State Government Commission. For techniques and sources underlying the allocation of these sales to consumer groups, see, *Temporary National Economic Committee*, "Who Pays the Taxes?", Monograph No. 3, Washington, 1940, pp. 19 and 20; and "Consumer Expenditures in the United States", *op. cit.*, pp. 78 and 86.

(h) Proposed Clear Income Tax—\$800. Income from government securities was not considered taxable. For national pattern of investment income from government paper, see, "Statistics of Income for 1937", *op. cit.*, pp. 134, 182.

Rates: (a) Real Property and Occupation Tax—mean, weighted, urban real estate tax utilized; for underlying rates, see, Mohaupt, R., "Comparative Tax Rates of 287 Cities, 1939", *National Municipal Review*, Vol. 28, December, 1939, pp. 848-866. Population weights taken from *U. S. Department of Commerce, Bureau of the Census*, preliminary release of September, 1940.

(b) Proposed Clear Income Tax—2%.

(c) All other tax rates were taken from *Commerce Clearing House*, "Tax Systems", 8th edition, Chicago, 1940, p. 59.

Taxes: (a) Motor Vehicle Registration—average registration fees for three Middle-sized East Central cities were assumed applicable, see, "Family Expenditures in Selected Cities, 1935-36", *op. cit.*, p. 126.

(b) All other taxes obtained by multiplication of base by rate.

§ Obtained by subtracting per capita and occupation taxes due from taxes underlying Col. (2) and expressing the result as a percentage of consumer income.

¶ (a) Federal Personal taxes—the Federal Income Tax only was considered; the base and rates were taken from Altman, G. T., "The Revenue Act of 1940", *Taxes*, Vol. 18, No. 8, August, 1940, pp. 467-470.

(b) Federal Consumption Taxes—percentages were taken from "Who Pays the Taxes?" *op. cit.*, pp. 13, 42, 47.

increase the amount of taxes payable by Pennsylvania families in the income brackets under consideration.¹²

It should be noted that families having average annual incomes of \$1,250 and living in communities where both per capita and occupation taxes are levied (see, Table VI, Col. 2) would pay 7.8% of their incomes in Pennsylvania state and local taxes. Families in the same communities having average incomes of \$17,500 would be required to contribute 13.1% of their incomes to the public treasury.

In the case of families having average annual incomes of \$1,250 and living in localities where per capita and occupation taxes are not used (see, Table VI, Col. 3) would be expected to pay 6.8% of their incomes in state and local taxes. Families in the same communities with average annual incomes of \$17,500 would pay 12.9% of their incomes in taxes.

A Progressive Personal Income Tax¹³ Providing for the Same Exemption now Permitted in the State of New York and Imposed at New York Rates,¹⁴ if levied in Pennsylvania in 1940 would have produced an estimated net yield of \$46,352,927.¹⁵

Table VII shows the estimated effect of a progressive personal income tax upon families in different income groups.

Inspection of Table VII, Cols. 2 and 3 indicates that a progressive income tax of the type in use in the State of New York would not change the percentage of taxes due from Pennsylvania families having average annual incomes from \$1,250 to \$2,750. However, it would appear that the remaining income groups considered would be required to contribute a larger percentage of their incomes in taxes than is required at present.¹⁶

Pennsylvania families having average annual incomes of \$1,250 and living in communities imposing both per capita and occupation taxes (see, Table VII, Col. 2) would be required to pay 7.1% of these incomes in Pennsylvania taxes, while families having average annual incomes of \$17,500 would pay 14.5%.

Moreover, Pennsylvania families having average annual incomes of \$1,250 and living in communities where per capita and occupation taxes are not levied (see, Table VII, Col. 3) would contribute 6.1% of their incomes to Pennsylvania governmental agencies, while families in the same localities having average annual incomes of \$17,500 would contribute 14.4%.

It will be observed that a progressive personal income tax of

¹² Compare Cols. 2 and 3, Table II, Chapter V, p. 84.

¹³ It should be noted that the Pennsylvania Supreme Court has declared Progressive Personal Income Taxes unconstitutional. See, *Appendix A*.

¹⁴ For the exemptions and rates of the New York State Personal Income Tax, see, *Appendix C*.

¹⁵ For methods and techniques used in estimating net yields, see, *Appendix B*.

¹⁶ Compare Cols. 2 and 3, Table II, Chapter V, p. 84.

Table VII

Tentative and Preliminary Pennsylvania Present State and Local Plus
Progressive Income and Total Pennsylvania and Federal Taxes* as
Percent of Consumer Income for an Average Urban Family†

Average Family Income	Taxes as Percent of Consumer Income				
	State and Local		Federal¶	Total Taxes	
	Set I‡	Set II§		Col. (2) plus Col. (3) plus Col. (4)	Col. (4)
(1)	(2)	(3)	(4)	(5)	(6)
\$ 1,250	7.1	6.1	5.6	12.7	11.7
1,750	6.7	5.9	5.6	12.3	11.5
2,250	6.3	5.7	5.5	11.8	11.2
2,750	6.0	5.4	5.3	11.3	10.7
3,500	9.0	8.6	5.3	14.3	13.9
4,500	9.5	9.1	5.7	15.2	14.8
5,500	9.5	9.1	5.9	15.4	15.0
6,500	10.1	9.8	5.9	16.0	15.7
7,500	10.7	10.4	5.8	16.5	16.2
8,500	11.2	10.9	6.2	17.4	17.1
9,500	11.8	11.6	6.4	18.2	18.0
12,500	13.1	12.9	7.5	20.6	20.4
17,500	14.6	14.4	9.1	23.7	23.5

* State, local and Federal personal taxes are for 1939-40; Federal consumption taxes are for 1938-39.

† Average family of two adults and 1.5 children assumed.

‡ Bases: (a) Real Property Tax—housing expenditures capitalized at 10%; see, *National Resources Committee*, "Consumer Expenditures in the United States", Washington, 1939, pp. 78, 86.

(b) Occupation Tax—estimated on the basis of material received from county officials, see, *Appendix B*.

(c) Per Capita Tax—estimated on the basis of material received from the Superintendent of Public Instruction, see, *Appendix B*.

(d) Intangibles Tax—national pattern of investment income utilized, see, *U. S. Treasury Department, Bureau of Internal Revenue*, "Statistics of Income for 1937", Washington, 1940, pp. 133-137, 162. Capitalization rate assumed to be 4% investment income for incomes between \$3,000 and \$5,000 was extrapolated.

(e) Cigarette Tax—tobacco expenditures assumed entirely for cigarettes; see, "Consumer Expenditures in the United States", *op. cit.*, pp. 78, 86.

(f) Gasoline Tax—average number of gallons purchased by families in three middle-sized East Central Cities; see, *U. S. Department of Labor, Bureau of Labor Statistics*, "Family Expenditures in Selected Cities, 1935-36", Bulletin 648, Vol. 6, Washington, 1940, p. 126.

(g) Liquor Taxes—data for gross liquor store sales taken from the Joint State Government Commission. For techniques and sources underlying the allocation of these sales to consumer groups, see, *Temporary National Economic Committee*, "Who Pays the Taxes?", Monograph No. 3, Washington, 1940, pp. 19 and 20; and "Consumer Expenditures in the United States", *op. cit.*, pp. 78 and 86.

(h) Proposed Progressive Income Tax—the New York State Personal Income Tax was followed as regards the base; see, *U. S. Department of Commerce, Bureau of the Census*, "Digest of State Laws Relating to Net Income Taxes, 1938", Washington, 1938, pp. 81-83; non-taxable income from Government securities was taken from "Statistics of Income for 1937", *op. cit.*, pp. 134 and 182; the national pattern was assumed. Federal income taxes were not considered deductible.

Rates: (a) Real Property and Occupation Tax—mean, weighted, urban real estate tax utilized; for underlying rates, see, Mohaupt, R., "Comparative Tax Rates of 287 Cities, 1939", *National Municipal Review*, Vol. 28, December, 1939, pp. 848-866. Population weights taken from *U. S. Department of Commerce, Bureau of the Census*, preliminary release of September, 1940.

(b) Proposed progressive personal income tax—New York Personal Income Tax rates less 1% additional emergency rate were utilized. See, *Commerce Clearing House*, "Tax Systems", 8th edition, Chicago, 1940, pp. 190-191.

(c) All other tax rates were taken from "Tax Systems", *op. cit.*, p. 59.

Taxes: (a) Motor Vehicle Registration—average registration fees for three Middle-sized East Central cities were assumed applicable, see, "Family Expenditures in Selected Cities, 1935-36", *op. cit.*, p. 126.

(b) All other taxes obtained by multiplication of base by rate.

§ Obtained by subtracting per capita and occupation taxes due from taxes underlying Col. (2) and expressing the result as a percentage of consumer income.

¶ (a) Federal Personal taxes—the Federal Income Tax only was considered; the base and rates were taken from Altman, G. T., "The Revenue Act of 1940", *Taxes*, Vol. 18, No. 8, August, 1940, pp. 467-470.

(b) Federal Consumption Taxes—percentages were taken from "Who Pays the Taxes?" *op. cit.*, pp. 13, 42, 47.

this type would extract a considerably larger percentage of the incomes of families in the higher brackets than a tax on clear income.¹⁷ This effect of the progressive income tax is also characteristic of the clear income tax.

At the risk of being considered unduly repetitive, the members of the Joint State Government Commission wish to conclude this chapter by pointing out again¹⁸ that the tax-due-income percentage ratios shown above must not be regarded as tentative and preliminary. They should not be made to bear more than they were designed to carry.¹⁹ The membership of the Joint State Government Commission wishes to point out, too, that the discussion of the taxes mentioned above does not imply their endorsement. These taxes have been discussed merely because, in the face of pressure for additional state tax revenues which still prevails, they have been the object of legislative consideration at the sessions of the General Assembly.²⁰

¹⁷ Compare Cols. 2 and 3, Table VI, p. 102.

¹⁸ See, Chapter V, p. 79.

¹⁹ See, Chapter V, p. 79 and following.

²⁰ See, Chapter VI, p. 91.

CHAPTER VII

Some Proposals Relating to State-Local Transfer Payments

Section I

Present State-Local Transfer Payments

For some purposes it is useful to distinguish between direct state expenditures and state-local transfer payments. Direct state expenditure differs from a state-local transfer payment by virtue of the fact that the first is made in connection with some public function which is under the exclusive financial and administrative control of the state government, whereas the transfer payment involves joint state and local administrative responsibility.

In Pennsylvania direct state expenditures, which for brevity's sake will henceforth be referred to as state expenditures, are represented by expenditures for the salaries of the state judiciary, the state highway patrol, etc. State-local transfer payments are illustrated by state General Fund payments to the local school districts which in turn are applied by the local school districts toward the payment of the salaries of teachers and supervisors.¹

State-local transfer payments give rise to a problem which does not enter at all into state expenditures.

To fully appreciate the nature of the problem which arises out of state-local transfer payments² it may be well to indicate briefly typical state-local transfer payment arrangements.

A state government may collect certain taxes and turn back part or all of the receipts to the local units of government in whose jurisdiction the taxes were collected in the first place. Whatever receipts are so turned back to the localities may be earmarked for specifically enumerated functions of the local governments or may be applied to any legitimate local function in accordance with the judgment and discretion of local authorities.

Usually when tax receipts are turned back to the localities, the economically stronger local units of government tend to receive larger absolute and relative amounts than the less fortunate jurisdictions. If the funds so transferred are "earmarked for a specific public function," it sometimes follows that the poorer jurisdictions perform that function less adequately than their more fortunate neighbors.

Again, a state government may appropriate out of its general funds sums certain (such as a given dollar amount per child of school age) to

¹ See, p. 38 and following.

² See, *Tax Policy League*, "Tax Relations Among Governmental Units", New York, 1938, Part IV. Also, *Report of the New York State Commission for the Revision of the Tax Laws*, New York, 1932, Memorandum No. 10. Also, Groves, H. M., *Financing Government*, New York, 1939, p. 605 and 615. Also, Wueller, P. H., "Real Property as a Tax and Reimbursement Base During the Depression" in *Property Taxes*, Tax Policy League, 1940, p. 21 and following.

local units of government with the expectation that the local government will obtain from its own tax sources sufficient revenue to supplement the state transfer payment with a view of offering adequate public services of one type or another. When state governments employ this second transfer arrangement, it frequently happens that the less fortunate units of local government offer less adequate services, simply because their tax resources are frequently under considerable strain. Here again, the statesman and legislator is confronted with inequalities in public service offerings.

The third type of transfer payment arrangement which does not tend to perpetuate differences in public service offerings is represented by the so-called variable grant.³ Generally speaking,⁴ this fiscal device provides for state-local transfer payments, the volume of which varies from locality to locality in accordance with both the receiving locality's need for a given service and its tax capacity to partially finance a service for services.

At the present Pennsylvania transfers to the localities out of its tax revenues 1) part of the liquid fuels tax, 2) the premiums tax upon foreign fire insurance companies, provided such tax does not exceed two per cent,⁵ and 3) liquor license fees collected from licensees.

One-half cent per gallon of the liquid fuels tax, popularly known as the gasoline tax, is returned to the counties of the Commonwealth where the tax was collected in the first place. For the biennium 1937-39 total liquid fuel tax transfer payments to the counties amounted to \$13,785,648.⁶

The foreign fire insurance premiums tax is returned to the cities, boroughs and townships where insured property is located. For the biennium 1937-39 total foreign fire insurance premiums tax transfer payments to these jurisdictions to be remitted to the firemen's relief fund amounted to \$1,960,527.⁷

Liquor license fees, like the foreign insurance premiums tax, are returned to cities, boroughs and townships. For the biennium 1937-39 liquor license transfer payments to these jurisdictions combined amounted to \$7,612,968.⁸

In addition to these payments, involving the transfer from the state to the localities of specially earmarked tax yields, the General Fund, to which all taxes not specially earmarked accrue, makes transfer payments of considerable magnitude to the local school districts. For the biennium

³ For a descriptive catalogue of grant-in-aid formulae including variable grant formulae see, Hinckley, R. J., "State Grants-in-Aid", *State of New York, Special Report of the Tax Commission* (1935), No. 9. For a critical appraisal of the grant device see, *State of New York*, "Report of the New York State Commission for Aid to Municipal Subdivisions", Legislative Document, No. 58 (1936). Also, Key, V. O., *The Administration of Federal Grants to the States*, Chicago, 1937, and Bitterman, H. J., *State and Federal Grants-in-Aid*, New York, 1938.

⁴ Blough, Roy, "Equalization Methods for the Distribution of Federal Relief Funds", *The Social Service Review*, Vol. IX, p. 423, also, Bitterman, H. J., *State and Federal Grants-in-Aid*, *op. cit.*

⁵ *Commerce Clearing House*, "Tax Systems," 8th edition, p. 59.

⁶ *Biennial Report of the Auditor General of Pennsylvania*, for the biennium from June 1, 1937 to May 31, 1939, p. 267.

⁷ *Ibid.*, p. 268.

⁸ *Ibid.*, p. 299.

1937-39 total state transfer payments from the General Fund to the local school districts amounted to \$65,879,288.⁹

It is sometimes suggested in public discussions that the Commonwealth of Pennsylvania is rather parsimonious in its transfer payments to the local units of government and it is contended without the submission of satisfactory evidence that other states are more lavish when it comes to the sharing of state tax revenues with their local subdivisions.

Whatever the facts of the case may be, the members of the Joint State Government Commission are persuaded that all these comparisons lack validity unless a thorough investigation is made of the functions which are financed exclusively by state governments in other states.

As has been previously noted,¹⁰ Pennsylvania among the competing states frequently referred to is unique by virtue of the fact that it finances general assistance exclusively out of state tax resources. This situation in the past has proved a serious drain upon the General Fund. If it had not been for this drain, the present accumulated operating deficit of the state government would be nonexistent.

Section II

General Assistance: A Problem in State-Local Financial Relations

For the biennium 1937-39, total disbursements for public assistance amounted to \$238,741,369. Of this total \$18,774,699 was spent for administration, \$8,194,035 for blind pensions, \$45,616,968 for old age assistance, \$15,649,490 for mothers assistance, and \$145,722,759 for general assistance—sometimes referred to as direct relief.¹

Though payments for aids of various types represent substantial dollar amounts, general assistance or direct relief exceeds all others from point of view of magnitude of disbursements.

The large General Fund disbursements for general assistance have given serious alarm to groups of citizens throughout the Commonwealth.

These groups of citizens allege that our system of financing general assistance is seriously defective² because it does not call upon local units of government for a financial contribution out of local tax resources. Allegations of minor consequence aside, it is argued that the absence of a local financial contribution toward the maintenance of general assistance is at least in part responsible for the large volume of general assistance payments,

⁹ *Ibid.*, p. 198.

¹⁰ See, Chapter II, Section III, p. 36 and following.

¹ *Biennial Report of the Auditor General* for the biennium from June 1, 1937 to May 31, 1939, p. 191.

² For details of Pennsylvania's contemporary general assistance procedures see, *Joint State Government Commission*, "Relief Report", Harrisburg, 1941.

because, so it is held, local communities, called upon to tax themselves directly to maintain general assistance would be likely to exert some communal pressure to keep the general assistance load at the minimum necessary to make certain that nobody in this Commonwealth becomes a victim of destitution.

In addition, it is claimed that the present operating deficit of the Commonwealth,³ estimated at \$74,000,000, is in large measure due to present methods of financing general assistance. Again, it is alleged that the accumulated operating deficit of the state government of the Commonwealth introduces an undesirable element of uncertainty into the fiscal situation and that this uncertainty coupled with already heavy business taxes, prevents the expansion of manufacturing operations in the Commonwealth which might otherwise take place.⁴

As regards the establishment of the validity of all these allegations and their implications, further intensive studies are required. It is certain, however, that if it were not for general assistance disbursements no accumulated operating deficit would be in existence at this time and no Special Sessions of the General Assembly—which involve considerable cost to the taxpayers—would have been required during the last few years.

It is largely because of these factors which are held to be detrimental to the industrial progress of the state, that individual citizens and organized groups of citizens have suggested that administration and part of the financial responsibility for “general assistance be turned back to local units of government,” the local units being presumably the counties of the Commonwealth.

It would seem that any such “turning back” of the financial responsibility for general assistance might take four basically different forms.

First, the General Assembly, by proper statutory enactment might make the financing of general assistance a local function, leaving it to the counties to get the necessary tax revenue out of the tax bases (real estate, intangibles, and occupations) which they may now tax for their own purposes. Second, the General Assembly by proper statutory enactment might make the financing of general assistance a local function, and with a view of aiding the counties in carrying the new load, might return to them a larger share of state-collected taxes. Third, the General Assembly might turn primary responsibility for the financing of general assistance back to the localities, but simultaneously provide that the General Fund of the Commonwealth assume some fixed percentage of the total cost of carrying the assistance load in each

³ See, *Appendix C*, for General and Special Fund operations for the period from 1927 to 1941.

⁴ See, Chapters I and III.

county. Fourth, the General Assembly might turn general assistance back to the counties and authorize the General Fund of the Commonwealth to assume variable percentages of county assistance loads, such state participation percentages to vary in accordance with a given county's assistance needs and a given county's capacity to finance these needs out of county tax sources.

The enumeration of these four possibilities is not to be construed as a suggestion with regard to the feasibility or desirability of all or any one of them.

However, it is believed that if the first course were considered both feasible and desirable, some counties would undoubtedly face serious financial difficulties.⁵ The second course, if considered both feasible and desirable, would probably necessitate the substitution of new state taxes for some of the levies now on our statute books, the choice among such substitute taxes to be guided by the ease with which they can be passed back to the localities the origin, that is, the localities where they were collected in the first place. The third course, if feasible and desirable, would place tax burdens of considerable inequality upon local units of government. The fourth course, however, would tend to equalize the inequalities in local tax loads which would ensue if the third course had been chosen.⁶

With a view of illustrating the intricacies of the problem under consideration and to facilitate legislative judgments, the Joint State Government Commission has prepared Table I.

Table I shows in Col. 2 equalized⁷ assessments of taxable real estate for every county. Col. 3 shows 1939 state general assistance or direct relief payments for all counties.

Col. 4 shows what the effective county real estate tax rate⁸ would have been in 1939 if the counties had been obligated to (a) assume ten percent of the cost of general assistance, and (b) finance their ten percent share out of a levy upon taxable realty. Inspection of Col. 4 shows that under these assumed conditions estimated effective county real estate relief tax rates would have ranged from 2.36 mills in Snyder County to .14 mills in Montgomery County.

Col. 5, which is comparable to Col. 4, shows what the effective county real estate tax rate would have been in 1939 if the counties had been obligated to (a) assume twenty percent of the cost of general assistance, and, (b) finance their twenty percent share out of a levy upon taxable realty. Inspection of Col. 5 shows that under these purely hypothetical

⁵ For general assistance, mothers assistance, old age assistance, and blind pension disbursements by counties for the biennium 1937-39 see, *Biennial Report of the Auditor General of Pennsylvania*, pp. 192 and 193.

⁶ See Chapter II, Section III, p. 36.

⁷ For equalization method used see, *Appendix B*.

⁸ The term 'effective tax rate' is defined as 'levy' over 'equalized assessments' multiplied by 1000.

TABLE I

ESTIMATED EQUALIZED COUNTY REALTY ASSESSMENTS, STATE COST PAYMENTS FOR GENERAL ASSISTANCE BY COUNTIES IN 1939 AND EFFECTIVE COUNTY REAL ESTATE RELIEF TAX RATE COMPUTED ON THE BASIS OF ALTERNATIVE ASSUMPTIONS

County	Total Equalized County Assessments (000)	Total State Relief Payments in County (000)	County Real Estate Tax Rate (mills)		If 19.82% of Col. 3 were financed under proposed variable grant plan
			10% of Col. 3 Col. 2 multiplied by 1000	20% of Col. 3 Col. 2 multiplied by 1000	
(1)	(2)	(3)	(4)	(5)	(6)
Adams	\$ 31,094	\$ 106	0.34	0.68	0.55
Allegheny	1,839,528	17,616	0.96	1.92	2.04
Armstrong	44,915	565	1.26	2.52	1.65
Beaver	153,895	1,117	0.73	1.45	1.34
Bedford	23,659	227	0.96	1.92	1.31
Berks	283,921	1,337	0.47	0.94	0.93
Blair	140,000	1,031	0.74	1.47	1.37
Bradford	22,725	281	1.24	2.47	1.41
Bucks	133,601	252	0.19	0.38	0.39
Butler	85,714	429	0.50	1.00	0.92
Cambria	170,925	1,506	0.88	1.76	1.45
Cameron	3,069	24	0.78	1.56	0.98
Carbon	33,750	310	0.92	1.84	1.19
Centre	48,485	248	0.51	1.02	0.91
Chester	177,083	470	0.27	0.53	0.56
Clarion	27,248	161	0.59	1.18	0.92
Clearfield	55,200	856	1.55	3.10	2.14
Clinton	18,333	248	1.35	2.71	1.69
Columbia	34,401	300	0.87	1.74	1.28
Crawford	48,247	289	0.60	1.20	0.89
Cumberland	62,633	156	0.25	0.50	0.42
Dauphin	256,000	1,024	0.40	0.80	0.89
Delaware	275,300	808	0.29	0.59	0.51
Elk	16,600	163	0.98	1.96	1.14
Erie	214,127	1,297	0.61	1.21	1.23
Fayette	228,705	2,570	1.12	2.25	2.24
Forest	2,649	32	1.21	2.42	1.51
Franklin	52,538	177	0.34	0.67	0.53
Fulton	3,297	16	0.49	0.97	0.30
Greene	82,000	246	0.30	0.60	0.74
Huntingdon	19,563	255	1.30	2.61	1.53
Indiana	53,548	904	1.69	3.38	2.50
Jefferson	20,990	396	1.89	3.77	1.91
Juniata	7,285	77	1.06	2.11	1.24
Lackawanna	282,582	4,266	1.51	3.02	2.72
Lancaster	406,583	622	0.15	0.31	0.38
Lawrence	105,291	1,028	0.98	1.95	1.90
Lebanon	62,500	144	0.23	0.46	0.40
Lehigh	243,333	624	0.26	0.51	0.56
Luzerne	394,493	5,831	1.48	2.96	2.59
Lycoming	50,971	690	1.35	2.71	1.75
McKean	146,164	270	0.18	0.37	0.51
Mercer	168,000	665	0.40	0.79	0.93
Mifflin	27,534	380	1.38	2.76	1.96
Monroe	36,000	180	0.50	1.00	1.03
Montgomery	461,667	660	0.14	0.29	0.33
Montour	7,367	104	1.41	2.82	1.63
Northampton	289,353	561	0.19	0.39	0.46
Northumberland	168,436	1,418	0.84	1.68	1.80
Perry	18,208	69	0.38	0.76	0.60
Philadelphia	2,528,454	28,774	1.14	2.28	2.43
Pike	16,206	38	0.23	0.47	0.62
Potter	7,287	111	1.52	3.05	1.51
Schuylkill	346,560	2,553	0.74	1.47	1.68
Snyder	7,045	166	2.36	4.71	2.27
Somerset	57,495	786	1.37	2.73	2.03
Sullivan	4,482	53	1.18	2.37	1.56
Susquehanna	16,129	345	2.14	4.28	2.54
Tioga	17,319	199	1.15	2.30	1.39
Union	26,557	89	0.34	0.67	0.72
Venango	36,964	527	1.43	2.85	1.92
Warren	30,769	196	0.64	1.27	0.98
Washington	208,333	1,467	0.70	1.41	1.31
Wayne	18,400	107	0.58	1.16	0.82
Westmoreland	300,000	2,453	0.82	1.64	1.52
Wyoming	8,095	184	2.27	4.55	2.72
York	171,951	592	0.34	0.69	0.64

See Footnote at bottom of Page 113.

conditions estimated effective county real estate relief tax rates would have ranged from 4.71 mills in Snyder County to .29 mills in Montgomery County.

Because it is sometimes contended that the counties least able to raise taxes by levying upon realty tend to have relatively high relief loads, the Joint State Government Commission presents in Col. 6 the effective county relief realty rates which would obtain if (a) on the *average* the counties had assumed twenty percent of the cost of direct relief in 1939, and (b) the aggregate share of the counties of twenty percent had been apportioned among the counties in accordance with a variable grant plan.

Before proceeding with the inspection of the effective county relief tax rates shown in Col. 6, it may be well to briefly state the principle underlying the variable grant plan on the basis of which the hypothetical computations have been made.

From point of view of principle, the variable grant plan underlying the computation merely stipulates that counties having higher than average equalized per capita real estate assessments shall contribute a percentage larger than twenty percent toward financing the cost of direct relief and counties having lower than average equalized per capita real estate assessments shall contribute less than twenty percent toward the cost of maintaining direct relief.⁹

Inspection of Col. 6 shows that under the variable grant plan underlying the computation, effective county real estate relief tax rates would have ranged from 2.72 mills in Lackawanna and Wyoming Counties to .30 mills in Fulton County.

It is likewise instructive to compare the millages shown in Col. 5 (millage required by individual counties if the county had assumed a flat twenty percent of the cost of relief in 1939) and Col. 6 (millage required if counties *on the average* had been required to contribute twenty percent of the cost of relief in 1939 but if an individual county's contribution has been varied in accordance with variable grant plan). Inspection and comparison of these two columns indicates that Snyder County, which would have had to impose a rate of 4.71 mills under the flat twenty percent plan (see, Col. 5) would have been able to manage with a millage of 2.27 under the variable grant plan. Per contra, Montgomery County,

⁹For purpose of the computation underlying Col. 6, this general variable grant principle has been translated into the following formula:

$$R_i = 1 - k \frac{A_i}{A_s - A_i}$$

where R_i is the percentage reimbursement which the state allots to a given county (i), k is a constant which in the case under consideration equals two fifths, A_i is a given county's equalized per capita real assessment, A_s is the state's equalized per capita real estate assessment.

Legend:

Col. (2) Unequalized county assessments from a compilation of *The Pennsylvania Manual*, 1939, p. 981. These unequalized assessments were equalized at the market level by multiplying each county's assessed-market value ratio as given by Moody's, *Governments and Municipals*' New York, 1934-1940; Prentice-Hall, *Pennsylvania State and Local Tax Service*, New York, 1938-1939; Logan, E. B., *Taxation of Real Property in Pennsylvania*, Philadelphia, 1934; and Commerce Clearing House, *The Pennsylvania Tax Service*, New York, 1939.

Col. (3) From a compilation of the *Joint State Government Commission*.

which would have been required to levy .29 mills under the flat twenty percent plan, would have been called upon to impose .33 mills under the variable grant plan.

As was suggested above, the difficulties arising out of local inequalities with respect to the supporting of public functions as well as inequalities in specific local burdens may be overcome by: 1) an increase in state-local transfer payments for general local purposes, such as is represented by shared taxes¹⁰ or 2) the introduction of variable grant plans tied to the financing of specific functions.

As regards the considerations bearing upon the choice of either method, it may be observed that variable grant plans when tied to specific functions such as general assistance are more likely to produce the results contemplated by legislators than shared taxes, simply because shared taxes, when returned to collection points (which is the standard state practice¹¹) may or may not flow to the points of greatest need and lowest capacity.

Because of the relative accuracy with which a variable grant plan facilitates realization of the legislative intent, such a plan has been developed for the financing of general assistance in Pennsylvania.

Needless to say, the members of the Joint State Government Commission do not recommend nor reject the variable grant plan outlined below. They merely submit it as a type of plan which is likely to accomplish certain objectives.

The variable grant plan, outlined below, is based upon the assumptions that 1) it is desirable that the counties assume some fraction of the cost of financing general assistance, and 2) a given county's percentage share in financing its public assistance load is to vary in accordance with both, the given county's need as measured by general population,¹² and the given county's fiscal capacity as measured by equalized county real estate assessments.

In order to facilitate computations of the percentage shares of the total cost of carrying general assistance which different counties would have to assume if a variable grant of the type outlined above were adopted by the General Assembly, the Joint State Government Commission had to make some assumptions regarding the average percentage share of the cost of general assistance which the counties might assume. For computation purposes only, the members of the Commission have assumed that on the average the counties might finance ten and twenty percent, respectively, of the total cost of general assistance. It is again pointed out that this assumption is made for computation purposes only.

¹⁰ See, Newcomer, M., "Revenue Sharing Between Federal and State Governments and Between State and Local Governments", *Proceedings of the 29th Annual Conference on Taxation of the National Tax Association*, 1936, pp. 275-282.

¹¹ See, *Tax Systems*, *op. cit.*, pp. 5 to 107, Disposition Columns.

¹² See, Wueller, P. H., "The Measurement of the Relative Capacities of the States" in *Studies in Income and Wealth*, Vol. III, National Bureau of Economic Research, Part VII, p. 437 and following.

It is not to be construed as a recommendation on the part of the Commission.

It should also be pointed out that the computations in Table I,¹³ Column 6, are based upon the expenditure of \$91,000,000 for General Assistance for the calendar year 1939. This represents the largest sum expended by the Commonwealth from State Funds for unemployment relief (General Assistance) in any calendar year.

Since 1939 represents the peak year in such costs, it is obvious when computing costs to the counties under the variable grant plan they will rise and fall with the relief burden. Expenditures for general relief in the calendar year 1940 was approximately \$60,000,000, a reduction of about one-third under the amount spent in 1939. On the 1940 basis, the costs computed for each county would be correspondingly reduced.

Section III

Public Education: Another Problem

In State-Local Financial Relations

Members of the General Assembly have for quite some time been aware of the fact that all is not well with public education in Pennsylvania.

Legislative solicitude for the welfare of public education, a function of government which is specifically mentioned in the Constitution of the Commonwealth and which according to Constitutional mandate is to be at least partially supported out of state government funds¹ has been in evidence on various occasions.

This solicitude on the part of Pennsylvania legislators is reflected in several bills,² which, though failing of passage at recent sessions of the General Assembly, provided for additional school tax revenue, special legislative appropriations made available to so-called "distressed school districts"³ and the Hon. Franklin Spencer Edmonds' proposal⁴ to increase contemporary school district reimbursement fractions⁵ by five points each.

¹³ See, Table I, p. 112.

¹ See, *Constitution of Pennsylvania*, Article X, Section I.

² *Regular Session*, 1939, H. B. 409; *Regular Session*, 1939, H. B. 157; *Regular Session*, 1937, H. B. 59; *Special Session*, 1936, H. B. 61; *Regular Session*, 1935, H. B. 1473.

³ See, p. 43 and following.

⁴ *Regular Session*, 1939, S. B. 253.

⁵ See, p. 40.

The problems of public education in Pennsylvania have recently been set forth by the 1940 Pennsylvania Education Congress⁶ called by Dr. Francis B. Haas, Superintendent of Public Instruction, the Pennsylvania Federation of Teachers,⁷ and the Pennsylvania State Education Association.⁸

Though these different organizations and agencies propose somewhat different remedies for the relief of the contemporary educational situation, in the main they seem to agree upon the nature of the major sore spots.

Generally speaking, it is claimed by all these organizations that 1) present general levels of school support are in grave danger of serious impairment because of the shrinkage of the real estate base, the financial mainstay of public education in the Commonwealth, 2) the present state reimbursement system does not facilitate equal educational opportunities to all Pennsylvania children of school age, 3) levels of education in Pennsylvania public schools are not as high as they might be and steps should be taken to remove the financial handicaps which at present make it difficult if not impossible to offer all children adequate "foundation programs."

It will be observed that these three claims are of somewhat different order. Claims one and two relate to observable facts, but the third claim is concerned with matters of broad social policy.

As regards the validity of the first claim, it does appear that real property assessments in Pennsylvania have been declining from \$9,960,000,000 in 1931-32 to \$9,100,000,000 in 1935-36.⁹ This decline in aggregate realty assessments, though considerable, was not uniformly distributed among the different levying jurisdictions. As regards the uneven distribution, the "Report" observes:

"From 1931-32 to 1936-37 the decrease in reported assessed valuation in districts of the first class was \$940,000,000, approximately 20 per cent. Computed on a per teacher basis and an average tax rate of 10 mills, this decrease is equivalent to a loss in local revenue of \$900 per teacher. In one of the second-class districts, assessed valuation decreased from approximately \$74,000,000 in 1931 to approximately \$54,000,000 in 1935, a net decrease of \$20,000,000 or approximately 30 per cent. In another second-class district, assessed value decreased from \$127,000,000 in 1931

⁶ See, *Commonwealth of Pennsylvania, Department of Public Instruction, "Pennsylvania Public Instruction"*, Vol. VIII, November, 1940, pp. 21-28.

⁷ *Pennsylvania Federation of Teachers, "Improve Educational Opportunities for Pennsylvania Children"*, Philadelphia, no date given, but apparently published in 1939.

⁸ *Pennsylvania State Education Association, "Report of the Committee on Survey of School Costs"*, Harrisburg, 1938; also, *Pennsylvania State Education Association, "The Financing of Public Education in Pennsylvania"*, Harrisburg, 1940.

⁹ See, *Pennsylvania State Education Association, "Report...."*, p. 113; see, too, below, Appendix C, which presents assessment data compiled by the Pennsylvania Department of Internal Affairs, which show that real property assessments have declined in most Pennsylvania jurisdictions.

to approximately \$105,000,000, estimated for 1938, or an approximate decrease of \$22,000,000, which, in the opinion of the president of the board in this area, may require an increase in the tax rate for next year of 10 mills to maintain the present program.

“The extent to which schools are handicapped by delinquencies in tax payments is evident from the fact that in 1935-36 out of a total tax levy of \$133,000,000, approximately \$27,000,000 remained delinquent. The decline in the net amount of taxes collected for school purposes has dropped from \$137,000,000 in 1930-31 to \$106,000,000 in 1935-36, a net decrease of \$31,000,000.”¹⁰

As regards the second claim to the effect that the present reimbursement system does not facilitate equal educational opportunities, the Joint State Government Commission has previously submitted data¹¹ which show that school districts having equal property assessments per child of school age, receive different state reimbursement percentages.¹² In this connection, it should be observed, too, that Dr. E. B. Logan, present Budget Secretary of the Commonwealth, and a student of property assessment problems,¹³ observed when addressing Pennsylvania educators during Schoolmen's Week: “In my opinion the present method of granting state aid has outstanding defects . . . there can be no sound defense for the wide state aid groupings as now arranged . . . In my opinion fundamental changes need to be made in the method of granting state aid. About three-fourths of the states use the system of supplying from state funds the amount necessary to finance a standard minimum program after a flat millage has been applied to the valuation of property and it appears to me that the method is far superior to the method now used here.”¹⁴

As regards the contention of the education groups to the effect that the offerings of Pennsylvania public schools might well be enriched¹⁵ and levels of education might well be raised, it should be observed again that this contention involves matters of basic legislative policy. Who after all is to decide how comprehensive public education is to be? Manifestly, the answer must be given by the members of the General Assembly speaking for their constituents.

It is rather difficult to determine exactly how “rich” and “comprehensive” contemporary Pennsylvania educational offerings are. A first clue to the relative quality of education in Pennsylvania, however, is

¹⁰ Pennsylvania State Education Association, “Report. . . .” pp. 113 and 114.

¹¹ See, Chapter II, Table VI, p. 45 and Table VII, p. 46.

¹² For additional evidence bearing upon this point, see, *Appendix C*.

¹³ Logan, E. B., *Taxation of Real Property in Pennsylvania*, Philadelphia, 1934, *passim*.

¹⁴ Address of Dr. E. B. Logan delivered at Schoolmen's Week, Philadelphia, March, 1937, quoted by *Pennsylvania Federation of Teachers* “Improve Educational Opportunities for Pennsylvania Children”, pp. 7 and 11.

¹⁵ See, p. 116.

afforded when current expenditures for education per pupil in Pennsylvania are compared with those of other states.

Table II has been prepared with a view of facilitating such comparisons.

Table II
Current Expenditures for Public Education in Pennsylvania and
'Competitive States'
1935-36

State	Current Expenditures Per Pupil	Per Child
(1)	(2)	(3)
Pennsylvania	\$ 79.70	\$ 54.53
California	115.60	97.07
Connecticut	90.76	62.12
Illinois	86.06	55.70
Indiana	69.08	53.65
Massachusetts	104.51	74.53
Michigan	78.82	56.10
New Jersey	108.33	74.18
New York	134.13	95.08
North Carolina	31.11	22.09
Ohio	82.42	58.86
Tennessee	35.81	24.15
West Virginia	57.93	42.11
Wisconsin	80.87	55.18

Inspection of the above table indicates that Pennsylvania with a per pupil current expenditure of \$79.70 ranks lower than New York, California, New Jersey, Massachusetts, Connecticut, Illinois, Ohio and Wisconsin. Pennsylvania's per pupil expenditures are about equal to those of Michigan, and higher than those of Indiana, West Virginia, Tennessee and North Carolina.

It goes without saying that dollar figures do not tell the whole story of the quality of education. The members of the Joint State Government Commission are of the opinion that the whole subject of publicly supported and publicly subsidized education should be thoroughly and intensively studied. Such a study should cover all education in which the Commonwealth has a contingent financial interest and should not be confined to present financial arrangements but should also endeavor to ascertain what the Pennsylvania taxpayer obtains at the present time for his dollar and how the quality of the service now obtained might be improved and how inequalities might be removed without the expenditure of additional amounts of public monies.

To remedy the above discussed conditions the Pennsylvania Education Congress, Pennsylvania State Education Association, and the Pennsylvania Federation of Teachers suggest certain measures. Some of these measures are identical, others are somewhat different in character.

The Education Congress,¹⁶ the Pennsylvania State Education Asso-

* From *Report of the Advisory Committee on Education*, Washington, 1933, p. 225.
¹⁶ *Pennsylvania Department of Public Instruction*, "Pennsylvania Public Instruction", Vol. VII, November, 1940, p. 22.

ciation,¹⁷ and the Pennsylvania Federation of Teachers¹⁸ agree that the present difficulties faced by public education in Pennsylvania can be solved only if the state government makes larger state appropriations available to the local school districts.

The Education Congress and the Pennsylvania State Education Association, on the one hand, and the Pennsylvania Federation of Teachers, on the other, differ, however, with regard to the volume of additional state aid to the schools, the method to be used in making such additional state aid available, and the state sources of tax revenue to be tapped to finance the additional state aid called for.

First, as regards the volume of additional state aid recommended. The Pennsylvania Federation of Teachers suggests that the state government of the Commonwealth, in addition to amounts now allocated to the school districts, make available \$51,900,000 annually.¹⁹ The Pennsylvania State Education Association suggests that an additional \$35,500,000 be made available to the school districts annually.²⁰ And the Committee on Taxation Policies and Procedures of the Education Congress suggests that the state government of the Commonwealth assume on the average between 35% and 40% of the cost of public education.²¹ In terms of dollar amounts, the Education Congress proposal is the approximate equivalent of the Pennsylvania State Education Association recommendation.

Second, as regards the procedure to be employed in transferring the called for state aid to the local school districts the Pennsylvania State Education Association and the Tax Policy Committee of the Education Congress are in accord, but the Pennsylvania Federation of Teachers proposes a method of its own.

Technicalities aside, the Pennsylvania State Education Association proposes that a foundation program of \$1,600 be established for every elementary teaching unit and that a foundation program of \$2,000 be established for every secondary teaching unit. These foundation programs are to be financed as follows: 1) increase the present reimbursement fractions²² by twenty points each, that is, increase the reimbursement fraction of fourth class school districts from .50 to .70 etc., and 2) have the General Fund of the Commonwealth pay to each school district the difference between the cost of the foundation program and the amount raised by a five mill tax upon real estate plus the amounts made available to each school district under the increased reimbursement fractions.²³

If put into operation this plan would work as is illustrated by the example below:

¹⁷ *Pennsylvania State Education Association*, "Report of the Committee on Survey of School Costs", Chapter IV, p. 109.

¹⁸ *Pennsylvania Federation of Teachers*, "Improve Educational Opportunities for Pennsylvania Children", p. 9.

¹⁹ *Pennsylvania Federation of Teachers*, *op. cit.*, p. 10.

²⁰ *Pennsylvania State Education Association*, "Report.....", Chapter IV, p. 9.

²¹ *Commonwealth of Pennsylvania, Department of Public Instruction*, *op. cit.*, p. 22.

²² See, above, p. 40.

²³ *Pennsylvania State Education Association*, *op. cit.*, pp. 115 and 122.

"Gettysburg, a third-class district in Adams County, has 25.5 elementary teachers and 19.5 secondary teachers. The total true value of property in 1936-37 in Gettysburg was \$3,993,000. Providing a school program equivalent in cost to \$1,600 for every elementary teacher and \$2,000 for every secondary teacher would cost \$79,800. A uniform tax levy of five mills on the true value of property in Gettysburg would produce \$19,965 toward the school program. Present aids, that is appropriations now received, would provide \$27,000 toward the cost of this program. The proposed amendments to the Edmonds Act would provide additional State appropriations of \$12,120. The total amount provided by the five-mill levy on true value, the present appropriations, and the new Edmonds appropriations would total \$59,085. This amount is \$20,715 less than the cost of the foundation program indicated in column 5. The State would, therefore, provide an additional appropriation as an equalization grant in the amount of \$20,715, thus guaranteeing the foundation program in the amount of \$79,800 with a local tax effort of five mills."²⁴

The reimbursement plan of the Pennsylvania Federation of Teachers agrees with the plan outlined above as regards dollar definition of the foundation program, but stipulates that the program be financed by having the General Fund of the Commonwealth "pay each school district \$1,600 per elementary teaching unit, \$2,000 per secondary teaching unit, less a deduction of yield of two mill tax on true value of real estate."²⁵

Third, as regards the financing of the additional state aid to the schools the suggestions of the Taxation and Sources of Revenue Committee of the Pennsylvania State Education Association, again differ from those of the Pennsylvania Federation of Teachers.

Purely administrative changes aside, the Committee on Taxation and Sources of Revenue of the Pennsylvania State Education Association suggests that the General Fund of the Commonwealth be placed in a position to finance the additional state aids and that in order to make it possible for the General Fund to carry the additional load, the following taxes be imposed: 1) a clear income tax levied at the rate of 2% and providing for the deduction of necessary living costs up to a legislatively stipulated maximum of \$1,800 per taxable return, 2) a two percent retail sales tax, exempting food, gasoline and alcoholic beverages sold by the state monopoly, and 3) a tax, imposed at the average state rate, upon the operating properties of public utilities.²⁶ In addition, the Taxation and Sources of Revenue Committee of the Pennsylvania State Education Association recommends that a state agency be established, such agency, among other functions, to equalize the assessed value of all taxable real estate at market levels, and that legislation be enacted to make it mandatory upon the Superintendent of Public Instruction to

²⁴ *Ibid.*, p. 125.

²⁵ *Pennsylvania Federation of Teachers, op. cit.*, p. 13.

²⁶ For a complete summary of the fiscal proposals see, *Pennsylvania State Education Association, "Report....."*, p. 89.

reimburse the school districts on the basis of these equalized real estate assessments.²⁷

The tax measures suggested by the Pennsylvania Federation of Teachers are: 1) a tax at a rate not specified upon the operating properties of public utilities, 2) a tax at rates not specified upon gifts, such tax to supplement the present Pennsylvania transfer inheritance tax, 3) increases at rates not specified of the present inheritance transfer tax, 4) taxes at rates not specified upon the income from stocks, bonds, and mortgages, and 5) better enforcement of personal property taxes.²⁸

The members of the Joint State Government Commission are of the opinion that the determination of the quantity and quality of educational offerings made available to the children of Pennsylvanians rests exclusively with the General Assembly. As regards the facts in the case, it may be observed that at present, equality of educational opportunity on the levels suggested by the Education Congress, the Pennsylvania State Education Association and the Pennsylvania Federation of Teachers is exceedingly difficult of attainment because of: 1) the real estate assessment situation which prevails throughout the state, and 2) the heavy drains imposed upon the General Fund of the Commonwealth by virtue of general assistance disbursements.

Section IV

Some Problems of Tax Administration

Although today's crucial fiscal problems are concerned with tax burdens borne by different groups in the community and state-local payment procedures, tax administration presents certain difficulties which call for legislative attention.

Tax administration problems differ from tax and transfer payment problems by reason of the fact that they are virtually non-controversial.

Among the tax administration problems brought to the attention of the Joint State Government Commission at various public hearings which might well receive legislative attention at this time, three stand out conspicuously: 1) the administrative procedures which must be followed if a Pennsylvania taxpayer wishes to appeal a decision of the Pennsylvania Department of Revenue; 2) the refunds allowed a taxpayer for overpayment; and 3) the interest payable in consequence of additional assessments.

As regards appeal procedures it should be observed that a taxpayer who wishes to appeal from a revenue department decision petitions for

²⁷ *Ibid.*, p. 78. In this connection it should be observed that the Pennsylvania State Council on Education, an advisory body to the Superintendent of Public Instruction now has the authority to investigate local real estate assessments used for school tax purposes. However, the General Assembly has never seen fit to appropriate sufficient funds to the Council to enable it to carry forward this authorized function. The assessment situation might be somewhat relieved if the General Assembly chose to make an appropriation available to permit the Council to perform this particular function.

²⁸ *Pennsylvania Federation of Teachers, op. cit.*, p. 15.

a so-called resettlement. Upon such petition the taxpayer appears before what is known as the "small board" consisting of the Secretary of Revenue and the Auditor General. If no satisfactory agreement can be reached with the "small board," the taxpayer may take the case before the Board of Finance and Revenue consisting of the Secretary of Revenue, the Auditor General, the Attorney General, the State Treasurer, and the Secretary of the Commonwealth, or their representatives.

Representatives of taxpayer groups are of the opinion that this arrangement is unsatisfactory because some of the same officials who determine a taxpayer's liability in the first instance hear the appeal. These representatives of taxpayer groups suggest that the General Assembly create a special tax appeal body to consist of three members to be appointed by the Governor for overlapping terms and removable for cause only.

As regards refunds it should be noted at present the Department of Revenue grants no cash refunds whatsoever. All refunds are granted in the form of credits, such credits to be applicable only to other tax obligations. As regards this situation the members of the Joint State Government Commission feel that the procedure now prescribed by law is inequitable and they recommend that the taxpayer be allowed either a cash or a credit refund and that interest be allowed, such interest to run from the date of payment.

It should likewise be noted that at present the taxpayer does not have the privilege to appeal to the courts in refund matters. Again the members of the Joint State Government Commission are of the opinion that the taxpayer should be granted the privilege to appeal to the courts. In addition, the members of the Joint State Government Commission would welcome legislation which would require the Department of Revenue to settle all corporate tax returns within 90 days from the date when the request for settlement is made, provided that the exercise of this right shall not be effective prior to 90 days before the end of the year following the year for which the report was made or became due. Similarly, the Department of Revenue should be required to dispose of a petition for resettlement within six months from the date on which the petition was filed unless the petitioner in question agrees to file a waiver or by his own action causes delay.

Appendix A

Table of Contents

Section I. The Legislative Histories of Major Pennsylvania Taxes

	Page
1 Capital Stock and Franchise Taxes	127
2 Personal Property Tax	140
3 Transfer Inheritance and Estate Tax	148
4 Tax on Shares, National and State Banks and Savings Institutions	161
5 Shares Tax, Title Insurance and Trust Companies	169
6 Municipal Loans Tax	174
7 Corporate Loans Tax	177
8 Foreign Bonus	187
9 Domestic Bonus	190
10 Corporate Net Income Tax	199
11 Alcoholic Beverage Tax	203
12 Mercantile License Tax	209
13 Gross Receipts Tax on Private Bankers	216
14 Stock Transfer Tax	218
15 Cigarette Tax	220
16 Liquid Fuels Tax	221
17 Gross Receipts Tax	226
18 Gross Premiums Tax	234
Section II. "Constitutional Limitations of the Taxing Power in Pennsylvania," a memorandum by Sheldon C. Tanner	240

Section I

The Legislative Histories of Major Pennsylvania Taxes

Appendix A presents outlines of the legislative histories of major Pennsylvania taxes and a memorandum prepared by Sheldon C. Tanner titled "Constitutional Limitations of the Taxing Power in Pennsylvania." This memorandum is in the nature of a historical survey of important Pennsylvania court decisions in the light of which the so-called uniformity clause of the Pennsylvania Constitution must be interpreted. Needless to say, this memorandum has an important bearing upon the constitutionality of so-called "progressive" or "graded" state taxes.

The legislative histories of major Pennsylvania state taxes are arranged in accordance with the base by reference to which the taxes in question are levied in the following order: 1) capital base, 2) net income base, and 3) transaction base.

Each legislative history consists of: 1) legislative enactments pertinent to a given tax, 2) judicial interpretations of the pertinent tax statutes, and 3) the contemporary status of the act. In addition, each legislative history is accompanied by yield statistics covering, as a rule, the last decade.

**Legislative History
Capital Stock and Bonus Tax**

Date of Act	Principal Changes from Prior Act	Rate
6-11-1840 P. L. 612		No profit—no tax ½ mill of C. S. value for each % of Dividend.
3-21-1843 P. L. 121	Joint Stock Assos. added	Same
4-29-1844 P. L. 486	Rate	As above if Div. is 6% or more. 3 mills if Div. is less.
4-12-1859 P. L. 529	Repeal tax on Div. on Co's. paying C. S. tax ..	As in 1844 Act
5-1-1868	Foreign corporations taxed except for insurance Co's.	As in 1844 Act
4-24-1874 P. L. 68	Value of C. C. not less than selling price—Fiscal officers can revalue C. S.	As in 1844 Act except transportation Co's.—Increased rate.
6-7-1879 P. L. 112	Limited partnerships taxed except Mfg. & Mercantile Co's.	As in 1844 Act
6-30-1885 P. L. 193	Corps. granted mfg. exempt. except those mfg. gas, malt, and vinous liquors	As in 1844 Act
6-1-1889 P. L. 420	Mfg. exempt. limited to Co's. organized exclusively for mfg. except brewing & distilling or those with eminent domain	As in 1844 Act
6-8-1891 P. L. 229	Rate—Attempt to equalize taxes	5 mills on actual value of C. S. of taxables except fire and marine insurance Co's. (3 mills).
7-15-1897 P. L. 292	Independent Act for Distilling Co's.	10 mills
6-7-1907 P. L. 430	Securities exempt from further taxes limited to those in which all shareholders have equitable interest	5 mills 3 mills
6-7-1911 P. L. 673	Renacted Act of 1907 correcting defective title Exempted B. & L. Assos.	5 mills 3 mills
7-22-1913 P. L. 903	Exempted laundering co's. Overruled court decision to contrary	5 mills 3 mills
6-2-1915 P. L. 730	3rd element (intrinsic value of assets) of valuation added	5 mills
7-15-1919 P. L. 948		3 mills
4-20-1927 P. L. 311	Exemption granted on value of shares in auxiliary corps represented by tangibles outside of Pa.	5 mills 3 mills
3-15-1927	Exempted 1st class corps.	
5-4-1927 P. L. 713	Changed filing date to March 15	5 mills 3 mills

Capital Stock and Bonus Tax—Continued

Date of Act	Principal Changes from Prior Act	Rate
4-25-1929 P. L. 657	Exemption to corps. "processing and curing meats"—To overrule court decision	5 mills 3 mills
6-22-1931 P. L. 685	Definite formula to properly exempt non-taxable assets—Change of 4-20-27 limited to corps. owning majority of shares of foreign corps	5 mills 3 mills
5-16-1935 P. L. 184	Mfg. ex. repealed for 2 yrs.—Foreign corps. etc., relieved from C. S. tax, subject to Franchise tax instead.	5 mills
4-18-1937	Repeal of mfg. ex. made permanent	5 mills

Receipts From Capital Stock Tax for 21 Year Period				
Year Ended	Domestic	Foreign	Total-Year	Total-Biennium
5-31-39	20,203,344.	7,732,136.	27,935,480.	
5-31-38	21,733,412.	7,792,338.	29,525,750.	57,461,230.
5-31-37	35,854,995.68	10,492,733.96	46,347,729.64	
5-31-36	17,197,933.29	1,524,827.98	18,722,761.27	65,070,490.91†
5-31-35	16,084,300.21	1,040,652.38	17,124,952.59	
5-31-34	15,414,698.18	989,112.13	16,403,810.31	33,528,762.90
5-31-33	15,851,112.56	836,948.12	16,688,060.68	
5-31-32	22,785,428.37	1,099,663.38	23,885,091.75	40,573,152.43
5-31-31	26,300,959.72	1,155,845.60	27,456,805.32	
5-31-30	14,962,570.66	1,143,448.48	16,106,019.14	43,562,824.46
Domestic and Foreign				
5-31-29		17,999,191.73		
5-31-28		20,427,852.82		38,427,044.55
5-31-27		20,473,292.30		
5-31-26		19,110,520.19		39,583,812.49
# 5-31-25 & 5-31-24		35,929,504.57		35,929,504.57
5-31-23		17,181,657.51		
5-31-22		16,352,212.60		33,533,870.11
# # 5-31-21		4,176,483.81		
‡ 11-30-20		12,413,263.42		
11-30-19		15,317,893.21		27,731,156.63

- # 2 Year Period
- # # 6 Month period to mark change of fiscal year from that ending Nov. 30th to the present basis ending May 31st.
- ‡ 12 Month period; final fiscal year ending Nov. 30th.
- † First biennium including self-assessing taxes. Year ended 5-31-37 included two years of capital stock tax revenue in one.

Note: The above amounts are those collected in the years indicated. The amount for a particular year does not necessarily indicate the capital stock tax imposed for the year immediately preceding. Some figures may include tax for two or three or even more preceding years. Court appeals, tardy settlements, etc., may delay final payment of tax beyond the year of normal settlement.

It was found in the first half of the nineteenth century the revenues derived from sale of public lands, surveys of bounty lands, rents reserved to the Commonwealth, etc., were insufficient to meet the ever-expanding expenses of the state. Domestic corporations as a class were decided upon as a new source of revenue.

The Act of June 11, 1840, P. L. 612 marked a distinct and radical departure in the public policy of the Commonwealth. Although bank

dividends had been taxed since 1814 corporations were for the first time set apart as a separate class for the purpose of taxation. This act imposed for a period of five years from January 1, 1841 a tax upon "the capital stock paid in of all banks, institutions and companies whatsoever, incorporated by or in pursuance of any law of this Commonwealth. . . ."

Joint stock associations were added to the list of taxables by the Act of March 21, 1843, P. L. 121. Under this act and the act it amended, that of 6-11-40, P. L. 612 the Capital Stock of such domestic corporations and Joint stock associations on which dividends or profits of one per cent or more per annum were made or declared were alone subject to the new tax at the rate of (a) one-half mill on every dollar of the value thereof and in addition (b) at one-half mill for each per cent of dividend or profit made or declared. If no profit was earned no tax was imposed.

The tax was imposed on the shareholder until changed by the Act of April 24, 1874, P. L. 68 when it was levied directly upon the corporation. This feature of having the treasurer of the corporation or joint stock association deduct the amount of the tax from the dividends or profits made or declared is similar to that of the present Corporate Loans Tax wherein the corporation treasurer is required to withhold the amount of the tax when paying interest to the holder of the taxable indebtedness. It does not appear, however, that in case the treasurer failed to withhold the tax the corporation became liable therefor as is provided in the Loans Tax Act.

The Act of April 29, 1844, P. L. 486 changed the no profit no tax feature of the Act of 1840 by providing that "where any such . . . company shall fail to make and declare any dividend or profit or shall make or declare . . . a profit of less than 6% per annum the cashier or treasurer and a majority of the directors or managers thereof . . . shall estimate and appraise the capital stock . . . at its actual value in cash . . . and pay a tax of 3 mills on such value." The provision of the Act of 1840 as to a tax of one-half mill for each per cent of dividend remained in force in all cases where the dividend or profit was 6% or more. The rates set by this Act remained in force until changed by the Act of June 8, 1891, P. L. 299, a period of almost fifty years.

In the Act of April 12, 1859, P. L. 529 was provided a method of collecting the tax when the dividends payable to stockholders were not sufficient to pay the tax due the State. The treasurer was empowered, after notice and demand upon the shareholder, and due advertisement, to sell the shares of stock at public sale to realize the amount of the tax.

For 15 years from 1844 to 1859 the law remained unchanged. In the

latter year (Act of April 12, 1859, P. L. 529) banks of deposit and discount, or savings banks became subject to the capital stock tax. All companies liable to the capital stock tax and a tax on dividends, except banks of issue, were exempt from the latter tax. This act also provided for an exemption to building and loan associations, plank road, and turnpike companies, when dividends were not made or declared.

By the Act of May 1, 1868, foreign corporations were for the first time made subject to the capital stock tax. Banks and saving institutions and foreign insurance companies were expressly exempted. The exemption from the tax on dividends to corporations which paid a capital stock tax was continued.

An effort was made to exempt manufacturing, mining and quarrying corporations which paid a capital stock tax from the 3% tax on net earnings. This failed and an amendment was proposed to exempt manufacturing, mechanical, mining and quarrying companies paying the 3% tax on net earnings and income from the capital stock tax. This also was defeated. It apparently marked, however, the first effort to exempt manufacturing corporations from the capital stock tax.

By the Act of April 24, 1874, P. L. 68, a more definite measure or test was provided for determining the value of the capital stock. Under this Act the value should not be less than the average selling price of the shares. This measure of value has remained through the years and forms today one of the three tests for determining the value of the capital stock. The fiscal officers of the Commonwealth were authorized to revalue the capital stock when not satisfied with the value as appraised by the corporation officers. On certain transportation companies was imposed a special rate of tax at 9/10 of a mill for each one per cent of dividends made or declared with a minimum rate of 6 mills on actual value of capital stock when dividends were not made or declared. This was in contrast to the votes of 1/2 mill and 3 mills respectively as applied to all other companies. Building Associations were expressly exempted from the capital stock tax.

The Act of March 20, 1877 repealed the Act of 1874 but substantially re-enacted its provisions.

What amounts substantially to a corporation tax code was incorporated in the Act of June 7, 1879, P. L. 112. A safeguard was thrown about the method prescribed by previous acts in arriving at a value of capital stock for capital stock purposes. Apparently the practice had grown up of not declaring and paying dividends to stockholders but carrying them into a surplus or sinking fund account. The Act of 1879 provided that profits added to sinking fund should be regarded as having been paid to the stockholders and so taxed. Another definite measure of capital stock valuation was provided in

that the valuation should be not less than the value indicated by the amount of dividends made or declared.

A new provision of the Act of 1879 was to impose for the first time the capital stock tax on limited partnerships. It expressly provided, however, that the tax should not be imposed on limited partnerships organized for manufacturing or mercantile purposes. This was the first time the policy of encouraging manufacturing in Pennsylvania appeared in the statutes. From a date some six years later it was applied to corporations and continued without interruption for a period of fifty years.

An Act passed in 1874 had provided for the formation of limited partnerships but they enjoyed an immunity from state taxes until 1879. In the legislative session of that year there was some considerable opposition to imposition of a state tax on limited partnerships. Opponents charged a breach of promises held out to capital by the Act of 1874 which in effect invited formation of limited partnerships. The danger of having the Act declared unconstitutional as an improper classification of taxable subjects was mentioned repeatedly. Harm to industries of the State was feared by the opposition. The proponents of the bill cited the special privilege of limited liability enjoyed by the members of the limited partnerships as compared to those of a general one; unfairness to corporations which had been paying a capital stock tax since 1840; the loss of corporation tax revenue—which was claimed as great a shrinkage as 65%—by many corporations giving up their charters and becoming limited partnerships. A determined effort was made to limit the tax, which was imposed on the actual value of capital stock—the interest of the partners being regarded for the purposes of this act as capital stock, to limited partnerships which were to be organized “hereafter.” The Assembly, however, imposed it on those already in existence as well. Comparatively little resistance in both the House and Senate was made to the provision which exempted manufacturing and mercantile limited partnerships from the tax.

The policy of the Commonwealth of fostering manufacturing by corporations within it, adhered to for a period of fifty years and abandoned in 1935 because of the acute need for additional revenue caused principally by the relief demands incident to the economic depression, had its origin in the Act of June 30, 1885, P. L. 193. The presentation of the exempting provisions of the bill to the legislative assembly, at least, to the House, was somewhat unusual. House Bill 514 which provided for a penalty on banks and saving institutions for failure to file their annual reports and to pay the four mill tax was passed and sent to the Senate. On third reading in the latter body after extended debate it was amended to exempt all manufacturing

corporations, limited partnerships and joint stock associations, except gas companies and those engaged in the manufacture of malt, spiritous or vinous liquors. In explanation of the manner of presenting the question by amending House Bill 514, it was stated in the Senate that, because of the lateness of the date, there was no prospect at the current session of passage of any of the several bills before the House repealing the State Tax on capital stock. In the debate those favoring the manufacturing exemption dwelt upon the salutary effect of the amendment, which equalized the burden of state taxation upon corporations and limited partnerships, upon formation of new corporations which were then becoming limited partnerships and the cessation of changing of existing corporations to this form of business enterprise. A leading manufacturer of the State in a letter read in the Senate cited the revenue of—bonus from charters in 1883 as only \$7500, according to a report of the Secretary of the Commonwealth, and in 1884 probably only half of that sum and prophesied if the manufacturing exemption were passed such revenue would rise to \$150,000 or \$200,000 in a single year.

The manufacturing exemption was defended as a direct benefit to employers and employees of industry and an indirect benefit to agricultural classes because it provided a home market for their products. Fostering manufacturing corporations was claimed to be the only solution of labor troubles—declared to be the worst in Pennsylvania of any State in the country—as the wage-earner is given a chance to become a partner. Attention was called to the fact that the adjoining states of New Jersey, Ohio, and Delaware imposed no similar state tax on corporations. The principal opposition to the bill as amended developed in the House after it was sent from the Senate for concurrence in the amendment. It was strenuously contended the bill was unconstitutional because its original purpose was changed in its passage through the Senate in violation of Section 1 of Article III of the State Constitution and because it contained more than one subject in violation of Section 3 of the same article. Another objection was the loss of revenue to the Commonwealth. This was answered by the claim that the increase in revenue provided by other measures in the same session would be three times the amount lost by the extension of the manufacturing exemption to corporations. The bill was finally passed without further amendment and sent to the Governor. Later it was recalled from the Governor because of the question of its Constitutionality and in its stead House Bill 513 was finally passed and became law.

House Bill 513 which finally became the Act of June 30, 1885, P. L. 193, supplemented the Act of 1879 and dealt principally with the tax on Loans and the four mill tax on personal property. It passed the House with such provisions and was sent to the Senate. There it was amended

on final passage by including the penalty provision on banks and saving institutions of House Bill 514 and Section 20 which extended the manufacturing exemption to all corporations except gas companies and those engaged in the manufacture of malt, spiritous or vinous liquors. Similar arguments were advanced in the deliberation of this bill in the Senate and House as in the case of House Bill 514 discussed above. One interesting statement made was that nine-tenths of all employees of corporations in Pennsylvania except railroad companies, work for manufacturing corporations.

The present Capital Stock Tax Act is the Act of June 1, 1889, P. L. 420, as amended. Although the Act has been amended frequently in the last fifty years it has never been repealed entirely. Sections 20, 21 and 22, which are the heart of the Act, are for the most part a re-enactment of the pre-existing law. Section 20 sets forth the corporations required to file reports and outlines the form of the annual report—a form of report practically unchanged until 1915. Section 21 imposes the tax which was arrived at as in prior acts, being based on a variable rate of one-half mill on each dollar of the value of the capital stock for each per cent of dividend made or declared when such dividend was six per cent or more and on a flat rate of three mills upon each dollar of the actual value of the capital stock when the dividends earned or declared were less than 6%. Section 22 imposes a penalty for failure to file reports and possible loss of charter for failure to file for three successive years. Under this Act for the first time mortgages, bonds and other securities owned by a corporation in its own right were exempt from further taxation.

The manufacturing exemption was continued but was limited to corporations, limited corporations and joint stock associations, organized exclusively for manufacturing purposes and actually engaged in manufacturing in the state. The exemption was not allowed companies engaged in brewing, or distilling of spirits or malt liquors or to those enjoying and exercising the right of eminent domain. In the discussion on the measure an amendment was proposed which would repeal entirely the manufacturing exemption. The debate that ensued was more extended than in 1885 when the exemption was first provided for. The proponents of the amendment were mostly rural members and the advocates of continuance of exemption came from the cities and industrial centers. All of the old arguments were repeated and new ones were advanced. The question of the constitutionality of the exemption was again raised.

Sections 1 and 2 of Article I, which provided that general laws may exempt from taxation public property used for public purposes, would be violated, it was argued. A House member from Mercer County contended "to classify for taxation is constitutional, to classify

for exemption is not." It was argued the farmer was over-taxed and needed relief. To continue the exemption would not aid him but make his burden heavier by removing the tax from an element better able to bear it. The opposition maintained the farmer would be aided for he would have a larger home market for his products by reason of the influx of workers to neighboring manufacturing centers. In favor of the manufacturing exemption it was argued capital in manufacturing companies benefits the great middle class investor and the laborer by giving the one a chance to invest his small savings and the other employment. Competition was encouraged by encouraging manufacturing corporations. Wages of labor in Pennsylvania were higher than in neighboring states—Massachusetts and the South were cited—but repeal of the exemption would force the lowering of wages to the level of these other states. One member of the lower house advanced the rather novel argument that he was not a friend of the corporations as opposed to the individual but he did not favor discrimination against individuals who had associated themselves together in corporations. On the other side it was contended corporations should pay for the special privileges they are allowed by the state, such as limited liability and perpetual existence; most manufacturing corporations have the protection of the tariff system; monopolies are encouraged in various industries by the failure to apply the Capital Stock Tax to all corporations; manufacturing corporations are declaring dividends from 240% to 600% in one year; manufacturing industry was not ruined by the Capital Stock exacted from corporations prior to 1885; border states all have taxes of other kinds which would discourage our manufacturing companies from migrating. The bill was finally passed by both houses after adopting the conference report which limited the exemption to those companies organized exclusively for manufacturing purposes and actually engaged in manufacturing in the state with the exceptions noted above.

In the debate on the measure in the House it was brought out that a "strong effort" had been made in the Constitutional convention of 1873 to insert a provision in the Constitution which would have placed the manufacturing exemption beyond the reach of adverse legislation. Advocates of exemption, while a majority, were divided into two camps. One wanted the exemption provided for in the Constitution while the other wanted the Legislature to provide it. The Constitutional clause was stricken out by a vote of 71 to 38.

The Act of June 8, 1891, P. L. 229, marks the most important change in the Capital Stock Tax Law. It amended sections 20 and 21 of the Act of 1889 by changing the basis for determining the amount of tax. It provides for a flat tax of 5 mills on each dollar of actual value in cash of the capital stock of taxable corporations—except fire and marine

insurance companies taxed at 3 mills—regardless of whether dividends are earned or declared. According to the preambles of the Act certain corporations were escaping their share of the tax under the old system of imposing the tax when dividends less than 6% were earned or declared. These preambles recite there is a widespread demand for “equalization of taxation” and relief of real estate from “local taxation” and “moneyed capital” taxable under the Act of 1889 “does not bear its just proportion of the burdens of local taxation,” and a flat tax of 5 mills is necessary to make taxes more uniform. The valuation measure was changed to provide that the stock should be valued

“at its actual value in cash, not less however than the average price which said stock sold for during said year, and not less than the price or value indicated or measured by net earnings or by the amount of profit made and either declared in dividends or carried into surplus or sinking fund”

The Act of June 8, 1893, P. L. 353 provided that manufacturing exemption should be allowed on capital “invested in and actually and exclusively employed in carrying on manufacturing within the State.” This change from the Acts of 1889 and 1891 allowed the exemption to corporations not organized exclusively for manufacturing purposes. Under the Act of 1889 and also the Act of 1891 a corporation which included in its charter a non-manufacturing purpose was not entitled to exemption under judicial interpretation even if it was engaged exclusively in manufacturing and never exercised the non-manufacturing privilege.

The Act of July 15, 1897, P. L. 292, imposed a Capital Stock tax of ten mills on companies incorporated for the purpose of distilling liquors and selling them at wholesale. This act was not an amendment to the Act of 1889 but an independent statute.

The Act of June 7, 1907, P. L. 430, purported to exempt companies paying capital stock tax from any further payment on bonds, mortgages, etc., in which the whole body of the shareholders as such had the entire equitable interest in remainder, but was held unconstitutional because of defective title in *Provident Life & Trust Co. v. Hammond*, 230 Pa. 407 (1911).

The Act of June 7, 1911, P. L. 673, Sec. 21 was successful in accomplishing what the Act of June 7, 1907, *supra*, had attempted. It was held constitutional in *Provident Life & Trust Co. v. Klemmer, et al.*, App., 257 Pa. 91 (1917). It provided for the exemption recited *supra* and also expressly exempted domestic building and loan associations. The exemption originally granted these organizations by the Act of 1859, *supra*, was apparently lost in the subsequent revisions of the law.

The exemption from further tax of securities owned by a corporation

paying a Capital Stock Tax is discussed more at length in Volume 1 of "Corporate Taxation and Procedure in Pennsylvania" by Stradley & Krekstein at page 86. Exemption was first provided under the Act of 1889 for securities owned by a corporation in its own right. The County of Philadelphia tried to impose a Personal Property Tax upon securities of Provident Life and Trust Company representing investments of surplus funds held by the company as a reserve to meet policy obligations. This corporation was engaged in a combined life insurance and trust company business under a special charter. The company appealed the imposition of the tax and the Supreme Court in *Provident Life and Trust Company v. Durham*, 212 Pa. 68 (1905) held the securities were exempt as they were held by the company in its own right and were under its absolute control.

The Act of June 7, 1907, P. L. 430, referred to above was passed apparently to permit the imposition of the Personal Property Tax by the County of Philadelphia against Provident Life and Trust Company. Accordingly the County made another attempt to collect such tax but failed because the Act of 1907 was held unconstitutional as noted. The latter Act purported to amend Section 21 of the Act of June 27, 1879, whereas there was no such Act. The Act of 1911 also referred to above enabled the County of Philadelphia to impose the Personal Property Tax upon the securities which had been set aside for the protection of the policyholders of the corporation.

The Act of July 22, 1913, P. L. 903, extended the provisions of the manufacturing exemption so as to include corporations engaged in the business of laundering. The history of this amendment is interesting. Previously the State Supreme Court in *Commonwealth v. Keystone Laundry Company*, 203 Pa. 289, held that a corporation organized to conduct and conducting a laundering business was not entitled to the manufacturing exemption. In the legislative session of 1913 House Bill 1341 was introduced amending the Act of 1879, supra, and its supplements, defining a laundry company as a manufacturing corporation and entitled to manufacturing exemption. In the debate on the measure the report of the Legislative Commission of 1911 was cited as classifying laundry business as manufacturing. It was similarly classified by the bulletin report of the U. S. Census Bureau. The bill was passed finally by both houses and sent to the Governor. He vetoed the bill saying in his veto message "I see no reason why a corporation incorporated to conduct a laundry should be relieved of taxation under guise of being a manufacturing company when it manufactures nothing. This would open the door on any class of corporations being declared manufacturing corporations for the purpose of being relieved from taxation."

Later Senate Bill 1305 was amended so as to exempt laundering corporations from the capital stock tax not as manufacturing companies

but as an additional class of corporations, the bill providing for exemption of "laundering or manufacturing corporations." In the debate on this measure the Governor was quoted as saying he had made a mistake in vetoing the earlier bill as he did not give it sufficient thought. According to the Legislative Journal the Governor suggested the amendment to the bill to correct his mistake.

The Act of June 2, 1915, P. L. 730, made important changes in the capital stock law. A new form was provided for the making of the annual report to the Auditor General. From this year there was included in the form a schedule calling for a history of the corporation's earnings and dividends for 5 years. The form has called for this schedule each year since but it has received little attention from the taxing officers of the fiscal departments in the last five years. The Act also provided for the filing of annual reports on a fiscal year basis for corporations that ended their year on a basis other than calendar year and so reported to the Federal Government. The present statutory rules for fixing the valuation of the capital stock of a reporting company by adding the third valuation factor, were provided by this Act:

" . . . at its actual value in cash as it existed at the close of the year for which the report is made; not less, however, than, first, the average price at which the stock sold for during the year; and second, not less than the price or value indicated or measured by net earnings or by the amount of profit made, and either declared in dividends, expended in betterments, or carried into surplus or sinking fund; and third, not less than the actual value indicated or measured by consideration of the intrinsic value of its tangible property and assets, and of the value of its good will and franchises and privileges as indicated by the material results of their exercise taking also into consideration the amount of its indebtedness . . ."

The Act of July 15, 1919, P. L. 948, made minor changes, such as the right to file fiscal reports to joint stock associations and limited partnerships and for extension of time for filing reports, etc.

The Act of April 20, 1927, P. L. 311, pertained to the Capital Stock Tax Act although it was not an amendment thereto. By its terms corporations owning shares of stock of other corporations were granted exemptions upon such shares represented by tangible assets located outside Pennsylvania provided such other companies were engaged in a business auxiliary to the owning corporation. This Act was a direct result of the decision of the Pennsylvania Supreme Court in the case of *Commonwealth of Pennsylvania v. Sunbury Converting Works*, 286 Pa. 545 (1926). In this case the Court held taxable shares of a foreign subsidiary corporation even if the tangible property of the subsidiary, if held by the parent outright, would be exempt because it was located outside the Commonwealth.

The Act of May 4, 1927, P. L. 713, changed the date capital stock

reports were due from February 28 to March 15 in the case of calendar year corporations. Another Act passed the same day, that of May 4, 1927, P. L. 742, exempted "first class corporations and cooperative agricultural associations without capital stock" from the filing of capital stock tax reports. Subsequently by an opinion of the Attorney General it was held the phrase "without capital stock" did not apply to first class corporations so that these corporations were exempt from the filing of reports even though they had capital stock.

The Act of April 25, 1929, P. L. 657, transferred to the Revenue Department, created by the Act of April 9, 1929, P. L. 343, all the powers possessed by the Auditor General's Department in reference to the administration of the Capital Stock Tax. House Bill 1942 which subsequently became this Act was amended on third reading in the Senate to exempt from the Capital Stock Tax corporations, etc., engaged in "processing and curing meats, their products and by-products." This amendment was the result of the decision of the Pennsylvania Supreme Court in *Commonwealth of Pennsylvania v. Consolidated Dressed Beef Co.*, 242 Pa. 163 (1913).

Prior to 1929 it was the practice of the fiscal departments in settling capital stock tax to allow an exemption of so much of the value of the capital stock as the value of exempt assets bore to the value of total assets. Two decisions of the State Supreme Court rendered in that year cast a doubt upon the validity of such practice. Accordingly the Act of June 22, 1931, P. L. 685, was passed to remove any doubt as to the legality of the practice. In the discussion on the measure in the lower branch of the General Assembly it was brought out that the bill was twice reported to the House from the Ways and Means Committee by a very close vote. Opponents to the bill claimed it increased taxes at a time when the Governor was under obligation not to raise them; that it amounted to double taxation on shares of Pennsylvania corporations; that it would increase unemployment; that the budget didn't need increased revenue. The proponents of the bill cited the confusion incident to the upsetting of the old method of settling the capital stock tax, the need for the revenue that would be lost as a result of the court decisions, revenue that was necessary for increase to hospital appropriations and mothers pension fund.

The Act of June 22, 1931, P. L. 687, changed the exemption allowed for shares of a subsidiary company under the Act of April 20, 1927, P. L. 311, by limiting it to those corporations which held a majority of the shares of the total issued and outstanding voting stock of the subsidiary corporation. The latter corporation was no longer required to be engaged in an auxiliary business.

The most radical and far-reaching change in the Capital Tax Law in recent times was accomplished by the Act of May 16, 1935, P. L. 184, which repealed for two years the exemption previously granted

to manufacturing corporations for a period of fifty years and to laundering companies and those engaged in the processing and curing of meats for shorter periods. By the terms of this act, which was not an independent and separate act, but an amendment to the Act of June 1, 1889, P. L. 420, foreign corporations, joint-stock associations and limited partnerships were relieved from the Capital Stock Tax and were made liable to a new Franchise Tax Act, intended to enable the Commonwealth to get a more equitable tax from such companies. Under the Capital Stock Tax Law these corporations escaped tax altogether on the portion of their capital stock represented by intangibles as they had as their tax situs the domicile of the corporations regardless of where the physical evidences of their existence might be located. Foreign distilling corporations, joint-stock associations and limited partnerships were still taxable under the Act of July 15, 1897, P. L. 292, regardless of this amendment of 1935.

The proponents of the changes of 1935 cited the need of greater revenues to carry the relief burden caused by the wide-spread unemployment. In the belief that this condition was temporary the repeal of the manufacturing exemption was enacted for a period of two years. The substitution of the Franchise Tax for the Capital Stock Tax as to foreign corporations, however, was made permanent. It had been the judgment of tax authorities in the fiscal departments for some years that such corporations were escaping their just share of taxation under the Capital Stock Tax law.

There was little opposition to the amendments in the House. In the Senate they were limited to a two year period. A proposed amendment was introduced to eventually repeal the capital stock tax by gradually reducing the rate—3 mills for years 1936 and 1937 (on reports filed in the years 1937 and 1938); 1 mill for 1938 and 1939 (on reports filed in the years 1939 and 1940); and no tax for 1940 and succeeding years. It was defeated. A motion to give parties interested in the amendments a chance to appear at a public hearing was defeated presumably on grounds that passage of the bill was necessary without further delay to provide the State's share of relief funds insisted upon by Federal officials in Washington. Opposition to the bill was based upon the claim it would increase unemployment, delay a return to normalcy and place an unnecessary burden on manufacturing corporations of the State. The prosperity of the State during the past 40 years was cited and attributed to a wise system of taxation. Under it Pennsylvania became the greatest manufacturing state in the union. The effect of the bill in causing loss of industries to Beaver County in particular was mentioned. Passed and sent to House for Concurrence in amendments. Passed House. Signed by Governor and became law.

The Act of April 8, 1937, made permanent the repeal of the manu-

facturing exemption. This act also exempted non-profit corporations which had been previously exempted as first class corporations under the Act of May 4, 1927, P. L. 742. Under the Corporation Code of 1933 this classification was substituted for the old first class corporation type.

Legislative History Personal Property Tax

Date of Act	Principal Changes from Prior Act	Rate
3-25-1831 P. L. 206		1 mill
6-11-1840 P. L. 612	Omitted ground rents Added securities of other states, furniture, etc.	On intangibles; 1/2 mill for each % of div. or int.
7-27-1842 P. L. 444	Actual value of securities used	2 mills
4-29-1844 P. L. 486	Added horses, mules, etc. Added bonds, etc. of counties	Varied On intangibles, 3 mills
4-16-1845 P. L. 532	Added State of Pa. bonds, etc.	Varied; On State bonds 1/2 mill for each % of int.
4-22-1846 P. L. 486	Added vehicles	Varied; On vehicles, 3 mills
3-15-1847 P. L. 396	Exempted book accts. for goods sold or work done	Varied
5-18-1857 P. L. 571	Rate changed	On intangibles, 2 1/2 mills
1-3-1868 and 4-4-1868	Expressly exempted corporations and all mtgs. etc. from all taxes except for State purposes	Varied
6-2-1871 P. L. 281	Exempted salaries, etc.	Varied
3-21-1873	Exempted horses, mules, etc.	Varied
4-9-1873 P. L. 68	Exempted municipal securities	Varied
6-7-1879 P. L. 112	Reclassified personal property of Act of 1844	4 mills
6-10-1881 P. L. 99	Repealed & reenacted Act of 1879; simplified & clarified it	4 mills
6-30-1885 P. L. 193	Enumerated clearly classes of per. prop. subject to tax—attempted to set this tax apart from loans tax	3 mills
5-1-1887 P. L. 114	Repealed tax on furniture, watches, pleasure carriages	3 mills
6-1-1889 P. L. 420	1/3 tax returned to counties	3 mills
6-8-1891 P. L. 229	3/4 of tax returned to counties	4 mills
5-1-1909 P. L. 298	Exempted B. & L. Assos. and savings institutions without C. S.	4 mills
5-11-1911 P. L. 265	Exempted fire companies, labor unions, beneficiaries, etc.	4 mills
6-17-1913 P. L. 507	Tax became a county tax as to entire revenue realized	4 mills
7-15-1919 P. L. 955	Taxes only personal property not subject to Sec. 17 of 1913 Act	4 mills
7-11-1923 P. L. 1038	Assumpsit provided as additional means of collection;	4 mills

Personal Property Tax—Continued

Date of Act	Principal Changes from Prior Act	Rate
5-31-1923 P. L. 474	Reassessment allowed in case of false returns	
5-13-1927 P. L. 985	Allowed to go back 5 yrs. where no returns or incorrect returns filed	4 mills
4-30-1929 P. L. 871	Exempted personal property from outside Pa. held in trust by resident for benefit of non-residents and securities of brokers for trading	4 mills
5-2-1929 P. L. 509		
6-12-1931 P. L. 544	Reenacted Acts of 1923 and 1927 correcting defective titles	4 mills
4-21-1933 P. L. 54	Exempted bank accounts bearing interest	4 mills

6-22-1935 P. L. 414	New State personal property tax Act—not an amendment to prior acts	1 mill
7-17-1936 P. L. 51	Added equitable interests with nonresident trustees	4 mills
5-18-1937 P. L. 633	Added ground rents; exempted stages, cabs & other vehicles and B. & L. Assos.	4 mills
5-5-1939 P. L. 76	Exempted ground rents and personalty held by resident executor of nonresident decedent	4 mills
6-19-1939 P. L. 413	Amended Act of 1913—personalty held by resident exec. of nonresident decedent exempted ..	4 mills

**Receipts from State Personal Property Tax
1936-1939 (inclusive)**

Year Ended	Tax	Rate
5-31-1939	\$12,095,284	4 mills
5-31-1938	11,919,750	4 mills
5-31-1937*	17,794,517	see note
5-31-1936**	518,787	1 mill

* Rate: 1 mill June 1, 1936 to Dec. 31, 1936
4 mills Jan. 1, 1937 to May 31, 1937

** 5-month period

Originally this tax was a state tax and continued so until passage of the Act of June 17, 1913, P. L. 507, even though prior thereto a portion of the tax was returned to the county. Beginning with the Act of 1913, however, the tax became a county tax and has remained so.

By the Act of June 22, 1935, P. L. 414, entitled the "State Personal Property Tax Act" the Legislature imposed, for a two year period, tax of one mill for state purposes upon the same classes of property as had heretofore been taxable only for county and city and county purposes under Section 1 of the Act of 1913. This State tax was increased to four mills by the Act of July 17, 1936, P. L. 51, and extended for another four years, that is, for the years 1938 to 1941 inclusive by the Acts of May 18, 1937, P. L. 633, and May 5, 1939, P. L. 76. Technically, therefore, there are at present in force a local and a state personal property tax each with a rate of four mills and each imposed upon the same classes of personal property but imposed and collected

by different taxing authorities. For all practical purposes, however, we have a tax on personal property at the rate of eight mills per annum.

The first act imposing the tax was that of May 25, 1831, P. L. 206, which provided that the following classes of personal property should be subject to taxation for state purposes at the rate of "one mill on every dollar thereof, to be assessed in the same manner as county rates and levies," viz: ground-rents, moneys at interest, debts due from insolvent debtors, whether by promissory note (except bank notes), penal or single bill, bond, judgment, mortgage, and stocks in corporations (wherein shares have been subscribed in money) on which dividend or profit is received by the holder, and public stocks (except those issued by this Commonwealth), and all pleasure carriages, kept for use. By an express provision in the Act it was to remain in force for five years from the date thereof. Eastman in his work on taxation in Pennsylvania says that the reason for this limit was the general belief that the earnings of the great public works then in course of construction such as canals, railroads, etc., would, by the expiration of that time, defray all expenses of the State Government and make further imposition of the tax unnecessary. This Act was repealed by the Act of February 18, 1936, P. L. 36 just before the expiration of the limit fixed in the 1831 act. From 1836 to 1840 there was no state tax on personal property.

The Act of June 11, 1840, P. L. 612, again imposed a state personal property tax. All taxable personalty contained in the Act of 1831 was included in the 1840 Act except ground-rents and in addition tax was imposed on loans or investments on interest to citizens of other states, securities of other states, public loans or stocks (except those issued by this Commonwealth), household furniture (including gold or silver plate of a value exceeding \$300) and watches. Bank notes and notes or bills given for goods sold were excepted.

By the Act of July 27, 1842, P. L. 444, the rate of tax for the use of the Commonwealth was increased by one mill. This Act required the actual value of stocks, mortgages and other securities to be used in assessing the tax. The next Act including personal property tax is that of April 29, 1844, P. L. 486. Sections 32 of this Act provided for the imposition of the tax on various classes of personal property included in the prior Acts and in addition horses, mares, geldings, mules and meat cattle over the age of four years were made subject to the tax. The Act of March 21, 1873, P. L. 46, repealed this latter provision, however. It likewise included salaries and offices, posts of profit, professions, trades and occupations except that of farmers. As was said by one of the State Supreme Court Justices, in a case deciding that stock of national banks was taxable for state purposes in the hands of the stockholders under the Act, its purpose was to tax money in every form of investment. The rates of tax under this Act

varied, that on intangibles being three mills although for the year 1844 only it was set at four mills. Section 42 of this Act assessed the tax on script, bond or certificate of indebtedness issued by a county, city, district and borough. This type of personal property continued to be taxed under this Act until passage of the Act of June 1, 1889, P. L. 420.

The Act of April 16, 1845, P. L. 532, provided for the taxation of all public loans and stocks issued by the Commonwealth of Pennsylvania. Such intangibles had been exempt up to this time. The rate provided was one-half mill on each dollar of the value thereof, on which one per cent per annum of interest shall accrue to the holder, and an additional one-half mill for every additional one per cent of interest. This tax was to be withheld by the State Treasurer when he paid interest to the holder.

Under the provisions of the Act of April 22, 1846, P. L. 486 all vehicles used to transport passengers for hire, all annuities over \$200 except those granted by Pennsylvania or the United States, and all property, real or personal—not taxed under existing laws—held, owned, used or invested by any person, company, or corporation, in trust for the use, benefit or advantage of another person, company or corporation, except that held in trust for religious purposes, were assessed a tax of three mills on the value thereof. In interpreting the Act of 1846, the Act of March 15, 1847, P. L. 396, provides that said act “shall not be so construed as to impose a tax on the running or book accounts of merchants or others, for goods sold or work done.”

The Act of April 25, 1850, P. L. 572, exempted from any taxes levied for borough and township purposes all moneys owing by solvent debtors “liable to be assessed and taxed for any purpose.”

The rate of the personal property tax imposed by the Act of April 29, 1844, was reduced from three to two and one-half mills by the Act of May 18, 1857, P. L. 571.

Mortgages, recognizances, and moneys owing upon articles of agreement for the sale of real estate were subject to both local and State taxation by the Act of 1844. By the Act of April 4, 1868, these subjects, except those given by corporations, were restricted to taxes for State purposes in certain named counties. These provisions were extended to additional counties by the Acts of March 18, 1869, P. L. 415; April 10, 1869, P. L. 850; April 13, 1869, P. L. 901; February 12, 1870, P. L. 144; and March 1, 1870, P. L. 278.

The State tax imposed by Act of 1844, on salaries or emoluments of public offices and on incomes of tradesmen, occupations and professions was repealed by the Act of June 2, 1871, P. L. 281.

Municipal securities exempted from the State tax by prior acts were made taxable by the Act of April 9, 1873, P. L. 68. The Act contained a proviso that it should “not apply to any bonds negotiated into the hands of innocent holders.”

The Act of March 24, 1877, P. L. 44, provided: "The Script, bonds and certificates of indebtedness in any County of this Commonwealth, owned by any public corporation within such county, and the income from which is by law appropriated exclusively to the support of the poor and the maintenance of the public roads of such county, be and the same are hereby exempted from such taxation for State purposes."

The Act of June 7, 1879, P. L. 112, in Section 17, was the first to bring together the different subjects made taxable by the Act of 1844 and subsequent acts and to provide a general measure applicable to all such classes of personal property. The rate was increased from three to four mills. Personal property was taxable only when held by "any person or persons" construed by the courts to exclude corporations. Trust funds were not taxed and mortgages, judgments, etc., were exempt from all taxation for state purposes.

The Act of June 10, 1881, P. L. 99, repealed Section 17 of the Act of 1879 and reenacted it in another form; that is by using practically the same language but arranging it in a less confused, more convenient, and more logical way.

The Act of June 30, 1885, P. L. 193, codified and reenacted with some modifications all previous acts. It reduced the rate to three mills. Section 1 was a reenactment of Section 1 of the 1881 Act. It imposed the personal property tax, enumerating the property liable to the tax and exempting therefrom interest-bearing agreements and accounts for work and labor done, obligations to banks for loans, bank notes and loans or stocks issued by Pennsylvania or the United States. All taxable subjects included by its provisions were exempted from all taxation except for state purposes and building and loan associations were expressly exempted from its application. In order to prevent double taxation it provided "the taxable person shall not include in said return obligations of public or private corporations, the tax upon which is required by law to be collected from the holder of such obligations and paid into the State Treasury by the corporation. The Act of 1885 was passed to correct the confusion which followed the Supreme Court decision in the case of *Com. v. Lehigh Valley R. R. Co.*, 104 Pa. 90. The Court held under the Acts of 1879 and 1881 "it was the duty of the local assessors in making the general assessment . . . to value and assess corporate bonds, wherever found, in the hands of resident owners." Under this line of reasoning it was presumed the local assessors had included the bonds of corporations held by resident owners—and collected the State tax on such bonds and the corporation, being only a collector could not be charged with duty of collecting the tax a second time. This was in spite of the provisions of Section 17 of the 1879 Act that corporations were required to deduct the tax when paying interest to holders of taxable loans for state purposes and the Act of 1881 that they were required to deduct the tax from the

interest on loans whether secured by bond, mortgage, recognizance or otherwise.

All taxes on watches, household furniture, and pleasure carriages for whatever purpose were removed by the Act of May 1, 1887, P. L. 114.

The Act of June 1, 1889, P. L. 420, amended the Act of 1879 and imposed tax on 1. personal property, 2. corporate loans, 3. capital stock, and 4. gross receipts. Section 1 in substantially the same language reenacted Section 1 of the 1885 Act which had replaced Section 17 of the Act of 1879 but added to taxables "any joint-stock company or association, limited partnership, bank or corporation, whatsoever." This was done for the purpose of including companies that might have mortgages or other assets not properly part of their capital stock but investments of reserve fund or surplus, which would not be reached by the capital stock tax. Also there were companies without capital stock which had mortgages, etc. The rate of the tax was continued at three mills. Section 16 of this Act provided that one-third of the personal property tax should be returned to the counties.

The Act of June 8, 1891, P. L. 229, amended the Act of 1879 and again increased the rate from three to four mills. It also returned to the counties three-fourths of the personal property tax to the counties instead of one-third as provided by the Act of 1889.

The Act of May 1, 1909, P. L. 298, exempted from the personal property tax building and loan associations or savings institutions without capital stock. It also provided that if any person or corporation agreed to issue securities free and clear of the four mill tax, or agree to pay the same, nothing in the act should be construed so as to relieve him, it or them from paying the said tax on any of such securities held or owned by or owing to such savings institutions without capital stock.

The Act of May 11, 1911, P. L. 265, amended the Act of 1879 by exempting from its provisions, "fire companies, firemens relief associations, secret and beneficial societies, labor unions and labor union relief associations, etc.

The basis of the present so-called "four mills tax" for county purposes is the Act of June 17, 1913, P. L. 507. This Act gave the entire personal property tax to the counties both as to the tax collected and as to the work of levying and collecting it. The first sixteen sections of the act deal with the classes of property taxable and the taxpayers subject to the tax, and the machinery for assessment and collection thereof. Section 17 pertains to the corporate loans tax. Considerable confusion followed the enactment of this Act because of the fact the language of Sections 1 and 17 overlapped. Both taxed the same property. The confusion was increased by two Supreme Court

decisions in the cases of *Com. v. Lehigh and New England R. R. Co.*, 268 Pa. 271 and *Com. v. Roxford Knitting Co.*, 268 Pa. 266.

The Act of July 15, 1919, P. L. 955, amending the Act of 1913 at least partly cleared up the confusion by defining that all scrip, bonds, certificates and evidences of indebtedness made taxable under Section 17 (the Loans Tax section) are not taxable under Section 1 (personal property tax section) of the Act of 1913 and that only evidences of indebtedness that cannot be made taxable under Section 17 are to be taxed under Section 1.

The Act of July 11, 1923, P. L. 1038, provided the additional remedy of the action of assumpsit against the owner or owners of personal property subject to the four mills tax, to first and second class cities before a magistrate, justice of the peace or court of record depending upon amount involved. Another act passed in the same year, that of May 31, 1923, P. L. 474, provided for collection by the county of any additional tax found owing where the assessor had made a return and the county commissioners added a penalty or failed to add one. It also allowed a reassessment where "in every case" a false return had been made for any former year or years.

The Act of May 13, 1927, P. L. 985, provided in a case where an incomplete return was made by an assessor or no return by him because of refusal or failure on part of taxable (including a corporation—not in prior act) there was no estoppel against county or city for assessment and collection from the taxable or estate of decedent so failing or refusing to pay tax due or additional tax due. It was duty of officers to assess or reassess any such personal property for any prior years not exceeding five and collect tax or balance thereof with interest at 6%. Executors and administrators required to file an affidavit in duplicate at time of filing with Register or Orphans Court Clerk inventory and appraisal or affidavit of real and personal property, giving items listed in such inventory or affidavit which may be liable to tax during last complete taxing period. Officers required to send a copy to county commissioners or board of revisions of taxes.

Act of April 30, 1929, P. L. 871, amended Section 1 of Act of 1913 and provided "That the provisions of this section shall not apply to personal property of the class hereinabove enumerated, hereafter received from any person, or persons, co-partnership or unincorporated association or company, non-resident in, or not located within the Commonwealth, or from any joint stock company or association, limited partnership, bank or corporation formed, erected or incorporated by, under, or in pursuance of any law of the United States or of any state or government other than this Commonwealth, and not doing business in this Commonwealth, by any person or persons, corporation, union incorporated association, company, joint stock company or associa-

tion, as active trustee, agent for the use, benefit or advantage of any person non-resident in or not located within this Commonwealth or for use of any joint stock company formed any law of U. S. or any state other than this Commonwealth, and not doing business in this Commonwealth.”

Act of May 2, 1929, P. L. 1509, amended Section 1 of Act of 1913 by providing the Section shall not apply to “nor to loans, shares of stock and other securities held by bankers or brokers solely for trading purposes nor to accounts or debit balances owing by customers of bankers or brokers in the usual course of business.”

Act of June 12, 1931, P. L. 544, reenacted with corrected title the Acts of May 31, 1923, P. L. 474, and May 13, 1927, P. L. 985, which the Northampton Co. Common Pleas Court had declared unconstitutional because of defective titles. These latter acts had amended Section 5 of Act of 1913.

Act of April 21, 1933, P. L. 54, added to list of exemptions by providing the tax did not apply to interest bearing accounts in any bank or banking institution, savings institution or trust company.

The Act of June 22, 1935, P. L. 414, as mentioned above was an entirely new act. Section 1 was similar in its provisions to corresponding section of Act of June 17, 1913, P. L. 507, and its supplements. The rate was one mill. Returns were to be made to Department of Revenue and tax paid thereto. Act of 1913 was not repealed. The tax is a state tax and is additional to the four mill tax. Effective for calendar years 1936 and 1937 as to personal property tax.

Act of July 17, 1936, P. L. 51, amended Act of 1935 to include equitable interests in property held by non-resident trustees, etc., and to broaden scope of the exemption in favor of shares of stock subject to the capital stock tax by inserting the words “bank and trust company, national banking association, savings institution, building and loan association” between word “Bank and corporation” in the seventh paragraph. Rate increased to four mills and administration of tax was revised. Returns now due February 15 and tax made self-assessing due when return was due. Department can make reassessment in case of erroneous returns or in correct computation of tax. Duplicate returns required, one copy being sent by Revenue Department to County Commissioners. Taxable value of personal property is “actual” value.

Act of May 18, 1937, P. L. 633, amending Act of 1935 made ground rents taxable, deleted shares of stock in building and loan associations, and stages, omnibuses, hacks, cabs and other vehicles formerly included in taxable list. The principal value of all annuities was substituted for “all annuities yielding over \$200.” Section 3 provided the act shall not apply to “personal property held for use of any resident who

shall have in each of preceding ten calendar years, given or contributed all of his net income to any corporation organized or operated exclusively for religious, charitable, scientific, literary or educational purposes.”

Act of June 19, 1939, P. L. 413, amending Act of June 17, 1913, P. L. 507, defined, clarified and limited certain exemptions imposed tax on value of certain equitable interest, personal property held or possessed by certain executors, administrators or fiduciaries and by employees, thrift or saving association, personal property held by trustees for religious, charitable, etc., for non-resident and foreign corporations. Section 1 exempts from taxables resident as executor, etc., of a non-resident decedent, and trustee for resident or non-resident, charitable, religious, educational organization, no part of which inures to benefit of any stockholder or individual. Exempts from taxable property—“assets held in commercial department of bank, etc., and owned in own right, in liquidation. 2. Shares of stock of building and loan association to parallel state act. 3. Personal property held for use of resident who in ten preceding calendar years gave all his net income to charity, etc.

Provide measure of equitable interest.

Tax on personal property owned by decedent at time of death and held by executor or administrator to be paid to county of domicile notwithstanding residence of executor or administrator or beneficiary or place where security is kept. Personal property held, owned or possessed by trustee, etc., by two or more persons, etc., all of which are residents of Pennsylvania but not domiciled in same county return shall be made in each county where any of same are domiciled and apportioned according to number of trustees in each county bears the total number thereof notwithstanding domicile of beneficiary or place where such personal property is kept.

Act of May 5, 1939, P. L. 76, amended Act of June 22, 1935, P. L. 414, the State Personal Property Act by deleting ground rents from list of taxables and excepting personal property held by an executor, etc., of a non-resident decedent or by a trustee for a religious, etc., organization.

Legislative History

Transfer Inheritance and Estate Tax

Summary

Date of Act	Principal Changes from Prior Act	Rate
4-27-1826 P. L. 227		
2-24-34 P. L. 70	Authorizes refunds of collateral inheritance tax	2½% Same
3-22-41 P. L. 99	Registers required to collect tax	“

Transfer Inheritance and Estate Tax—Continued

Date of Act	Principal Changes from Prior Act	Rate
3-17-42 P. L. 95	Construes Act of 1841	"
5-6-44 P. L. 565	Receipt of register required for credit by executor ..	"
4-16-46 P. L. 358	Borough, etc. assessors required to act	"
4-22-46 P. L. 483	Commissioners required to publish accounts of registers	"
4-22-46 P. L. 489	Rate	5%
4-10-49 P. L. 571	Real estate and personalty of non-residents subject to tax	Same
3-11-50 P. L. 170	Tax on estates in remainder need not be paid until possession by tenant in remainder	"
5-15-50 P. L. 772	Act of 1849 not to apply to estates of decedents dying prior to its passage	"
5-4-55 P. L. 425	No penalty to be imposed if settlement of estate is prevented by litigation, etc.	"
6-12-78 P. L. 206	Authorizes refund of taxes paid in error	"
5-6-87 P. L. 79	Compilation of prior laws	"
5-14-91 P. L. 59	Registers' Commission changed	"
6-26-95 P. L. 325	Changed compensation of appraisers	"
5-12-97 P. L. 56	First direct inheritance tax provided for	a-5% b-2%
3-22-99 P. L. 20	Collateral inheritance tax refunds authorized	Same
3-25-01 P. L. 59	Period for collateral inheritance tax refunds extended	a-5%
5-11-01 P. L. 173	Refunds of unconstitutional direct inheritance tax authorized	Same
3-5-03 P. L. 12	Bequests for care of burial lots exempt from collateral tax	"
4-22-05 P. L. 258	Exempted estates "to or for use of children of a former husband or wife"	"
5-5-11 P. L. 112	Exempted from tax estates to adopted children	"
7-11-17 P. L. 832	Direct inheritance again provided for	a-5% b-2%
6-20-19 P. L. 521	Direct and collateral tax laws incorporated into single transfer tax act	Same
5-4-21 P. L. 341	Rate of collateral tax	a-10% b-2%
5-17-21 P. L. 893	Refund of tax authorized to person "legally dead" who reappears	Same
5-16-23 P. L. 244	Additional deductions to arrive at "clear value" of estates	"
7-12-23 P. L. 1078	Provides for tax collection from delinquent executors, etc.	"
6-29-23 P. L. 932	Increased daily compensation of appraisers	"
5-15-25 P. L. 806	Transfer tax to be at least equal to 25% of Federal estate tax	"
5-7-27 P. L. 859	Pa. estate tax provided	"
3-28-29 P. L. 118	Exempts proceeds from life insurance policies not payable to estate of decedent	"
4-9-29 P. L. 343	Procedural changes under Fiscal Code	"

a—Collateral inheritance tax.
b—Direct inheritance tax.

Transfer Inheritance and Estate Tax—Continued

Date of Act	Principal Changes from Prior Act	Rate
5-2-29 P. L. 1258	Provided for reciprocal exemptions with other states	"
5-8-29 P. L. 1673	Permits refunds of tax paid on proceeds of Federal War Risk Insurance Policy	"
5-16-29 P. L. 1782	Requires filing with register copy of executor's Federal Estate tax return	"
5-16-29 P. L. 1795	Taxes transfers made one year prior to decedent's death	"
5-12-31 P. L. 114	Requires copy of change in Federal tax to be filed with register	"
6-12-31 P. L. 553	Exemption of bequests for free exhibitions broadened	"
6-22-31 P. L. 640	Provides pro rata method for taxing stocks of Pa. corporations owned by non-resident	"
6-22-31 P. L. 689	Limits objections to appraisement in appeal	"
6-22-31 P. L. 690	Requires notice of death of joint tenant of bank account	"
5-22-33 P. L. 839	Reciprocal relations provided in taxing estates of non-residents	"
7-15-35 P. L. 1026	Estate taxes may be paid under protest where Federal Government asserts deficiency	"
7-15-35 P. L. 1028	Taxes may be paid in full without prejudice in appeal from appraisement-resident decedent	"
7-15-35 P. L. 1031	As above—non-resident decedent	"
6-4-37 P. L. 1597	Register's commissions restricted	"
6-5-37 P. L. 1701	Exempts from tax devises, etc. to national libraries	"
7-2-37 P. L. 2762	Apportionment of tax allowed in certain cases	"
6-21-39 P. L. 619	Provides for release of tax lien on sale or mortgage	"
6-24-39 P. L. 721	Supplemental appraisements provided for	"
6-24-39 P. L. 724	Exemption from tax of funds for free exhibition of works of art	"
6-24-39 P. L. 725	Interest and penalties on taxes not paid at Specified time	"

**Transfer Inheritance and Estate Tax
Receipts
1928-1940**

Years ended May 31	Amount Collected		Rate
	Resident	Non-Resident	
1940	\$19,209,162	\$135,155	a-2% b-10%
1939	20,960,505	116,106	Same
1938	28,519,904	178,298	"
1937	16,745,683	111,476	"
1936	19,473,776	74,728	"
1935	19,238,323	132,459	"
1934	14,372,612	98,053	"
1933	31,699,524	145,208	"
1932	19,776,683	137,760	"
1931	39,408,326	234,547	"
1930	27,367,085	465,732	"
1929	16,905,939	620,127	"
1928	16,362,828	796,347	"

a—On direct heirs.

b—On collateral heirs.

Transfer Inheritance and Estate Tax

The first inheritance tax imposed by the Commonwealth of Pennsylvania was the tax on collateral inheritances. The Act of April 27, 1826, P. L. 227 which provided for such tax was the first passed by any of the American Commonwealths. In the intervening years other states followed Pennsylvania's example so that in 1938 every state in the Union except Nevada had an inheritance tax. In that year Pennsylvania's tax amounted to \$2.80 for each man, woman and child in the State¹ and in 1930 to \$0.96 for each \$1000 of capital in the Commonwealth.²

No attempt was made to impose a tax upon estates of decedents passing to lineal heirs until the passage of the Act of May 12, 1897, P. L. 56. This act was held unconstitutional as will appear below, principally because of the provisions therein exempting estates under \$5000 from the operation of the tax. No further attempt was made to tax direct inheritances until the Act of July 11, 1917, P. L. 832, which imposed such a tax at the rate of 2% with no exemption from the operation of the act.

From 1917 to 1919 there were in force a tax of 5 per cent on collateral inheritances under the Act of May 6, 1887, P. L. 79 and its amendments and a tax of 2% on direct inheritances under the Act of July 11, 1917, P. L. 832. The Act of 1919, P. L. 521, repealed both of these acts and provided for the present Transfer Tax, which is in fact a succession tax, with a rate of 5% on property passing to collaterals, which was changed to 10% by the Act of May 4, 1921, P. L. 165, and 2% on property passing to non-collaterals.

The collateral inheritance tax according to a very early case "is not to be viewed as a tax assessed upon the estate of the decedent or of any one, but a restriction upon the right of acquisition by those, who, under the law regulating the transmission of property, are entitled to take as beneficiaries without consideration. The state is made one of the beneficiaries. It lays its hands upon estates under such circumstances and claims a share, and whether the same is exacted as a tax or duty or whatever else . . . it is of no consequence."³ "The tax does not attach to the very articles of property of which the deceased died possessed . . . It is on the net succession to the beneficiaries, and not on the securities in which the estate of the decedent was invested."⁴

According to another decision, it is "not a tax on the property or money bequeathed, but a diminution of the amount that otherwise would pass under the will or other conveyance, and hence that which the legatee really received is not taxed at all."⁵

In a later case the lower court said "Though called a tax or duty,

¹ *Tax Policy League*, "State Tax Yield Statistics," New York 1938.

² *National Industrial Conference Board*, "Bulletin," February 20, 1932.

³ *Strode v. Com.*, 52 Pa. 181 (1866).

⁴ *Orcutt's Appeal*, 97 Pa. 179 (1881).

⁵ *Finnen's Estate*, 196 Pa. 72 (1900).

it has been uniformly held that the toll of the state is in the nature of a bonus for upholding the right of succession or acquisition and that an estate so 'passing,' as provided in the original or supplementary acts, is to be distinguished from the property comprising such estate, or the purposes for which such property is to be used." ⁶

The tax is imposed upon the transfer of any property real or personal, or of any interest therein, or income therefrom, except real property and tangible personalty, without the state. ⁷

The first section of the Act of April 7, 1826, P. L. 227 imposed the tax at the rate of 2½%. Estates of less than \$250 were exempt. Section 2 provided that payment of the tax to be made to the County Treasurer by whom duplicates were to be given, of which one the executor or administrator was to lodge with the register of wills for transmission to Auditor General. The third section requires the county Commissioners to have the real estate assessed by the local assessors.

The Act of February 24, 1834, P. L. 70, section 69, provided for the refunding of the tax where by reason of subsequent discovery of claims against the estate, the legacy or distributive share has been reduced or altogether taken away.

Under the Act of March 22, 1841, P. L. 99, registers of wills were required to issue citations to executors and administrators of estates subject to tax, who failed to file accounts within a year; registers received the tax after being bonded.

The Act of March 17, 1842, P. L. 95, construed the Act of 1841 as requiring the register to collect the tax upon all real estate subject thereto.

Under section 3 of the Act of May 6, 1844, P. L. 565, credit for payment of collateral inheritance tax should not be allowed an executor or administrator unless vouched for by receipt of register countersigned by Auditor General.

The Act of April 16, 1846, P. L. 358, made it a duty of the assessors of the townships, boroughs, wards, etc., when required by the Commissioners or register to make a valuation and return of any property designated to them as liable to the tax.

The Act of April 22, 1846, P. L. 483, required the publication by commissioners of accounts of registers for collateral inheritance tax as settled by county auditors.

Under another act of the same year, that of April 22, 1846, P. L. 489, the rate of the tax was increased from 2½% to 5%.

Under section 11 of the Act of April 10, 1849, P. L. 571, property passing to a wife or widow of a son of a decedent shall not be subject to the tax. It was held, however, a legacy to the widow of the son of the testator, remarried in the testator's lifetime, her second husband being alive at the time of the testator's death was taxable. ⁸ Section 13

⁶ Jewell's Estate, 20 D. R. 1055 (1911).

⁷ Chamberlain's Estate, 257 Pa. 113; Re Hogg's Estate, 284 Pa.; Paul's Estate, 303 Pa. 330.

⁸ Com. v. Powell, 51 Pa. 438 (1866).

required payment of the tax upon estates in remainder, after life estates not subject to tax, immediately. Real estate and personalty of persons not domiciled in the Commonwealth were made subject to tax. Section 14 imposed a penalty of 12% on taxes not paid in year and allowed a deduction of 5% on taxes paid in three months.

Sec. 1 of Act of March 11, 1850, P. L. 170 provided that the tax on estates in remainder need not be paid until tenant in remainder came into actual possession, security for the tax with interest at 6% being given in the meantime. Section 3 provided for tax upon estates of persons domiciled in the state and construed the Act of 1826.

The Act of May 15, 1850, P. L. 772, section 1, provided the Act of April 10, 1849, P. L. 571, should not apply to estates of decedents dying prior to its passage.

Under Act of May 4, 1855, P. L. 425, no penalty was to be imposed where the settlement of the estate was prevented by litigation or other unavoidable cause and the rate of interest was not to exceed that realized by the estate. This act also made it a misdemeanor for an appraiser to take a fee from an executor or administrator.

The Act of June 12, 1878, P. L. 206, authorized the State Treasurer to refund a collateral inheritance tax paid in error within two years of such erroneous payment.

The next act affecting the collateral inheritance tax is that of May 6, 1887, P. L. 79, which is chiefly a compilation and re-enactment of former laws on the subject and does not subject to the tax other or different estates from those subject thereto under the provisions of the previous acts.⁹

Section 3 of this act provided, however, that interest on the tax should not run against persons entitled to estates in remainder until the right of possession accrues. There were a number of other changes in other sections, such as, right of appeal to Orphans Court from appraisal of State appraisers (Section 12); increased punishment for taking fees from executor or administrator by appraisers (Section 13); proceedings for collection of unpaid taxes to take place in Orphans Court instead of Common Pleas (Section 14); registers returns to be made 1st Mondays of April, July, October and January (Section 19); lien period to be 5 years instead of 20 years (Section 19).

The exemption of estates of less than \$250.00 in the Act of 1887 would have been void for lack of uniformity in the operation of the tax, under Section 1, Article IX of the Constitution of 1874 except for the fact that the Act of 1887 merely re-enacted a provision that existed in the Act of 1826.¹⁰

The rate of commission allowed registers of wills for collecting the collateral inheritance tax was changed to a graduated percentage, de-

⁹ Cooper v. Com. 127 Pa. 435 (1889).

¹⁰ Cope's Estate, 191 Pa. 1 (1899).

pending on the amount of tax collected, by the Act of May 14, 1891, P. L. 59.

The Act of June 26, 1895, P. L. 325, provided for the compensation of collateral inheritance tax appraisers appointed by registers of wills and the appointment and compensation of expert appraisers, when found necessary.

The next important act relating to the inheritance tax was that of May 12, 1897, P. L. 56, which imposed a direct inheritance tax. The tax was imposed on "personal property of whatsoever kind and nature which shall pass by will, or by the interstate laws of this State, from any person who may die seized or possessed of same . . . : Provided, That personal property to the amount of five thousand dollars shall be exempt." The personalty was "subject to a tax of two dollars on every one hundred dollars of the clear value of such personal property, after deducting the debts of the decedent and costs of administration . . ." The act caused the tax to be imposed upon such portions of estates of persons theretofore deceased as has not actually been distributed and paid to persons entitled thereto prior to its passage as well as estates of persons who died thereafter. According to the proviso of Section 16 of the Act the intention was "to impose a direct inheritance tax upon all estates or parts of estates not subject to the act or acts providing for the collecting of collateral inheritance taxes." This act was held unconstitutional principally because of its exemption of estates under \$5000.00 from the operation of the tax.¹¹

The Act of March 22, 1899, P. L. 20, provided for the refund by the State Treasurer of collateral inheritance tax paid where it appears the estate is not subject to a collateral inheritance tax because of a discovery of lineal heirs. No time limit is mentioned.

The Act of March 25, 1901, P. L. 59, amends the Act of 1878 by allowing an extension of the 2 year period for application of refund of collateral inheritance tax paid in error under certain conditions, for instance, where the estate was in whole or part a partnership or involved in litigation and there is over-valuation of the portion of the estate on which tax was paid. The extended period is one year from the end of the litigation.

Under the Act of May 11, 1901, P. L. 173 the Auditor General is authorized and directed to issue to executors and administrators, who paid the direct inheritance tax under the Act of 1897, subsequently declared unconstitutional, refunding checks for the taxes paid.

Bequests and devices in trust, the income from which is for the care and preservation of family burial lots of the donors are exempted from the collateral inheritance tax by the Act of March 5, 1903, P. L. 12.

The Act of April 22, 1905, P. L. 258, amending Section 1 of the Act

¹¹ Cope's Estate, 191 Pa. 1 (1899). Portuondos Estate, 191 Pa. 28 (1899).

of May 6, 1887, exempted from the collateral inheritance tax estates "to or for the use of children of a former husband or wife."

Under the Act of May 5, 1911, P. L. 112, all estates "passing from any adopting parent . . . or any part of such estate or estates, . . . to or for the use of any legally adopted child or any legally adopted children,—shall not be subject to the collateral inheritance tax . . ."

The direct inheritance tax again appeared in the Act of July 11, 1917, P. L. 832. The tax was imposed at 2% upon the clear value of all estates "to or for the use of father, mother, husband, wife, children, lineal descendants born in lawful wedlock, children of a former husband or wife, or the wife or widow of the son, of a person dying seized or possessed thereof, or to legally adopted children." It also applied to an estate passing from a mother to an illegitimate child, his wife or widow or from the child to the mother. No estates were exempt from the operation of the act. Provisions for the administration of the law, similar to those provided in the collateral inheritance tax acts, were included.

This act was approved by the Governor but he states, in a memorandum attached to the act and made a part thereof, "with the greatest reluctance." He felt "constrained to do so solely because the necessities of the Commonwealth require the raising of additional revenue." It was evidently his opinion that the additional revenue necessary should have been raised by a tax upon coal, oil, natural gas and a one mill tax upon the capital stock of manufacturing corporations. Bills providing for such taxes passed the House by a large vote but were defeated in Senate Committees. He further recommended the people adopt in 1919 a Constitutional amendment permitting a graduated inheritance tax, resolution for which had passed the 1917 Legislative Assembly. It is stated in the memorandum "the approval of this bill is in its last analysis, based upon the fact that this Assembly has passed a resolution providing for an amendment to the Constitution which will correct the injustices of this measure."

This act was not retroactive and did not apply to persons dying before its passage.¹² The widow's exemption granted by the Act of June 7, 1917, P. L. 447, is not subject to the direct inheritance tax.¹³

The Act of June 20, 1919, P. L. 521, repealed both the collateral inheritance tax act of 1887, as amended, and the direct inheritance tax act of 1917 and provided for what is known as a "Transfer Tax." This tax is in fact a succession tax, imposed at the rate of 5% on the "clear value" of property passing to collateral heirs and at 2% on the "clear value" of property passing to direct heirs. In the language of the act the "tax shall be, and is hereby, imposed upon the transfer of any property, real or personal, or of any interest therein or income

¹² Gilmer's Estate, 26 D. R. 949 (1917).

¹³ Hildebrand's Estate, 262 Pa. 112 (1918).

therefrom, in trust or otherwise, to persons or corporations" in the cases specified. The tax on transfers of future estates "shall not be payable, nor shall interest start to run thereon, until the person liable for the same shall come into actual possession of such estate." The tax "shall be assessed upon the value of the estate at the time the right of possession accrues to the owner but the owner may pay the tax at any time prior to his coming into possession. In such cases the tax shall be assessed on the value of the estate at the time of payment of the tax after deducting the value of the life-estate or estates for years."

In arriving at the "clear value" of property the only deductions allowable are debts of the decedent, reasonable and customary funeral expenses, including cost of tombstones, and expenses of administration.¹⁴ Deduction was not allowed, however, on bequest for care of family burial lot, which provides that the balance is to go to the cemetery.¹⁵

The rate of tax on property passing to or for the use of collateral heirs, "bodies corporate or politic" was increased from 5% to 10% by the Act of May 4, 1921, P. L. 341.

The Act of May 17, 1921, P. L. 893, provided for the refund of transfer inheritance tax paid on property or estate of a supposed decedent, adjudged legally dead by a court of record, who later reappears and has court order rescinded. Application for such refund must be made within six months from such order of the court.

Under the Act of May 16, 1923, P. L. 244, additional deductions were allowed in arriving at the clear value of taxable estates. They were "the expenses of the burial of the decedent and the expenses of erecting at the grave of the decedent a suitable tombstone, monument or marker."

The Act of July 12, 1923, P. L. 1078, provides for the additional deductions noted in the paragraph immediately above in these words, "reasonable and customary funeral expenses, bequests or devises in trust, in reasonable amounts, the entire interest or income from which is to be perpetually applied to the care and preservation of the family burial lot or lots, their enclosures and structures erected thereon, reasonable expenses for the erection of monuments or gravestones, grave and lot markers." This act also outlines the necessary proceedings for collection on the failure of executor, etc. to file inventory or make payment of tax within time prescribed and the duties of register and Auditor General.

The daily compensation of inheritance tax appraisers actually engaged in making appraisements of property subject to the tax was increased by the Act of June 29, 1923, P. L. 932, amending the Act of June 20, 1919, P. L. 521.

¹⁴ *Re Lines*, 155 Pa. 378; *Nead's Estate*, 55 Pa. Super. 573; *Mellor's Estate*, 286 Pa. 149.

¹⁵ *Lefevre's Estate*, 9 D. & C. 654.

The Act of May 15, 1925, P. L. 806, amended Section 2 of the Act of June 20, 1919, P. L. 521, which provided for the rates of the transfer tax, by adding to the phrase "all taxes imposed by this act" the words "shall be imposed upon the clear value of the property subject to the tax and shall in each estate be equal to twenty-five per centum of the estate tax imposed upon the net estate of such decedent under the provisions of section 301 of the Revenue Act of 1924 of the United States, but if said section of said Revenue Act is repealed or if no tax is imposed upon such estate by said section of said act or if 25 per centum of the tax imposed by said section amounts to less than the following rates, then in either event the taxes imposed by this act "shall be at the rate of 2% for direct descendents and at the rate of 10% for collateral descendents.

In order for the Commonwealth to receive the benefit of the Federal Act of 1926 or similar legislation which grants a credit on the Federal estate tax for inheritance taxes and transfer inheritance taxes paid to the state governments, the Act of May 7, 1927, P. L. 859, was passed.¹⁶ This act provided for additional transfer taxes for State purposes in the following cases, viz :

"Whenever in any estate the total tax paid or payable to the Commonwealth and any other states or territory, at the rates fixed under the inheritance tax law, shall be less than the total credit allowed by the Federal law for taxes paid to the states, then the tax imposed by this act upon the transfer of such property shall be an amount equal to the difference between the total credit, allowable by the Federal law for taxes payable to the state governments and the total taxes actually paid or payable to the Commonwealth and any other state or territory under the inheritance tax laws, and the portion of the increased tax, so imposed, which shall be chargeable to each of the respective beneficiaries shall be ascertained by multiplying the total amount of such increase in tax by a fraction, the numerator of which shall be the amount actually paid or payable by the respective beneficiary to the Commonwealth and any other state or territory under the said inheritance tax laws and the demoninator of which shall be the total taxes paid by all beneficiaries to the Commonwealth and any other state or territory under said inheritance tax laws."

Under the Act of March 28, 1929, P. L. 118, amending the Act of 1919, the proceeds of life insurance policies, payable otherwise than to the estate of the insured, were exempted from the transfer inheritance tax. Under prior acts it had been held that proceeds of insurance are taxable when made payable to the estate but not taxable when

¹⁶ For a general discussion of this act as to its validity and application, see Knowles Estate, 295 Pa. 571.

payable to a named beneficiary.¹⁷ Proceeds of an adjusted service certificate of the United States are not subject to inheritance tax, although made payable to the estate.¹⁸

Where a deed of trust of life insurance policies names no beneficiaries of the trust but provides that the principal shall be distributed in accordance with the terms of the settlor's will, and reserves to the settlor the right to revoke or alter the trust, to withdraw property from it and add to it, and to receive all dividends and other cash distributions on account of the policies named in the trust, the proceeds of such policies are subject to the transfer inheritance tax.¹⁹

Sections 724, 725 and 726 of the Fiscal Code, the Act of April 9, 1929, P. L. 343, provided respectively for monthly statements by registers, returns by transferees of future interest in non-resident decedent's estate, and notice of property in Pennsylvania passing from a non-resident decedent to be filed with the newly created Department of Revenue. Sections 1201 and 1202 provided for the exercise of certain powers and the performance of certain duties in reference to the collection of tax on transfers of resident and nonresident decedents, theretofore exercised and performed by the Auditor General.

The Act of May 2, 1929, P. L. 1258, provided the transfer inheritance tax shall not be payable in the case of personal property (except tangible personal property having an actual situs in this Commonwealth), if the state of which the transferor was a resident, reciprocated in not taxing similar property therein of Pennsylvania residents.

The Act of May 8, 1929, P. L. 1673, appropriated the sum of \$1200 to the Board of Finance and Revenue for the purpose of refunding any transfer inheritance tax paid on the proceeds of a Federal War Risk Insurance Policy on the life of a decedent.

The Act of May 16, 1929, P. L. 1782, expressly named the additional taxes, imposed by the Act of May 7, 1927, P. L. 859, "estate taxes." The act also required a copy of the executor's return with the Federal Government to be filed with the register of wills of the proper county.

Under the Act of May 16, 1929, P. L. 1795, amending Section 1 of Act of 1919 as amended, transfers of property made one year prior to the death of the grantor, etc. without adequate valuable consideration are to be considered as having been made in contemplation of death, "unless shown to the contrary" and therefore taxable.

The act does not apply to gifts which were fully executed before its passage.²⁰ A specific sum of money payable to the wife of a decedent

¹⁷ Murphy's Estate, 21 Pa. Super. 384; Folmer's Appeal, 87 Pa. 133; Swann's Estate, 30 W. U. C. 479.

¹⁸ Smith's Estate, 8 D. C. 639.

¹⁹ Myer's Estate, 309 Pa. 581.

²⁰ Oliver's Estate, 273 Pa. 400.

from his estate under an antenuptial agreement, is not subject to the tax.²¹

Under the collateral inheritance tax act of 1887 it was held the right of the Commonwealth to collect the tax was not defeated by a conveyance or transfer of title to property during the lifetime of the owner nor by possession taken under such conveyance if the enjoyment of the property conveyed is not intended to take effect until the death of the grantor.²²

This act also provides for the portion of property held jointly, except as tenants by the entirety, owned by decedent to be subject to transfer inheritance tax in hands of survivor. It was held under this act that property held in joint names, or a joint bank account where the transaction was consummated or the joint bank account created prior to passage of the act, is not subject to the tax.²³

Amending the Act of May 16, 1929, P. L. 1782 the Act of May 12, 1931, P. L. 114 required a copy of any communication from the Federal Government making any final change in the return for Federal estate tax purposes, to be filed with the register of wills of the proper county.

Manuscripts, specimens of natural history, or other scientific collections are added to those articles, passing to any municipality etc. for the sole use of the public by way of free exhibition within the state, exempt from any collateral inheritance tax by the Act of June 12, 1931, P. L. 553, amending Section 1 of the Act of July 9, 1919, P. L. 794.

As to shares of capital stock of a corporation incorporated in more than one state, including Pennsylvania, only that portion of the value of such shares shall be deemed, for inheritance tax purposes, as property of a non-resident decedent within Pennsylvania as the value of the property of such corporation located within Pennsylvania bears to the entire value of the property according to the Act of June 22, 1931, P. L. 640, amending section 32 of the Act of June 20, 1919, P. L. 521, as amended.

The Act of June 22, 1931, P. L. 689 amending section 13 of the Act of 1919, limited the objections to the appraisal of property of a resident decedent in an appeal filed with the Orphans' Court to those objections specified in the appeal.

The title of the Act of June 20, 1919, P. L. 521, was amended by the Act of June 22, 1931, P. L. 690, by including notice in the title that said act taxes transfers made in contemplation of death. This act also required banks to notify Department of Revenue of the death of one of joint tenants, except husband and wife as tenants by entireties, owning personal property deposited in such banks in joint names. Where deposits are made in a bank by husband payable to himself or wife or

²¹ *Fridenberg's Estate*, 8 D. & C. 705.

²² *Line's Estate*, 155 Pa. 378 (1893).

²³ *Leach's Estate*, 282 Pa. 545.

to himself and wife, the account is held "by entireties" and the legal ownership thereof vests in the survivor.²⁴

The Act of 1931 is a valid exercise of legislative power.²⁵

The Act of May 22, 1933, P. L. 839, provided for reciprocal relations in respect to death duties in taxation of estates of non-resident decedents.

Provision is made for payment of estate taxes, whether decedent is a resident or non-resident of the Commonwealth, under protest where Federal Government asserts deficiency tax by the Act of July 15, 1935, P. L. 1026 amending the Act of May 7, 1927, P. L. 859.

By the Act of July 15, 1935, P. L. 1028 amending the Act of 1919 as amended, in an appeal to the orphans' court from an appraisalment of the property of a resident decedent, permission is given to pay the full amount of tax assessed without prejudice to file and prosecute the appeal.

Similar provision in the case of non-resident decedents is made by the Act of July 15, 1935, P. L. 1031, amending the Fiscal Code, the Act of April 9, 1929, P. L. 343.

The Act of June 4, 1937, P. L. 1597, amends section 21 of the Act of June 20, 1919, P. L. 521, by limiting the total commissions due registers of wills for collection of transfer inheritance tax in the case of resident decedents to \$10,000 per year.

By the Act of June 5, 1937, P. L. 1701, amending the Act of July 20, 1917, P. L. 1143, "all gifts, devises . . . to a national library . . . shall be free from collateral inheritance tax."

An apportionment of estate tax was provided for in certain cases by the Act of July 2, 1937, P. L. 2762, amending the Act of June 7, 1917, P. L. 447.

The Act of June 21, 1939, P. L. 619, amending section 3 of the Act of 1919, provided for the release of lien on remainder interests in real property in the case of sale and conveyance or mortgage, if fiduciary shall enter into security for the payment of the tax to the satisfaction of the Revenue Department. Assessments of inheritance tax against previously mortgaged property do not disturb the lien of the mortgage; the inheritance tax assessment is only a charge upon the equity of redemption which belonged to the deceased owner.²⁶

Supplemental appraisements are provided for by the Act of June 24, 1939, P. L. 721, amending the Act of 1919 as amended. Prior to this act it had been held that where a final appraisalment had been made for the purpose of assessing the inheritance tax, a second appraisalment is without authority in law.²⁷ Deductions for debts are further restricted.

The exemption from the collateral inheritance tax of works of art

²⁴ Sloan's Estate, 254 Pa. 346.

²⁵ Bietsch's Estate, 22 D. & C. 600.

et al, 310 Pa. 125.

²⁶ Scranton Lackawanna Trust Co., to use v. Scranton Lackawanna Trust Co., Guardian

²⁷ Moneypenny's Estate, 181 Pa. 309; Rowell's Estate, 315 Pa. 181.

for free exhibition was extended to funds given in connection therewith by the Act of June 24, 1939, P. L. 724, amending the Act of 1919, as amended.

The Act of June 24, 1939, P. L. 725, amending the Act of May 7, 1927, P. L. 859, as amended, imposed interest and penalties upon estate taxes not paid at specified time.

Legislative History
Shares Tax, National and State Banks and Savings Institutions
Summary

Date of Act	Principal Changes from Prior Act	Rate
5-21-1814 P. L. 154		6% (of dividends)
4-1-35 P. L. 99	Rate; tax on dividends continued	Varied according to dividends paid
6-11-40 P. L. 612	Capital Stock Tax added to tax on dividends	On dividends-Varied On Capital Stock-½ mill for each % of dividend
4-29-44 P. L. 486	Rate on capital stock	On dividends-Varied On Capital Stock-As above if dividend is 6% or more; 3 mills if dividend is less
4-16-45 P. L. 507	Clarified Act of 1844	Same
3-15-49 P. L. 168	Rate on dividends	Varied (8% to 30%)
4-16-50 P. L. 457	Rate on capital stock	On dividends-Varied On Capital Stock-4½ mills
4-27-52 P. L. 443	Rate	As 1844 Act
4-12-59 P. L. 529	Tax on dividends abolished	On capital stock-as in 1844 act
3-24-60 P. L. 250	Clarified Act of 1859 as to elimination of tax on dividends .	Same
2-23-66 P. L. 82	Rate; Tax to be collected from shareholders	1% of par value of capital stock
4-12-67 P. L. 74	Rate; Tax a shares tax in case of National Banks	State banks-as Act of 1866 National-3 mills on value with optional rate of 1% on par value
4-2-68 P. L. 55	Change in method of appraising value of shares of National Banks	Same
12-22-69 P. L. 1373	Rate; Tax becomes a shares tax in case of state banks	3 mills on value of shares 1%-optional rate
3-21-70 P. L. 42	Tax of 1% on par value ordered refunded to all banks paying same	Same
6-7-79 P. L. 112	Rate; Annual tax reports to be filed with Auditor General	4 mills
6-10-81 P. L. 99		6 mills-optional rate

Shares Tax, National and State Banks and Savings Institutions—Continued

Date of Act	Principal Changes from Prior Act	Rate
6-30-85	Rate	3 mills
P. L. 193		6 mills (optional)
6-1-89	Exemption from further taxation	
P. L. 420	limited to local taxation	Same
6-8-91	Rates	4 mills
P. L. 239		8 mills (optional)
7-15-97	Rate	4 mills
P. L. 292		10 mills (optional)
5-2-25	Option to pay on par value of	
P. L. 497	Shares eliminated	4 mills
4-25-29	Reports to be filed with Dept. of Revenue	
P. L. 677		4 mills
4-9-29		
P. L. 343		
5-31-33	Filing date of reports changed	
P. L. 1130	to March 15th	4 mills
7-28-36	Rate; Filing date of reports	
P. L. 76	changed to Feb. 15th	8 mills
4-8-37	Continued rate of 8 mills for	
P. L. 254	years 1937 and 1938	8 mills
5-4-39	Continued rate of 8 mills for	
P. L. 53	years 1939 and 1940	8 mills

**Shares Tax, National and State Banks and Savings Institutions
Receipts—1930-1940**

Year ended May 31	Amount Collected			Rate
	National	State	Total	
1940	\$4,445,373.36	\$164,900.26	\$4,610,273.62*	8 Mills
1939	4,134,496.11	139,246.53	4,273,742.64*	8 "
1938	5,444,552.98	211,249.84	5,655,802.82*	8 "
1937	1,177,048.29	203,863.59	1,380,911.88*	8 "
1936	1,010,656.48	110,771.99	1,121,428.47	4 "
1935	1,118,875.29	72,206.62	1,191,081.91	4 "
1934	482,893.76	22,474.10	505,367.86	4 "
1933	1,121,570.67	122,126.01	1,243,696.68	4 "
1932	1,511,645.12	136,967.46	1,648,612.58	4 "
1931	2,486,088.88	268,687.37	2,744,776.25	4 "
1930	1,079,324.40	317,874.64	1,397,199.04	4 "

* Emergency Shares Tax of 3 mills not included.

Tax on Shares

National and State Banks and Savings Institutions

The Pennsylvania State Tax imposed on National and State Banks and Savings Institutions has been primarily a tax on the shareholders of such institutions instead of the institutions themselves. This was true prior to the Act of 1897, except as to the capital stock tax of those early years when banks were required to pay a capital stock tax. It was also true under the Act of 1897 and its amendments. As to

national banks the Commonwealth is without power to levy a tax upon their capital.¹ It has, however, the power to levy a tax upon the property of its citizens and can do so notwithstanding that this property may exist in the form of shares of stock in national banks.¹ In that it is not a tax on the corporation, the tax on bank shares is similar to the corporate loans tax.

National banks which are given fiduciary powers by the Federal Reserve Board and State banks given like powers by the Act of 1919, P. L. 1032, are not taxable as trust companies under the Act of 1907, but as banks under the Act of 1897.² It has been held that a savings bank having power to "accept the appointment of certain trusts," where the business done under such authority was incidental to its savings bank business and less than 2% of its receipts from all business is taxable as a savings bank rather than a trust company.³

Banks were the first class of corporations selected for taxation in Pennsylvania. The first act imposing a tax upon banks as a distinct class is that of May 21, 1814, P. L. 154. Section 10 of this act imposed a tax of 6% on the whole amount of dividends declared. The act further provided, "if the said bank shall, at any time, be exempted from the payment of tax or duty to the United States, then and during such exemption, an additional sum of two per cent on the dividends of each bank shall be transmitted, as aforesaid, to the State Treasurer for the use of the Commonwealth." Under this act, if a bank did not pay the tax or declared no dividends in any year, its charter was declared forfeited.

Under the Act of April 1, 1835, P. L. 99 it is provided that "the several banks in the Commonwealth now subject by law to the payment of a tax on their dividends shall hereafter pay into the treasury of this Commonwealth, in the manner now directed by law, eight per cent on all dividends which do not exceed 6% per annum; nine per cent on all dividends exceeding 6 and not exceeding 7% per annum; ten per cent on all dividends exceeding 7 and not exceeding 8% and eleven per cent on all dividends exceeding 8% per annum."

In addition to the tax on dividends banks were made subject to the state capital stock tax by the Acts of June 11, 1840, P. L. 612 and April 29, 1844, P. L. 486. That the tax on capital stock was in addition to the tax on dividends imposed by the Act of 1835, is apparent from the 6th section of the Act of April 16, 1845, P. L. 507, which provides that the 33d section of the Act of 1844, the capital stock tax act, shall not be construed to release the banks and savings institutions of this Commonwealth from the payment of a tax on their dividends, respectively, according to the several laws in force at the time of the passage of said act.

The rate per cent to be paid on the amount of dividends declared

¹ Northern Trust Co. v. McCoach, 215 Fed. 991 (1914).

² Opinions of Atty. General, 1919-1920 Page 76.

³ Com. v. Miners Savings Bank, 14 Dau. 95 (1911).

imposed by the Act of 1835 was increased by the Act of March 15, 1849, P. L. 168. They ranged from 8% when dividends paid were not more than six per cent to 30% when the dividends exceeded twenty per cent.

Section 21 of the Act of April 16, 1850, P. L. 457, required banks to pay a tax on dividends at varying rates as high as 30%. In addition Section 46 of the Act imposed a tax of 4½ mills on the capital stock paid in. This latter provision replaced the capital stock tax imposed by the Act of April 29, 1844 and remained in force until its repeal by the Act of April 27, 1852, P. L. 443 when the Act of 1844 again became effective as to banks.⁴

The Act of April 12, 1859, P. L. 529 which imposed a capital stock tax upon corporations generally provided that any company liable for a tax on capital stock and also upon dividends shall be exempt from the tax on dividends. This provision, in effect, abolished the tax on dividends. This construction was supported by the express provisions of the Act of March 24, 1860, P. L. 250 that the Act of 1859 should not be so construed that banks of deposit and discount or savings banks shall be liable to a tax on dividends.

Under Section 1 of the Act of February 23, 1866, P. L. 82 a tax of one per cent upon the par value of the capital stock "of every bank" was imposed, to be collected annually from each shareholder by the cashier of the bank and to be paid into the State Treasury. Banks were exempted from all other taxation on their capital stock. It was not until the passage of this act that banks ceased to be the principal corporations subject to the tax on capital stock.⁵

The Act of April 12, 1867, P. L. 74, repealed the part of the Act of 1866 that applied to the taxation of national bank capital stock and provided for the taxation of the shares of such banks. It was provided under Section 1: "That all the shares of stock held by any person in any bank incorporated by or in pursuance of any law of the Government of the United States are hereby declared subject to taxation in the hands of the holders of such shares, at the same rate as the shares, or stock, of banks incorporated by, or under, any law of the Commonwealth of Pennsylvania are now taxable, in the hands of the individual holders of such shares, and at no other, or greater, rate; that is to say, a tax of three mills upon every dollar of the value of such shares or stock shall annually be assessed and collected in the manner hereinafter provided." The 5th section of the Act of 1867 provided that should any bank, national or state, pay to the State Treasurer a tax of one per cent per annum on the par value of its capital stock, the shareholders of the bank should be exempt from all other taxation

⁴ *Allegheny Co. v. Schoenberger*, 1 Grant 35 (1853). *Mintzer v. Montgomery Co.*, 54 Pa. 139 (1867).

⁵ *Com. v. N. Y. P. & O. RR Co.*, 188 Pa. 169 (1898).

on the value of said shares. The tax on shares of state banks remained at one per cent as per the Act of 1866 until 1869.

Under the Act of April 2, 1868, P. L. 55 the method was changed of appraising the shares of national banks by assessors as provided in the Act of 1867.

The Act of December 22, 1869, P. L. 1870, P. 1373 provided that the shares of state and savings bank should be subject to the same tax as was imposed on national bank shares by the Acts of 1867 and 1868. By collecting a tax of one per cent of the par value of the shares from the shareholders and paying same to the Commonwealth, the bank was exempted from all other state taxes on the shares, capital and profits.

The Act of March 21, 1870, P. L. 42 directed that the State Treasurer repay to each bank, that had paid the tax of one per cent on the par value of all their shares of stock such tax paid, "after first deducting the tax of 3 mills upon such assessed value." The Act of 1870 also provided that national banks should be taxable for county, school, municipal and local purposes, at the same rate as other moneyed capital in the hands of citizens of the state.

By the Act of June 7, 1879, P. L. 112, supplemented by the Act of June 10, 1881, P. L. 99, the tax on shares of bank stock was increased from 3 to 4 mills. The system of assessment created by the Act of 1867 was abolished and replaced by a new one whereby reports were required to be filed with the Auditor General. State and national banks were allowed to elect to pay a tax of 6 mills upon their par value and to pay such tax to the State Treasurer by March 1st of each year. Such election exempted from further taxation their shares and so much of their capital and profits as was not invested in real estate. In the absence of such election the President or Treasurer of each state and national bank was required to file a report with the Auditor General on or before June 20th furnishing certain information including the value of the stock of the bank and a list of names and addresses of the shareholders with their holdings. The state fiscal officer then made a settlement against each shareholder. The lists and settlements were then forwarded to the several county commissioners and used in assessing taxes against the shareholders at the increased rate of four mills.

The Act of June 30, 1885, P. L. 193, substantially re-enacted the Act of 1881. The rate of four mills was, however, reduced to three in the case where no election was made to pay the 6 mills tax on shares by March 1st. Trust, Safe Deposit, Guarantee, Surety, and Real Estate Insurance or Trust Companies were also given the option of choosing to pay the 6 mill tax in lieu of other taxation on their stock.

In construing the Act of 1885 a lower court held that the shares of stock of banks failing to pay the optional 6 mills tax on or before June 20th in each year, were taxable to the bank and the shares thereof

taxable in the hands of the holders.⁶ In another case involving the construction of the same act the court said:

“The fact remains, however, that no intent is apparent in our legislation upon this subject treating the different statutes as a scheme of taxation, to tax both the capital stock and the shares of stock in the hands of the shareholders. Such taxation, notwithstanding the subtle distinction of the court below, would be substantially double taxation. Conceding the power of the Legislature to tax in this manner, its exercise is never to be presumed. The intent to impose double taxation must be clearly expressed.”⁷

Under the Act of June 1, 1889, P. L. 420, the last mentioned option was taken away from Trust, Safe Deposit, etc. Companies. As to State and National Banks choosing to pay the 6 mill tax the exemption “from further taxation upon their shares and so much of their capital and profits as shall not be invested in real estate” was limited to “local taxation under the laws of this Commonwealth.”

The Act of June 8, 1891, P. L. 239 Sections 6 and 7, substantially re-enacted the Act of 1889, Sections 24 and 25. The rates were changed, however, the rate which could be paid on or before March 1st being increased from 6 to 8 mills and the rate which applied when the option to pay on the par value of the shares was not exercised, being raised from 3 to 4 mills.

The next change in the tax on shares of banks was made by the Act of July 15, 1897, P. L. 292. This is the basic act for the present-day state taxation of banks. Section 1 provides:

“That from and after the passage of this act every bank or savings institution, having capital stock, incorporated by or under any law of this Commonwealth or under any law of the United States, and located within this Commonwealth shall, on or before the 20th day of June in each and every year, make to the Auditor a report in writing, verified by the oath or affirmation of the president, cashier, or treasurer, setting forth the full number of shares of capital stock subscribed for or issued by such bank or savings institution, and the actual value thereof, which shall be ascertained as hereinafter provided; whereupon it shall be the duty of the Auditor General to assess such shares for taxation at the same rate as that imposed upon other moneyed capital in the hands of individual citizens of the state: that is to say, at the rate of four mills upon each dollar of the actual value thereof, the actual value of each share of stock to be ascertained and fixed by adding together the amount of capital stock paid in, the surplus and undivided profits, and dividing this amount by the number of

⁶ *Gorley v. Bowlby*, 8 Pa. C. C. 17 (1890).

⁷ *Penna. Co. for Ins. on Lives, etc. v. Com.*, 22 W. N. C. 340 (1888).

shares. . . . It shall be the duty of every bank or savings institution, within a period of forty days after the date of such settlement by the Auditor General, at its option to pay the amount of said tax to the State Treasurer from its general fund or collect the same from its shareholders and pay over to the State Treasurer And provided further, that in case any bank or savings institution having capital stock, incorporated under the law of this state or of the United States, shall collect annually from the shareholders thereof of said tax of four mills on the dollar upon the actual value of all the shares of stock of said bank or savings institution, according to the rule hereinbefore stated, that have been subscribed for or issued, and pay the same into the State Treasury on or before the 1st day of March in each year, the shares and so much of the capital and profits of such bank or savings institution as shall not be invested in real estate shall be exempted from local taxation under the laws of this Commonwealth and such bank or savings institution shall not be required to make any report to the local assessor or county commissioners of its personal property owned by it in its own right for purposes of taxation and shall not be required to pay any tax thereon."

The Act of 1897 was intended to abolish the system of permitting the payment of an optional tax.

The Legislative Record (Journal) shows the bill passed the House of Representatives without the provision. In the discussion in the House the proponents of the bill argued that the Commonwealth was losing revenue by many banks electing the method of tax computation most favorable to them and the elimination of the option would serve to equalize the tax on all banks. In the Senate, however, the bill was amended to include the following provision.

"Except, however, that any bank or savings institution incorporated as aforesaid, in lieu of the method hereinbefore set out for ascertaining the actual value of the shares of capital stock thereof may elect to collect annually from the stockholders thereof a tax of ten mills on the dollar upon the par value of all shares of said bank that have been subscribed for or issued, and pay the same into the State Treasury on or before the first day of March in each year; and the shares of such bank or savings institution and so much of the capital and profits of such bank or savings institution as shall be invested in real estate, shall be exempted from local taxation under the laws of this Commonwealth."

The above provision replaced those of prior acts permitting the payment of an optional tax of first six (Act of 1879) and then eight mills (Act of 1891). It was not until 1925 that the election given banks

to pay upon par value of their stock was abolished. The Act of May 2, 1925, P. L. 497 eliminated the option. The 1925 Report of the Pennsylvania Tax Commission to the General Assembly of the Commonwealth shows 442 state banks elected in 1924 to pay the 10 mill tax. The average rate on book value of the assets of banks choosing this method was 2.7 mills so that most of the banks so electing paid less than 4 mills upon their actual capital. These facts brought about the change in 1925 that had been proposed in 1897 but defeated in the Senate.

The method of determining the actual value of each share by adding together the amount of capital stock paid in, surplus and undivided profits and dividing this amount by the number of shares has been held constitutional.⁸

The Act of April 25, 1929, P. L. 677 and the Fiscal Code, the Act of April 9, 1929, P. L. 343, provided for the filing of annual reports by state banks and savings institutions and national banks with the newly created Department of Revenue instead of the Auditor General's Department and re-enacted the provisions of existing laws as to the valuation of the shares for the purpose of state tax.

The Act of May 31, 1933, P. L. 1130 changed the date for filing annual shares tax reports from June 20th to March 15th, thereby changing the period for which the reports were to be filed from one ending June 20th to that ending December 31st. It necessarily eliminated the provision of prior acts for the optional filing of annual reports and payment of tax prior to March first for the year ending December 31st preceding.

The Act of July 28, 1936, P. L. 76 again changed the date for the filing annual shares tax reports. They now become due February 15th instead of March 15th of the year following that for which they were filed. This act also increased the rate of tax for the calendar year 1936 from 4 mills to 8 mills upon each dollar of the actual value of the shares of stock.

The Act of April 8, 1937, P. L. 254, continued the increased rate of 8 mills for the calendar years 1937 and 1938.

The rate of 8 mills was further continued for the calendar years 1939 and 1940 by the Act of May 4, 1939, P. L. 53.

⁸ Com. v. Mortgage Trust Company, 227 Pa. 163 (1910).

Legislative History
Shares Tax, Title Insurance and Trust Companies
Summary

Date of Act	Principal Changes from Prior Act	Rate
4-29-1874 P. L. 73		½ mill of C. S. value for each % of Dividend if dividend is 6% or more; 3 mills if Dividend is less.
6-30-85 P. L. 193	Permitted payment of optional tax	As above Optional rate of 6 mills
6-1-89 P. L. 420	Abolished optional tax	As in 1874 Act
6-13-07 P. L. 640	Provided method of arriving at actual value of shares	5 mills
7-11-23 P. L. 1071	Changes filing date of reports; Changes date of payment of tax	5 mills
5-7-27 P. L. 853	Exempted from shares tax the owned shares of corporations relieved from C. S. Tax	5 mills
4-25-29 P. L. 673	Changes filing date of reports; Reports to be filed with Revenue Dept.	5 mills
5-31-33 P. L. 1132	Exempted from shares tax only portion of owned shares of corporations paying or relieved from C. S. Tax	5 mills
7-28-36 P. L. 73	Abolished exemption of stocks owned of corporations paying or relieved from C. S. Tax; Rate ..	8 mills
7-28-36 P. L. 77	Changes filing date of reports ..	8 mills
4-8-37 P. L. 251	Continued increased rate for 1937 and 1938	8 mills
5-4-39 P. L. 48	Continued increased rate for 1939 and 1940	8 mills

Shares Tax, Title Insurance and Trust Companies
Receipts—1930-1940

Year Ended May 31	Amount Collected	Rate
1940	\$1,708,541.38*	8 mills
1939	1,784,532.36*	8 "
1938	2,848,977.18*	8 "
1937	1,225,940.58*	8 "
1936	538,383.30	5 "
1935	1,929,212.91	5 "
1934	1,187,020.82	5 "
1933	1,383,322.96	5 "
1932	1,974,908.21	5 "
1931	2,355,710.49	5 "
1930	2,702,456.77	5 "

* Emergency Shares Tax of 3 mills not included.

Shares Tax

Title Insurance and Trust Companies

As in the case of national banks and state banks and savings institutions the tax on shares of title insurance and trust companies is a tax on the shareholders of the institutions instead of the companies themselves.

Trust Companies were first incorporated under the Act of April 29, 1874, P. L. 73, the general corporation act. Originally they were chartered for the purpose of engaging in the business of title insurance. Their powers were increased by the Legislature under acts passed in 1881, 1889 and 1895.

Banks incorporated under special acts and possessing in addition to their banking powers the power to transact to a limited extent the business of a trust company, which trust business they transact to a very small extent are not subject to taxation under this act, but are taxable as banks under the Act of July 15, 1897¹ Title insurance companies are not designated in the acts imposing a tax upon gross premiums of insurance companies. Likewise trust companies are not included. Therefore, there is no authority for the imposition of a tax on the gross premiums of either company.²

Prior to 1885 title insurance and trust companies were subject to the capital stock tax in common with all other corporations incorporated under the general corporation act of 1874 (See Preliminary Legislative History of Capital Stock Tax.) The 3d section of the Act of June 30, 1885, P. L. 193, provided that title insurance and trust companies, in common with national and state banks and savings institutions might pay a tax of 6 mills upon the value of all their shares of stock in lieu of the capital stock tax. Payment of one of these two taxes exempted them from liability to the other.³

The Act of June 1, 1889, P. L. 420, omitted title insurance and trust companies from the corporations entitled to pay the optional tax of 6 mills on the par value of their capital stock. Thereafter until passage of the Act of June 13, 1907, P. L. 640 title insurance and trust companies remained subject to the capital stock tax. Thus for a period of 33 years, except for the brief period of four years (1885-1889) when they were allowed the option of paying a 6 mill tax on the par value of their capital stock, title insurance and trust companies were taxed by the Commonwealth in the same manner and at the same rate as other corporations created under the general corporation act of 1874. "They made their reports to the Auditor General under the general revenue acts of 1879, 1889 and 1891 and other statutes, just as other

¹ *Com. v. Peoples Bank of Wilkes-Barre*, 14 Dau. 85. *Com. v. Anthracite Savings Bank of Wilkes-Barre*, 14 Dau. 91.

² *Opinion Attorney General: 20 Dauphin 211 (1917).*

³ *Penna. Co. for Ins. on Lives, etc. v. Com.*, 2 Mona 694 (1889).

private corporations did, and the valuation of their capital stock was ascertained and the tax settlement made on the same basis.⁴

The Act of June 13, 1907, P. L. 640 was intended to put trust companies upon practically the same basis as banking institutions for the purpose of taxation.⁵ It provided:

“From and after the passage of this act, every company incorporated under the provisions of section 29 of an Act, entitled “An act to provide for the incorporation and regulation of certain corporations,” approved April 29th, 1874, and its supplements; for the insurance of owners of real estate, mortgages, and others interested in real estate, from loss by reason of defective titles, liens and encumbrances; . . . shall on or before the 20th day of June in each and every year, make to the Auditor General a report in writing . . . setting forth the full number of shares of the capital stock subscribed for or issued by such company, and the actual value thereof, which shall be ascertained as hereinafter provided; and thereupon it shall be the duty of the Auditor General to assess such shares for taxation at the rate of 5 mills upon each dollar of the actual value thereof, the actual value of each share of stock to be ascertained and fixed by adding together the amount of capital stock paid in, the surplus and undivided profits and dividing this amount by the number of shares . . .”

It was further provided by this act that if the company should collect such tax from

“the shareholders thereof, or from the general fund of said company, said tax of 5 mills on the dollar upon the value of all the shares of stock of said company, the value of each share of stock to be ascertained and fixed by adding together so much of the capital stock paid in, the surplus, and undivided profits, as is not invested in shares of stock of corporations liable to pay to the Commonwealth a capital stock tax or tax on shares, and dividing this amount by the number of shares of title insurance or trust company, and pay said tax into the State Treasury, on or before the first day of March in each year, the shares and so much of the capital stock, surplus, profits, and deposits of such company as shall not be invested in real estate, shall be exempt from all other taxation under the laws of this Commonwealth.”

The method of arriving at the actual value of each share by adding together capital stock paid in, surplus and undivided profits and dividing by the number of shares was held constitutional.⁶

As to the rate of 5 mills compared to the rate of 4 mills imposed

⁴ Com. v. Mortgage Trust Co., 227 Pa. 163 (1910).

⁵ Com. App. v. Union Trust Co. of Pittsburgh, 237 Pa. 353 (1912).

⁶ Com. v. Mortgage Trust Co., 227 Pa. 163 (1910).

on banks and savings institutions it is suggested by Ruslander and Main in "Pennsylvania Corporation Taxes," 3d Edition, on page 171 that "The tax on shares of title and trust companies was framed at a time when the trust companies could engage in a variety of financial transactions which were withheld from the banks, and as a charge for their extra privileges they were taxed at a higher rate than banks." It is to be noted, however, that the rate of the capital stock tax, which the tax on shares replaced according to the provisions of the Act of 1907, was 5 mills.

The Act of July 11, 1923, P. L. 1071, changed the time for filing annual reports from the 20th day of June to the last day of February. It also changed the period after the date of settlement of the tax within which it was to be paid from 40 to 60 days. This act also changed the method of arriving at the actual value of the shares. It was now determined by adding together "so much of the capital . . . surplus, and undivided profits as is not invested in shares of stock of corporations liable to pay . . . a capital stock tax or tax on shares" regardless of whether the tax on shares was paid by March first as per the Act of 1907.

The Act of May 7, 1927, P. L. 853, enlarged the portion of the capital stock paid in, surplus and undivided profits exempt from the shares tax, which exemption had previously included only shares of stock of corporations liable to pay to the Commonwealth a capital stock tax, or a shares tax by adding the words "or relieved from the payment of capital stock tax."

The Act of April 25, 1929, P. L. 673, again changed the time for filing annual shares tax reports from the last day of February to the 15th day of March and provided that such reports should be filed with the newly created Department of Revenue instead of the Auditor General's Department as theretofore. Similar provisions were included in Section 712 of the New Fiscal Code, the Act of April 9, 1929, P. L. 343.

The Act of May 31, 1933, P. L. 1132 provided a slightly different method of arriving at the actual value of the shares of title insurance and trust companies for taxation. Prior legislation provided the actual value of the shares should be found by adding together so much of the capital stock paid in, the surplus and undivided profits "as is not invested in shares of stock of corporations liable to pay the Commonwealth a capital stock tax, or relieved from the payment of capital stock tax or tax on shares." The Act of 1933 changed the above quoted language to read "As is not invested in shares of stock of corporations liable to pay the Commonwealth a tax on shares; or as is not invested in such portion of the capital stock of corporations liable to pay to the Commonwealth a capital stock tax as the capital stock of such corporation employed in this Commonwealth and liable to a capital stock tax bears to the total capital stock of such corporation; or as is not invested in

such portion of the capital stock of corporations specifically relieved under the laws of this Commonwealth from the payment of a capital stock tax as the capital stock of such corporation employed within this Commonwealth and relieved from the payment of a capital stock tax bears to the total capital stock of such corporation—" This change was to conform to the Act of June 22, 1931, P. L. 685 which provided for settlement of Capital Stock Tax by use of a statutory formula. It provided that so much of the value of the capital stock should be exempted as the value of the exempt assets bears to the value of total assets.

In practice no exemption was allowed by the taxing authorities of the Commonwealth for United States Securities and national bank stock owned. Upon an appeal to the United States Supreme Court from a decision of the Pennsylvania Supreme Court⁷ approving this practice such court reversing the Pennsylvania Court held it to be discriminatory against such securities not to allow an exemption.⁸

The Act of July 28, 1936, P. L. 73 abolished the exemption just noted in the Act of May 31, 1933, P. L. 1132. In other words, the actual value of the shares for taxation was ascertained by adding together the amount of capital stock paid in, the surplus, and undivided profits. The act relieved from filing annual tax reports "any such corporations, all the shares of capital stock of which (other than shares necessary to qualify directors) are owned by a corporation which is liable to pay to the Commonwealth a tax on shares." This act increased the rate of the tax on shares of title insurance and trust companies for the calendar year 1936 from 5 to 8 mills. It also changed the last date for filing annual reports without penalty from March 15 to February 15.

This act was intended to remove the discrimination against U. S. Securities objected to by the United States Supreme Court in *Schuylkill Trust Co. v. Com. of Pa.* by denying exemption to shares of Pennsylvania corporations. In practice a deduction is allowed for shares of national banks owned.

The Act of July 28, 1936, P. L. 77 amended section 712 of the Act of April 9, 1929, P. L. 343, the Fiscal Code, to provide for the change in filing date from March 15 to February 15.

The Act of April 8, 1937, P. L. 251 continued the new rate on shares tax of 8 mills for the calendar years 1937 and 1938 and made the rate thereafter 5 mills.

The Act of May 4, 1939, P. L. 48 continued such new rate of 8 mills for the calendar years 1939 and 1940 and thereafter the rate is reduced to 5 mills.

⁷ *Com. v. Schuylkill Trust Co.*, 315 Pa. 429.

⁸ *Schuylkill Trust Co. v. Com. of Pa.*, 80 Law Ed. 15.

Legislative History—Municipal Loans Tax

Summary

Date of Act	Principal Changes from Prior Act	Rate
4-29-44 P. L. 501		3 mills
4-30-64 P. L. 218	Provided for annual reports to Auditor General	3 mills
5-11-11 P. L. 236	Bonds, etc. of school districts added to taxable subjects	4 mills
6-17-13 P. L. 507	Municipal Loans Tax (also Corporate Loans Tax) and Personal Property Tax imposed by same act but clearly distinguished ...	4 mills
7-15-19 P. L. 954	Imposed tax when interest is paid for prior years	4 mills
7-15-19 P. L. 955	Imposed tax on indebtedness "assumed or on which interest shall be paid"	4 mills
4-9-29 P. L. 343	Time and place of filing annual report changed	4 mills

Municipal Loans Tax

Receipts—1928-1939

Years Ended May 31	Amount Collected	Rate
1939	\$1,485,107	4 mills
1938	2,737,951	4 "
1937	4,445,971	4 "
1936	1,902,795	4 "
1935	3,139,466	4 "
1934	2,453,422	4 "
1933	2,561,410	4 "
1932	2,681,999	4 "
1931	2,334,762	4 "
1930	2,566,165	4 "
1929	1,455,057	4 "
1928	2,747,957	4 "

Municipal Loans Tax

A state tax analogous to the Corporate Loans Tax is that imposed on indebtedness of counties, cities, boroughs, townships, school districts or incorporated districts, sometimes called the "Municipal" Loans Tax or the "County and Municipal" Loans Tax. It was first imposed by Section 42 of the Act of April 29, 1844, P. L. 501, an act that provided according to its title, for the reduction of the debt of the Commonwealth and the incorporation of the Pennsylvania Canal and Railroad Company. This section provided ". . . It shall be the duty of the treasurer of each county, incorporated city, district, and borough of this Commonwealth, on the payment of any dividend or interest, to any holder or agent claiming the same, on any scrip, bond or certificate

of indebtedness issued by said incorporated city, district, and borough aforesaid to assess the tax herein made and provided for state purposes, upon the nominal value of each and every said evidence of debt; said tax to be deducted by the said treasurer on the payment of any interest or dividend aforesaid, and the same shall be held by him until paid over to the state treasurer; . . .”

The next legislation relating to this tax was the 4th section of the Act of April 30, 1864, P. L. 218. Under the terms of the Act the burgess or other chief officer of each incorporated district or borough was required to report to the Auditor General the amount of scrip, bonds, etc. outstanding by said county, city, etc. together with rates of interest and other information. The Auditor General was then required to settle annually the accounts of each county, city, etc., fix the state tax due, and unpaid and send notice of the amount to the officers making such returns. It was made the duty of the treasurer of each county, city, etc., to deduct the state tax on payment of any interest or dividend on debts due by the county, city, etc. and pay the tax to the State Treasurer within 30 days after interest or dividend became due.

Section 4 of the Act of 1864 does not provide for any assessment of obligations for taxation. Its constitutionality was accordingly attacked.¹ The court, however, found its purpose to be the supplying of the provision, omitted by Section 42 of the Act of 1844, “requiring the treasurer of counties and cities to report to the Auditor General the amount of indebtedness on which interest was paid and tax became due, so that he might know whether all the tax had been deducted and paid over to the State Treasurer;” and the correction of the “failure to give him express authority to settle accounts for the tax unpaid.” The court held further the last clause of Section 4 of the Act of 1864 reenacted Section 42 of the Act of 1844. Thus one act is made the supplement of the other. Not only did this opinion hold that the 42d section of the Act of 1844 was not repealed by the 4th section of the Act of 1864 but it was not repealed by the Act of April 2, 1846 or the Act of June 7, 1879, P. L. 112. (See Preliminary Legislative History of Corporate Loans Tax).

The tax on county and municipal loans was imposed by authority of the Acts of 1844 and 1864 until passage of the Act of May 11, 1911, P. L. 236 which amended the 4th section of the Act of 1864 by adding to the taxable subjects the indebtedness of school districts. It is to be noted school districts were not specifically included by the terms of the Act of 1844 or the Act of 1864. The accounting officers of the Commonwealth in practice did not regard school districts as included in the term “incorporated district.” In 1908, however, the Attorney General ruled that the bonds of school districts should be returned by the treasurers of such districts to the Auditor General for taxation instead of

¹ Com. v. Phila. City and County, 157 Pa. 558 (1893).

being returned by the holders thereof to local assessors to be subject to the state tax on personal property.² In order to further clarify the matter the Act of May 11, 1911 was passed.

It is not clear what rate was used in imposing the Municipal Loans Tax from 1879 to 1913. The Act of April 30, 1864, P. L. 218, is silent as to the rate as is the Act of May 11, 1911, P. L. 236. It is believed, however, that in practice the same rate was applied as in the case of the Corporate Loans Tax, that is, 4 mills under the Acts of June 7, 1879, P. L. 112, and June 10, 1881, P. L. 99; 3 mills under the Acts of June 30, 1885, P. L. 193 and June 1, 1889, P. L. 420; 4 mills under the Act of June 8, 1891, P. L. 229 and thereafter. In referring to the rate during the period from passage of the Act of 1891 to 1913, Eastman in "Taxation in Pennsylvania," Vol. 2, page 709, says "The tax being that 'made and provided for state purposes' on bonds, mortgages and similar personal property, the rate thereof is 4 mills under the provisions of Section 1 of the Act of June 8, 1891, P. L. 229, as amended by the Act of May 1, 1909, P. L. 298 on the nominal value of loans."

The next legislation applicable to this tax is the 17th section of the Act of June 17, 1913, P. L. 507. This Act which also provides for the imposition of the Personal Property Tax (first 16 sections) and the Corporate Loans Tax is not an amendment of any previous acts but a new independent act which expressly repeals prior acts relating to Personal Property Tax and Corporate Loans Tax. It does not, however, expressly repeal the Acts of 1844, (April 29, P. L. 501) 1864 (April 30, P. L. 218) or 1911 (May 11, P. L. 236) that formed up to this time the basis for the Municipal and County Loans tax.

Section 17 of the Act of 1913 after enumerating the classes of indebtedness subject to the Corporate Loans Tax sets forth identical classes of indebtedness issued by the political subdivisions as subject to the county and municipal loans tax, to wit; "and all scrip, bonds, or certificates of indebtedness." These classes of indebtedness were made taxable for the year 1914 and annually thereafter at the rate of 4 mills on each dollar of the nominal value. This act provided that none of the classes of property made taxable by this section for state purposes shall be taxed for county, school or other local purposes. The tax for state purposes imposed by Section 17 was, by the provisions of Section 18 to be collected in the same manner as the tax theretofore imposed for state purposes upon such obligations.

The Act of July 15, 1919, P. L. 954 provided that "whenever any public . . . corporation, . . . required by existing laws to deduct or collect and pay over to the Commonwealth taxes upon

² School District Bonds, 35 Pa. CC. 606.

scrip, bonds, certificates and evidences of indebtedness by such corporation issued or assumed, shall make payment of interest on any scrip, bonds, certificates and evidences of indebtedness, issued or assumed by them, which payment shall include interest due and payable for prior years, it shall be the duty of the treasurers . . . paying such interest to forthwith report the same to the Auditor General, indicating the amount thereof, the years covered thereby . . . ; and it shall be their further duty to deduct from such interest four mills on every dollar of the full amount of such obligations to the extent that such obligation might have been required to have been made under existing law had the interest actually been paid during such prior years when due . . .”

The Act of July 15, 1919, P. L. 955, amended the 17th Section of the Act of 1913 by adding to the list of taxable indebtedness of political subdivisions “all scrip, bonds, certificates and evidences of indebtedness *assumed* or on which *interest shall be paid*” by any county, city, borough, township, school district or incorporated district of the Commonwealth. The following provision was also added to this section “It is the intent of this act that all scrip, bonds, certificates and evidences of indebtedness made taxable under this section are not taxable under section one (1) of the act to which this is an amendment, and that only each scrip, bonds, certificates and evidences of indebtedness which cannot be made taxable under this section are to be taxed under section one (1) of said act.”

The next legislation applicable to Municipal Loans tax was Section 709 of the Act of April 9, 1929, P. L. 343, the “Fiscal Code.” This section provided for the filing of the annual report on or before the 15th day of March of each year with the Department of Revenue instead of the Auditor General’s Department of the “amount of scrip, bonds or certificates of indebtedness, outstanding by such county, city, borough, school district or incorporated district, as the same existed on the first day of January . . .”

The rate of the Municipal Loans Tax was not increased in 1935 as was the Corporate Loans Tax but remained at 4 mills.

**Legislative History—Corporate Loans Tax
Summary**

Date of Act	Principal Changes from prior Act	Rate
4-29-1844 P. L. 486		3 mills
5-1-54 P. L. 535	Bonds, etc of railway corporations expressly taxable	3 mills

Legislative History—Corporate Loans Tax—Continued

Date of Act	Principal Changes from prior Act	Rate
4-30-64 P. L. 218	Tax withheld from interest on taxable securities	3 mills
5-1-68 P. L. 108	Tax based on interest paid	5% (of interest)
3-21-73 P. L. 46	Tax imposed directly upon corporation	5% (of interest)
4-24-74 P. L. 68	Corporate Loans tax abolished .	None
6-7-79 P. L. 112	Tax on principal of indebtedness through corporation as agent ..	4 mills
6-10-81 P. L. 99	Tax imposed on corporation but reimbursement permitted	4 mills
6-30-85 P. L. 193	Act provided for tax on interest; Rate	3 mills
6-1-89 P. L. 420	Tax is on value of indebtedness	3 mills
6-8-91 P. L. 229	Rate	4 mills
5-1-09 P. L. 298	Loans issued free and clear of tax taxable if held by Savings Institutions without Capital Stock ..	4 mills
6-17-13 P. L. 507	Clarifies separation of corporate loans tax from personal property tax	4 mills
7-15-19 P. L. 954	Loan taxable if interest is paid for prior period	4 mills
7-15-19 P. L. 955	Indebtedness "assumed" and "on which interest was paid" added to taxable subjects	4 mills
7-15-19 P. L. 958	Foreign corporations made subject to corporate loans tax even if Treasurer is non-resident	4 mills
7-21-19 P. L. 1067	Filing date for Reports Changed	4 mills.
7-13-23 P. L. 1085	Provided corporation assuming a mortgage may be exempt if required notice is given	4 mills
5-4-27 P. L. 741	Exempted first class corporations from tax	4 mills
4-25-29 P. L. 669	Loans tax reports to be filed with Department of Revenue ..	4 mills
6-1-31 P. L. 318	Change in filing date of fiscal year corporations	4 mills
6-22-35 P. L. 414	New corporate loans tax in addition to prior acts	1 mill (5 mills for both taxes)
7-17-36 P. L. 51	Rate	4 mills (8 mills for both taxes)
5-18-37 P. L. 633	Two Loans Taxes combined	8 mills
5-5-39 P. L. 76	First class or non-profit corporations exempt—Rate continued for 1939 & 1940	8 mills
5-25-39 P. L. 202	Loans Reports showing interest paid for prior years filed with Revenue Dept.	8 mills

Corporate Loans Tax

Receipts—1928-1939

Years Ended May 31	Amount Collected	Rate
1939	\$ 6,457,885	8 mills
1938	7,930,090	8 “
1937	11,148,834	8 “ *
1936	3,242,156	5 “ †
1935	5,242,197	4 “
1934	5,489,807	4 “
1933	3,992,539	4 “
1932	4,858,306	4 “
1931	5,957,934	4 “
1930	4,663,048	4 “
1929	4,592,453	4 “
1928	4,194,973	4 “

* Extra 3 mills attacked in court appeal.

† Extra 1 mill held invalid for year 1935, that is, reports for 1935 filed in 1936. *Com. v. Chester County Light and Power Co.*, 339 Pa. 97. Part of the tax above of \$3,242,156 will be refunded to the corporation taxpayers under this decision.

Pennsylvania Corporate Loans Tax

The Pennsylvania Corporate Loans Tax is more or less closely linked with the Personal Property Tax, the latter, at least in the later acts, being intended to complement the former. It is not a tax laid on the company, nor on the bondholders thereof as a body, but on each resident bondholder as an individual; and the corporation or its treasurer is merely the agent of the Commonwealth or instrument of collection for the convenience of the State¹ but in the case of the failure of the corporation through its treasurer to collect the tax the corporation is liable therefor.²

The loans of private corporations were first made a separate subject of taxation by Section 3 of the Act of April 30, 1864, P. L. 218. It is to be noted, however, that the bonds of a railroad company chartered by the Commonwealth were held taxable by court decision under Section 32 of the Act of April 29, 1844, P. L. 486, an early personal property tax act,³ although corporate bonds were not mentioned by name in the act. Also the Act of May 1, 1854, P. L. 535 taxed “all bonds or certificates of loans of any railroad company incorporated by this Commonwealth.” Under the Act of April 30, 1864, P. L. 218, the officer of the corporation which paid interest to its depositors, bondholders, or other creditors, on loans upon which a state tax is imposed, is required to withhold from such depositors, bondholders or creditors the amount of the state tax and pay it over to the State Treasurer.

Section 3 of the Act of April 30, 1864, P. L. 218 was repealed by Section 11 of the Act of May 1, 1868, P. L. 108 which provided that the officers of every corporation doing business in Pennsylvania except

¹ *Com. v. Phila. & Reading R. R. Co.*, 150 Pa. 312 (1892); *Com. v. Lehigh Valley R. R. Co.*, 104 Pa. 89 (1883).

² *Com. v. Wilkes-Barre & Scranton R. R.*, 162 Pa. 614 (1894).

³ *Maltby v. Reading and Columbia R. R. Co.*, 52 Pa. 140 (1866).

domestic banks or savings institutions, which pays interest to its bondholders or other creditors, shall, before the payment of the same, retain a tax of 5% upon every dollar of interest paid. It should be noted that the tax is based on the interest paid and not on the principal of the indebtedness. In construing the Act of May 1, 1868, P. L. 108, the Pennsylvania Supreme Court held the tax must be collected from non-resident bondholders as well as individuals residing within Pennsylvania.⁴ Upon appeal to the U. S. Supreme Court, however, the decision of the State Supreme Court was reversed.⁵

The fourth section of the Act of March 21, 1873, P. L. 46 repealed the 11th section of the Act of May 1, 1868, P. L. 108 and imposed the loans tax directly on the corporation. The tax was again 5% of the interest paid as in the case of the Act of 1868.

Approximately a year later Section 4 of the Act of 1873 was repealed by Section 11 of the Act of April 24, 1874, P. L. 68 and the corporate loans tax was entirely abolished. For the next five years there was no corporate loans tax imposed on either the holders of corporate indebtedness or the corporations themselves.

The corporate loans tax was re-established and imposed on the principal sum of the corporate indebtedness and not on the interest paid on said principal by the 17th section of the Act of June 7, 1879, P. L. 112 by providing that:

“All corporations paying interest on loans hereby taxed for state purposes only shall deduct the said tax from the said interest and pay the same into the state treasury.” This Act avoids taxing non-residents.

This 17th Section of the Act of June 7, 1879, P. L. 112 was re-enacted by Sections 1 and 2 of the Act of June 10, 1881, P. L. 99. This latter act differed from the Act of 1879 in that the tax was imposed primarily on the corporation but the latter was allowed to withhold the tax from the interest paid on the corporate indebtedness, in which case the latter became exempt from other taxation in the hands of the holders. In the 1879 Act the tax was imposed on the holder of the corporate indebtedness through the corporation as agent for the Commonwealth.

In the case of *Com. v. Lehigh Valley R. R. Co.* 104 Pa. 89 (1883) Section 17 of the Act of 1879 and Section 2 of the Act of 1881 were held unconstitutional because they contained no provision for the assessment and valuation of the loans taxed and therefore did not constitute an independent scheme of taxation of corporate loans.

The Act of June 30, 1885, P. L. 193, corrected the defect of the Acts of 1879 and 1881 which was responsible for them being declared unconstitutional. This Act of 1885 reduced the corporate loans tax from 4 to 3 mills and expressly restricted the tax to obligations in

⁴D. L. & W. R. R. v. Com. 66 Pa. 64 (1870).

⁵State Tax on Foreign Held Bonds 82 U. S. 300.

the hands of residents of Pennsylvania. The Act of 1881 (June 10, P. L. 99) also contained such restriction. Although the Act of 1885 provided that the tax shall be deducted "on every dollar of the interest paid as aforesaid" as had been provided by the Act of May 1, 1868, P. L. 108, the tax was construed by court decision to be upon the principal sum of corporate obligations and not on the interest paid thereon, that is, the tax "is the state tax imposed and provided on mortgages, money owing by solvent debtors, etc."⁶

The next act applicable to the corporate loans tax was that of June 1, 1889, P. L. 420, supplementing the Act of 1879. It provided a complete system for taxation of personal property, tax on corporate loans and tax on capital stock and on gross receipts. It continued the rate of 3 mills on corporate loans.

The Act of June 8, 1891, P. L. 229 re-enacted many of the provisions of the Act of June 1, 1889, P. L. 420. It changed the rate of corporate loans tax from 3 to 4 mills at which it remained until 1935.

The Act of May 1, 1909 P. L. 298, Section 1, amended Section 17 of the Act of June 1, 1889, P. L. 420 by providing the act should not apply to savings institutions having no capital stock and also making loans owned by said savings institutions without capital stock taxable if issued clear of and free from the 4 mills tax.

The Act of June 17, 1913, P. L. 507 is the basis of the present-day corporate loans tax. Theretofore there was no distinct statutory separation of the tax on corporate indebtedness from the personal property tax on mortgages; moneys owing by solvent debtors; interest bearing accounts, etc. The prior acts had imposed for state purposes a four mill tax on the various kinds of personal property enumerated therein. This tax was collected locally and paid over to the Commonwealth which then remitted to the counties three-fourths of the tax collected. The first 16 sections of the Act of 1913 were concerned with the imposition and collection of the four mill tax as it related to all kinds of taxable personal property theretofore taxed except corporate indebtedness. By express provisions these enumerated subjects were made taxable for county purposes only and no part of the tax was paid over to the Commonwealth.

The reasons for the change in the personal property tax from a state tax with the counties sharing in it to the extent of three-fourths of the amount collected to a county tax are brought out in the discussion in the House just prior to the passage of the bill. The City of Philadelphia found itself greatly handicapped because of a lack of transit facilities. It was unable to extend such facilities because the amount of outstanding bonds approached the limit set by the Constitution at a definite percentage (7%) of assessed values for local taxation. The Act of 1913 would provide more taxes for the counties

⁶ Delaware Div. Canal Co. v. Com. 123 Pa. 594 (1889). Com. v. Wilkes-Barre & Scranton Rwy., 162 Pa. (1894).

and incidentally the cities coextensive with the counties (Philadelphia) and also increase their borrowing capacity. In the discussion on the bill it was stated \$40,000,000 of actual cash would be available for Philadelphia rapid transit improvements. In the original bill Section 18 provided that all moneys realized from the sale of bonds the issue of which was made possible by the increase in personal property taxable for county purposes, should be limited to leasing, locating, constructing and equipping transit facilities. Because of the possibility of the section being unconstitutional as a part of the Act it was stricken from the Act of 1913 and incorporated in a separate bill by the Senate.

Section 17 of the Act of 1913 provided that all scrip, bonds or certificates of indebtedness issued by private corporations incorporated under the laws of Pennsylvania or the laws of any other state or of the United States and doing business in Pennsylvania should be taxable for the year 1914 and annually thereafter at the rate of four mills on each dollar of the nominal value. It also provided that none of the classes of property made taxable by this section for state purposes shall be taxed for county, school or other local purposes. The tax for state purposes imposed by Section 17 was, by the provisions of Sec. 18, to be collected in the same manner as the tax theretofore imposed for state purposes upon such obligations.

In the Cumulative Supplement (1909-1921) to "Taxation in Pennsylvania" (Eastman) it is stated "It was generally believed that the intention of the General Assembly was in enacting Section 17 of the Act of June 17, 1913, P. L. 516, to leave the obligations of corporations to be taxed for state purposes, as theretofore. It seems, however, that only such corporate obligations remain subject to state taxation as fall within the language scrip, bonds or certificates as used in said 17th Section of the Act of 1913, and that if any corporate obligation comes more particularly within the enumeration of a clause of Section 1 of said act, it is then subject to taxation for county purposes. Thus, car trust certificates are subject to county taxation⁷ and promissory notes discounted by unincorporated banks or private banks.⁸ It was also held in a court decision interpreting the 1913 Act that corporate indebtedness not represented by an obligation given by it to the person to whom the indebtedness is due, but appearing only in the statement contained in the company's books, was not subject to the corporate loans tax.⁹

The decisions above noted as well as other questions raised in practice before the Fiscal Departments required further clarification of the law relating to the Corporate Loans Tax. Accordingly four Acts were passed by the Legislative Session of 1919 to accomplish this end. The Act of July 15, 1919, P. L. 955, amended Section 17 of the Act of

⁷ Com. v. Lehigh & N. E. R. R. Co., 268 Pa. 271 (1920).

⁸ Com. v. Roxford Knitting Co., 268 Pa. 266 (1920).

⁹ Com. v. Lancaster Light, Heat & Power Co., 268 Pa. 209.

1913 by adding to the list of taxable corporate indebtedness "all scrip, bonds, certificates and evidences of indebtedness assumed or on which interest shall be paid." To this section was also added the following:

"It is the intent of this act that all scrip, bonds, certificates and evidences of indebtedness made taxable under this section are not taxable under section one (1) of the act to which this is an amendment, and that only such scrip, bonds, certificates, and evidences of indebtedness which cannot be made taxable under this section are to be taxed under section one (1) of said act." Thus the three Supreme Court decisions referred to above were over-ruled. Even book accounts of corporations were taxable corporate indebtedness if interest was paid thereon.¹⁰

The Act of July 15, 1919, P. L. 954, was an independent act in that it did not amend a previous act. It provided that corporate indebtedness on which interest was paid in a particular period for a prior year or years should be reported to the Auditor General together with certain prescribed information necessary for the correct settlement of the Corporate Loans Tax, and tax deducted from such interest and paid into the State Treasury.

The Act of July 21, 1919, P. L. 1067, amended the Act of June 30, 1885, P. L. 193, Section 4. It added to taxable corporate indebtedness any "evidence" of indebtedness to conform with the Act of July 15, 1919, P. L. 955. It also changed the filing date for Corporate Loans tax reports from the first Monday in November to the last day of February for the calendar year next preceding. It provided for a tax of four mills to be deducted on every dollar of the interest paid and returned into the State Treasury within 60 days from the date of settlement instead of 3 mills as in the Act of 1885. The words "on every dollar of the interest paid" were also included in Section 4 of the Act of 1885 but were held by court decision to mean "off every dollar of the interest paid".¹¹ In practice the tax was imposed under the Act of 1919 upon the nominal value of the indebtedness and not on the interest. The Act also provides by its own terms for the rate of compensation allowed the treasurer of a corporation for services in withholding the tax when paying interest. Paragraph 2 of Section 4 provides for the settling of estimated corporate loans taxes by the Auditor General when no reports are filed; paragraphs 3 and 4 for fiscal year reports and the final paragraph for extension of time in the filing of annual reports.

The Act of July 15, 1919, P. L. 958 amending Section 18 of the Act of 1913, P. L. 507 contained the rather startling provision "That the provisions of this section shall apply to all foreign corporations, duly registered, and doing business in this State, without regard to whether

¹⁰ Com. v. Imperial Woolen Co., 290 Pa. 526.

¹¹ Com. v. Delaware Division Canal Co., 123 Pa. 594.

the treasurers or other fiscal officers of such corporations whose duty it may be to pay the interest on obligations of the character aforesaid may be residents or non-residents of this Commonwealth." The Act was held unconstitutional by the Dauphin County Court in *Com. v. American Ice Co.* 24 Dauphin 453 (1921) and the decision was apparently not appealed by the Commonwealth.

The Act of July 13, 1923, P. L. 1085 amending Section 17 of the Act of 1913, P. L. 507, as amended by the Act of July 15, 1919, P. L. 955, provided whenever a corporation should assume a mortgage or other evidence of indebtedness or pay interest thereon it should give written notice within 10 days to any person who may be liable for the payment of the personal property tax upon such indebtedness, that the corporation had assumed such indebtedness and will deduct and impose the Corporate Loans Tax. Similar notice is required annually for the period the corporation is liable for the payment of such interest. When the corporation assumes the indebtedness or the payment of interest thereon prior to October first and gives the required notice, it is relieved from the duty of deducting and paying the Corporate Loans imposed for the balance of the year but is required to deduct the tax for the ensuing year. When the corporation assumes the indebtedness or payment of interest thereon on or subsequent to October first and gives the required notice, it is relieved from the duty of deducting and paying the tax for the balance of such year and for the ensuing year. The person to whom notice is given is required to pay the personal property tax for the period for which the corporation is relieved. Penalties are provided for failure to give the required notice.

The Act of May 4, 1927, P. L. 741, amending the 4th section of the Act of June 30, 1885, P. L. 193, provided for an exemption of "corporations of the first class and cooperative agricultural associations not having capital stock and not conducted for profit" from the filing of Corporate Loans Tax reports. This exemption has been construed by the Attorney General of the Commonwealth to relieve all first class corporations from filing the reports regardless of whether they have capital stock and are conducted for profit. In other words, the words "not having capital stock and not conducted for profit" apply only to agricultural associations.

The Act of April 25, 1929, P. L. 669, amending the Act of June 30, 1885 and its supplements, provided for the filing of annual Corporate Loans Tax reports with the newly created Department of Revenue instead of the Auditor General's Department in accordance with the new scheme of administering state taxes as prescribed by the Fiscal Code, the Act of April 9, 1929, P. L. 343. The filing date for calendar year corporations was changed from the last day of February of the year following that for which the report was due to March 15th of said year. It also

added to the list of taxable corporate indebtedness that upon which the corporation is liable for the payment of the interest.

The Act of June 1, 1931, P. L. 318 amending Section 702 of the Fiscal Code of 1929, provided the filing date of Corporate Loans Tax reports of corporations on a fiscal year basis should be 75 days from the end of the fiscal year instead of 60 days as theretofore.

Section 19 of the Act of June 22, 1935, P. L. 414, known as the "State Personal Property Tax Act" imposed a tax of one mill for state purposes upon "all scrip, bonds, certificates, and evidences of indebtedness issued, and all scrip, bonds, certificates, and evidences of indebtedness assumed, or on which interest shall be paid by any and every private corporation." This tax was in addition to the 4 mill corporate loans tax. The Act of 1935 was not an amendment of prior acts but a new law imposing new personal property and corporate loans taxes which, however, were similar in every respect, except rate, to the existing personal property and corporate loans taxes. The terms of the Act are contradictory as to the first year of its operation. The Department of Revenue attempted to make the Act retroactive to January 1, 1935 but was over-ruled by the Supreme Court in *Com. v. Chester County Light and Power Company* 339 Pa. 97. For 1936, therefore, the Corporate Loans Tax amounted to a total of 5 mills on the nominal value of corporate indebtedness, 1 mill under the Act of 1935 and 4 mills under the Act of 1913 as amended.

In the 1936 Special Session of the Legislature the rate of the new Corporate Loans Tax was increased from 1 to 4 mills. Section 18 of the Act of July 17, 1936, P. L. 51 amended Section 19 of the Act of June 22, 1935, P. L. 414, and provided for the 3 mill increase in rate "during the calendar year 1937 on reports filed for the calendar year 1936 or the fiscal year beginning in the calendar year 1936." The Department of Revenue is attempting to make this law retroactive to January 1, 1936. It is believed since the Act contains the same unworkable provisions as that of the 1935 Act that it will upon appeal to the Supreme Court, meet a similar fate as the latter Act. If such event happens, the Act will become operative January 1, 1937, that is, for calendar year reports of 1937 filed in 1938.

The Act of May 18, 1937, P. L. 633 amended the Act of June 22, 1935, P. L. 414, the Personal Property Tax Act. Section 17 amended Section 18 of the 1935 Act by using the word "State" in the title of the Section to designate the kind of tax and so further differentiate it from the County Personal Property tax. The law as to foreign corporations is further clarified by making the indebtedness on which interest is paid taxable if the foreign corporation has a "resident corporate treasurer." The rate of the tax is made 8 mills for the years 1937 and 1938 on reports for these years filed in 1938 and 1939 and four mills for 1939 and every

year thereafter on reports filed for such year in 1940 and every year thereafter. The rate of 8 mills is the rate of 4 mills provided by the Act of June 17, 1913, P. L. 507, as amended combined with the rate of four mills provided by the Act of June 22, 1935, P. L. 414 as amended by the Act of July 17, 1936, P. L. 51. In other words there is now a single Corporate Loans Tax with a rate of 8 mills, provided for by a single Act, instead of 2 Corporate loans taxes of 4 mills each, provided by 2 separate series of legislative acts. Sections 17 and 18 of the Act of June 17, 1913, P. L. 507, and their amendments, all of which relate to the Corporate Loans tax of 4 mills, are repealed by Section 18 of the Act of 1937. "Employes thrift or savings association, whether operated by employes or the employer" are added to the subjects to which the act does not apply.

The Act of May 5, 1939, P. L. 76 further amended the Act of June 22, 1935, P. L. 414, the "State Personal Property Tax Act," as amended. Section 17 of the 1939 Act again exempted from Corporate Loans Tax indebtedness of first class or non-profit corporations. In the Act of June 17, 1913, P. L. 507 and its amendments first class corporations and agricultural associations without capital stock and not conducted for profit were similarly exempt. In the Act of 1935 (State Personal Property Tax Act) the exemption was omitted as it was from the amending Act of May 18, 1937, P. L. 633 which combined the two "separate" Corporate Loans Taxes of 4 mills each into one tax of 8 mills and repealed Section 17 of the Act of 1913 and its amendments. This act continues for 1939 and 1940 the rate of 8 mills on reports filed for such years in 1940 and 1941 and reduces the rate to 4 mills for the year 1941 and every year thereafter on reports filed for such years in 1942 and every year thereafter. It also exempted from the Corporate Loans Tax corporate indebtedness held by a corporation as executor or administrator of the estate of a non-resident decedent, and as trustee for a "resident or non-resident religious, charitable, or educational organization, no part of the net earnings of which inures to the benefit of any private stockholder or individual."

The Act of May 25, 1939, P. L. 202 amends the Act of July 15, 1919, P. L. 954 by providing treasurers of corporations in paying interest on corporate indebtedness in a particular year for prior years should report to the Department of Revenue instead of the Auditor General. Instead of deducting from such interest 4 mills the act provides for the deduction of "the proper amount of tax."

Foreign Bonus

Although foreign corporations were required to register with the Secretary of the Commonwealth prior to 1901 they were not sub-

ject to a bonus charge until the Act of May 8, 1901, P. L. 150 required them to pay a bonus of one-third of one per cent upon the amount of capital actually employed or to be employed wholly within the Commonwealth and a similar bonus upon any increase in capital so employed. Foreign bonus is not an annual tax but the price paid upon actual capital invested therein (Pennsylvania) and upon subsequent increase of such capital.¹ It is the consider-

**Legislative History—Foreign Bonus
Summary**

Date of Act	Principal Changes from Prior Act	Rate
5-8-01 P. L. 150	Bonus imposed on capital employed in Pa. or increase thereof	3½ mills
4-9-29 P. L. 343	Change in filing date of bonus reports	3½ mills
6-10-31 P. L. 490	Bonus paid credited on Domestic bonus when a corporation domesticates	3½ mills
6-20-39 P. L. 473	Act of June 10, 1931 re-enacted	3½ mills

**Foreign Bonus
Receipts—1930-1939**

Year Ended May 31	Amount Collected	Rate
1939	\$294,198	3½ mills
1938	426,283	3½ "
1937	497,918	3½ "
1936	148,285	3½ "
1935	189,235	3½ "
1934	206,835	3½ "
1933	192,794	3½ "
1932	414,285	3½ "
1931	584,664	3½ "
1930	417,678	3½ "

ation exacted from a foreign corporation for the privilege of doing business in the State just as domestic bonus is the consideration paid for the right to exist as a Pennsylvania corporation.

The Act applies to corporations employing capital in Pennsylvania subsequent to the enactment of the Act of 1901. Capital employed prior thereto was not liable to bonus.² The decisions go even further. Foreign corporations whose capital was employed in Pennsylvania prior to the passage of the act are not liable to bonus even if they acquired new capital in the State subsequent to the passage of the Act of 1901.³

¹ Opinion of Attorney General: 4 Dauphin 232 (1901).

² *Com. v. Crucible Steel Co. of America*, 207 Pa. 308; *Com. v. Danville Bessmer Co.*, 207 Pa. 302.

³ *Com. v. American Steel Hoop Co.*, 226 Pa. 6; *Com. v. Danville Bessmer Co.*, 207 Pa. 302.

The rate of one-third of one per cent has remained the same from 1901 to the present time. The reduction in rate on bonus from one-third to one-fifth of one per cent by the Act of April 20, 1927, P. L. 322 does not apply to foreign bonus.

The Act of May 8, 1901, P. L. 150 follows:

Section 1. Be it enacted, etc., That from and after the passage of this act all corporations, limited partnerships or joint stock associations, except foreign insurance companies, chartered or created by or under the laws of any other State, or of the United States, or of any foreign country, whose principal office or chief place of business is located in this Commonwealth, or which have any part of their capital actually employed wholly within this State, in addition to complying with the laws now in force as to such corporations, limited partnership or joint-stock associations, shall pay to the State Treasurer, for the use of the Commonwealth, a bonus of one-third of one per centum upon the amount of their capital actually employed or to be employed wholly within the State of Pennsylvania, and a like bonus upon each subsequent increase of capital so employed.

Section 2. That in addition to the duty of complying with the other laws now in force, no corporation, limited partnership or joint-stock association liable to pay bonus under this act shall go into operation or transact any business in this Commonwealth without having first made a report under oath to the Auditor General⁴ stating specifically:

First: The State or country in which incorporated or created.

Second. The date of incorporation or organization.

Third. The location of its chief office in this State.

Fourth. The name and address of its president and treasurer.

Fifth. The amount of its bonded indebtedness.

Sixth. The amount of its authorized capital stock.

Seventh. The amount of capital paid in.

Eighth. The amount of capital employed wholly in the State of Pennsylvania.

And each of said corporations, limited partnerships or joint-stock associations, shall make a similar report annually thereafter, not later than the thirtieth day of November of each year.

Section 3. The Auditor General and State Treasurer are hereby authorized to settle, in the usual manner and have

⁴ See Com. v. Crucible Steel Co. of America, 7 Dau. 20 (1903) interpreting this section.

collected, an account against any corporation, limited partnership or joint-stock association violating the provisions of this act, with a penalty of fifty per centum for failure to make report and pay the said bonus.

In the early years of the act's existence there was a number of court decisions interpreting "capital actually employed within the State." It has been defined as "doing business" in Pennsylvania.⁵ "Capital" has been construed as tangible property.⁶ It does not include money due either upon a note or open account.⁷

The Act of May 8, 1901 has not been amended. It has, however, been directly affected by the amendments of a number of other acts. Section 706 of the Act of April 9, 1929, P. L. 343 required that Bonus Reports be filed within the time required for the filing of Capital Stock Tax instead of "not later than Nov. 30th" as provided by the Act of 1901. For calendar year corporations this meant by March 15th and for fiscal year companies not later than 75 days after the end of the fiscal year.

Section 202 of the Act of April 9, 1929, P. L. 343 provides for the filing of bonus reports with the Department of Revenue and the settlement by such department.

The Act of June 10, 1931, P. L. 490 amending the Act of June 9, 1881, P. L. 89 provided for credit of foreign bonus, paid by a corporation when it domesticates, on domestic Bonus imposed against it. This act was undoubtedly intended to over-rule the opinion of the lower court which held that a foreign corporation which domesticates itself under the Act of 1881 must pay bonus as a domestic corporation without credit for bonus paid as a foreign corporation.⁸

Following the passage of the Business Corporation Law of 1933 the Attorney General's Department in an opinion to the Secretary of the Commonwealth ruled that the operation of the Act of June 9, 1881, P. L. 89 and its amendment of June 10, 1931, P. L. 490 was so restricted by the repeal of the Act of 1874, upon which they depended, by such Business Corporation Law that a foreign corporation could no longer be domesticated under the Act of 1881, even if the latter were not repealed by the Business Corporation Law of 1933.⁹ Although the same result could be arrived at by the officers or others interested in the foreign corporation forming a new domestic corporation under the Business Corporation Law of 1933 no credit may be allowed for bonus paid by the foreign Corporation as was permitted under the Act of 1931.

⁵ *Com. v. Lycoming Improvement Co.*, 6 Dauphin 103 (1903); *Com. v. Tonopah Mining Co.*, 12 Dauphin 91 (1909).

⁶ *Com. v. Imperial Pneumatic Tool Co.*, 20 Dau. 1 (1916); *Com. v. S. & S. Co. of America*, 20 Dau. 7 (1916).

⁷ *Com. v. G. W. Ellis Co.*, 237 Pa. 328.

⁸ *National Metal Edge Box Co. v. Com.*, 30 CC 273 (1904).

⁹ *Opinion of Attorney General*, 19 D. & C. 704 (1933).

The Act of June 20, 1939, P. L. 473, amending the Act of April 20, 1927, P. L. 322, as amended, provided for the crediting of foreign bonus paid by a corporation which later becomes a Pennsylvania corporation by exempting from payment of bonus, capital stock equal to the capital upon which such foreign corporation has theretofore paid bonus. This act would seem to over-rule the opinion of the Attorney General's Department, supra. It provides that "any corporation, created by or under the laws of any other state and authorized by a certificate of authority to do business in this Commonwealth, becoming a corporation of this Commonwealth in the manner provided by law" is entitled to the credit mentioned. This provision would seem to impose only two conditions for bonus credit. 1. Possession of a certificate of authority to do business in Pennsylvania by the foreign corporation. 2. Formation of the new domestic corporation according to the Business Corporation Law of 1933.

**Legislative History—Domestic Bonus
Summary**

Date of Act	Principal Changes from Prior Act	Rate
2-18-1836 P. L. 36		\$2,000,000 ("In lieu of all taxes on dividends")
4-7-49 P. L. 563	First general Act applying to a class of corporations	5 mills
4-21-54 P. L. 437	Bonus imposed on increase in capital stock	5 mills
4-20-63 P. L. 191	Added corporation manufacturers of mineral oil to 1849 Act	5 mills
5-1-68 P. L. 108	Payment of first installment of bonus necessary before charter granted; Rate	2½ mills
3-21-73 P. L. 28	Bonus exacted from iron and steel manufacturing companies ..	2½ mills
4-18-73 P. L. 76	Coke, glue, woolen goods, paper manufacturing companies made subject to bonus	2½ mills
4-18-74 P. L. 61	Provided for bonus on authorized increases of capital stock	2½ mills
4-29-74 P. L. 73	Bonus on corporations generally except railroad, canal, first class etc. corporations	2½ mills
5-22-78 P. L. 97	Provided for bonus when capital stock is reduced	2½ mills
4-10-79 P. L. 16	Mutual savings fund and building and loan associations exempt ..	2½ mills
5-7-89 P. L. 115	Agricultural societies exempt ..	2½ mills
6-15-97 P. L. 155	Rate; installment payments abolished	3½ mills
5-3-99 P. L. 189	All corporations made subject to bonus except first class and bldg. and loan associations	3½ mills
2-9-01 P. L. 3	Bonus on actual increase of capital stock	3½ mills

Legislative History—Domestic Bonus—Continued

Date of Act	Principal Changes from Prior Act	Rate
5-8-01 P. L. 149	Bonus imposed on partnership associations and limited partnerships	3⅓ mills
5-29-01 P. L. 349	Provided for bonus of corporation formed by consolidation or merger	3⅓ mills
5-3-09 P. L. 408	Bonus provisions similar to those of Act of 5-29-01	3⅓ mills
5-28-13 P. L. 357	Provisions similar to Act of 5-29-01 but applicable to banks and trust companies	3⅓ mills
7-12-19 P. L. 914	Arbitrary value of \$100 per share set for no par stock for bonus purposes	3⅓ mills
5-17-21 P. L. 682	Bonus owing by insurance companies must be paid before Letters Patent issue	3⅓ mills
4-20-27 P. L. 322	Rate; Bonus imposed on "Stated capital" in case of stock without par value	2 mills
4-25-29 P. L. 671	Partnerships increasing capital required to pay bonus to Dept. of Revenue	2 mills
6-10-31 P. L. 490	Credit of foreign bonus paid allowed against domestic bonus upon domestication	2 mills
4-21-37 P. L. 315	Credit unions exempt from Bonus	2 mills
6-20-39 P. L. 473	Bonus provisions of Act of 1931 reenacted	2 mills
6-21-39 P. L. 609	Annual bonus report required: "Stated Capital" re-defined	2 mills

Domestic Bonus Receipts—1930-1939

Years Ended May 31	Amount Collected	Rate
1939	\$108,390	2 mills
1938	337,096	2 "
1937	438,177	2 "
1936	206,911	2 "
1935	131,960	2 "
1934	154,236	2 "
1933	143,643	2 "
1932	190,942	2 "
1931	425,867	2 "
1930	820,772	2 "

Domestic Bonus

Bonus imposed on corporations organized under the laws of the Commonwealth, commonly called Domestic Bonus, is not a tax but the consideration paid for a charter,¹ although one of the earlier acts, that of April 21, 1854, P. L. 437 expressly refers to the bonus as a tax.

The payment of a bonus on the charter of a corporation at the time of a grant does not exempt the grantee of the franchise from all taxation, except such as the state has reserved in the charter itself the right to impose. All such grants are taken subject to the sovereign power of the grantor.²

¹ Com. v. Bailey, Banks & Biddle Co., 20 Pa. Super. 210; Com. v. Large Distilling Co.,

Prior to the Constitution of 1874 corporations in Pennsylvania were organized pursuant to the provisions of special acts or those of a few general acts applying to certain kinds of corporations. These special acts usually provided for the payment of a certain amount of bonus. The earliest of such acts was that of February 18, 1836, P. L. 36, incorporating the Bank of the United States as a Pennsylvania corporation after the expiration of its charter from the Federal Government. By the terms of such act this corporation was required to pay \$2,000,000.00 "in consideration of the privileges granted by this act and in lieu of all taxes on dividends."³

The first general act fixing the payment of bonus is that of April 7, 1849, P. L. 563. The second section of such act provided that corporations organized under the act to manufacture woolen, cotton, flax or silk goods, or iron, paper, lumber or salt should pay a bonus of one-half of one per cent upon the capital stock, in five annual installments, the first of which was to be paid in one year from the time of filing the Certificate of Incorporation. A supplement to this act, that of April 20, 1864, P. L. 191 extended its provisions to corporations manufacturing mineral oils. The General Corporations Act of April 29, 1874, P. L. 73, repealed the Act of 1849 and its supplements.

The next general act pertaining to domestic bonus is that of April 21, 1854, P. L. 437, called the "Joint Tenant Act." This act provided for the incorporation of companies for the purpose of developing mineral lands but limited such corporations to joint owners, tenants in common and joint tenants of such mineral lands. Bonus, called a "tax" as noted above, was imposed at the rate of one-half of one per cent upon the capital stock and also for the first time, upon any subsequent increase thereof. Bonus was payable in four equal annual installments. In construing this act it was held that a corporation formed thereunder was not relieved from full payment of bonus because it reduced its capital stock by one-half, under the Act of April 10, 1862, which authorized a reduction of its capital stock, two days before an installment fell due.⁴

The Act of May 1, 1868, P. L. 108, was the first one to provide generally for the payment of bonus by corporations. It applied to those formed under both general and special laws but "railroad, turnpike, bridge or cemetery companies and companies incorporated for literary, charitable or religious uses" were excepted. Bonus was imposed at the rate of one-fourth of one per cent upon authorized capital stock and was payable in two equal annual installments. Payment of the first installment was necessary before the charter could be issued. Bonus at the same rate and payable in the same manner was due on any subsequent increase of capital stock. This act repealed the Act of 1854, Section 6, so far as

³ Bank of U. S. v. Com., 17 Pa. 400 (1851).

⁴ Com. v. Kaolin Co., 2 Pears. 364 (1878).

corporations created under it after May 1, 1868 were concerned and left it to apply only to those formed before such date.⁵

Railroads can not be incorporated under the Act of April 29, 1874, P. L. 73 but are formed under the Act of April 4, 1868, P. L. 62 which contained no provision for the payment of bonus. In later years the Attorney General's Department ruled that the exemption granted to railroad companies from the payment of bonus, both upon original capital stock and subsequent increases thereof applies only to companies constructing, owning or operating railroads not to those merely leasing or controlling them.⁶

The Act of March 21, 1873, P. L. 28, which provided for the incorporation of iron and steel manufacturing companies, exacted from such corporations a bonus of one-fourth of one percent payable in five equal installments. Companies manufacturing coke, glue, sand-paper, hair, kent, woolen goods and paper were made subject to this bonus by the Act of April 18, 1873, P. L. 76 amending the Act of March 21, 1873, P. L. 28 and the bonus was required to be paid in two installments instead of five.

The Act of April 18, 1874, P. L. 61 provided for the increase of capital stock of corporations and for the payment of bonus upon such increase at the rate of one-fourth of one per cent upon the authorized amounts, payable in two installments. This act was construed as imposing bonus upon actual increase and not authorized increase, which may never be executed.⁷

In 1874 the present constitution of the Commonwealth was adopted and the General Corporations Act, the Act of April 29, 1874, P. L. 73, was passed. This act applied to all corporations incorporated subsequent to its adoption and to all those previously chartered which accepted its provisions. Section 44 re-enacted the bonus provisions of the Act of 1868 (May 1, P. L. 108). It did not provide for bonus on railroad and canal companies as such corporations could not be incorporated under the Act of 1874 but were formed under the Act of April 4, 1868, P. L. 62 which included no provision for the payment of bonus by these two classes of corporations. Corporations of the first class (the present non-profit corporations) and building and loan associations were added to the list of exceptions contained in the Act of May 1, 1868, P. L. 108, that is, turnpike, bridge or cemetery companies and those organized for literary, charitable or religious purposes. A corporation incorporated under the Act of 1874 for a period of 20 years was held entitled to renew its charter for a similar period by paying bonus at the rate provided in the Act of 1874 and not at a higher rate.⁸

The Act of May 22, 1878, P. L. 97 amended section 44 of the Act of 1874, P. L. 73 by providing "when any corporation shall have reduced

⁵ Com. v. Alliance Coal & Mining Co., 13 W. N. C. 324 (1883).

⁶ In re: Pennsylvania Company, 2 D. & C. 163 (1922).

⁷ Com. v. Penna. Mfg. Mining & Supply Co., 6 Dau. 107 (1889); Com. v. Provident Life & Trust Co. of Phila., 6 Dau. 109 (1903).

⁸ Com. v. Cornplanter Refining Co., 40 C. C. 72 (1912).

its capital stock in accordance with the provisions of the 23d section of this act, such corporation shall not be liable in the aggregate to a greater bonus than one-fourth of one per cent upon the capital stock as altered and reduced. Apparently this change was designed to apply to corporations which reduced their authorized capital stock before the second installment of bonus was due under previous acts.

Mutual saving fund and building and loan associations were exempt from payment of bonus by the Act of April 10, 1879, P. L. 16.

The Act of May 7, 1889, P. L. 115 provided for imposition of bonus upon the authorized amount of all increases of capital stock, instead of upon the actual amount of such increases, as had theretofore been the practice under court decisions.⁹ Agricultural Societies were exempted from bonus under this Act.

Under the Act of June 15, 1897, P. L. 155 came the first change in bonus rate since 1868. This act provided that all corporations formed under the Act of April 29, 1874, or any of its supplements should pay a bonus of one-third of one per cent on the authorized amount of their capital stock, the full amount to be paid before the charters should issue, and a similar bonus on the authorized amount of all subsequent increases of capital stock, to be paid in full instead of in installments as theretofore, immediately after the authority for the increase had been given.

All corporations, except first class corporations and building and loan associations were made subject to bonus by the Act of May 3, 1899, P. L. 189. By its terms the Act applied to corporations created after its adoption and to all increases in capital stock authorized after its passage. Since the act omitted all mention of railway companies among the corporations exempt from bonus all domestic companies formed under the Act of April 4, 1868, P. L. 62, became liable. Prior to this act domestic railroad companies were exempt from bonus both on creation and on increase of capital stock up to the limit of \$150,000 per mile as authorized by the Act of June 4, 1883, P. L. 67.¹⁰

The Act of February 9, 1901, P. L. 3, provided that in case of increases in capital stock bonus was to be imposed on actual increase instead of authorized increase, thus reinstating the practice that prevailed prior to the Act of May 7, 1889, P. L. 115. A return of actual increase in stock was required to be filed within 30 days from such increase and the bonus therein was required to be paid concurrently. It has been held, however, that failure to make this return and pay the bonus does not render the issue of shares void.¹¹ Increases in corporate indebtedness were also required to be reported but no bonus was imposed upon either corporate indebtedness or the increase thereof.

The Attorney General's Department in an opinion construing the

⁹ *Com. v. Penna. Mfg. M. & S. Co.*, 6 Dauphin Co. Rep. 107 (1889).

¹⁰ *Com. v. B. & S. R. R. Co.*, 207 Pa. 154 (1903).

¹¹ *Com. v. Northwestern Penna. Rwy. Co.*, 23 Dau. 292 (1920).

Act of 1901 held in reference to a company which had been incorporated with a capital of \$400,000 on which bonus was paid and which later because of losses reduced the par value of its shares from \$100 to \$25 each and issued \$300,000 worth of additional stock (the amount necessary to restore the original capital of \$400,000) that there was no actual increase of capital or indebtedness and, therefore, no bonus due.¹²

A second act passed by the Session of 1901, that of May 8, 1901, P. L. 149, imposed bonus at one-third of one per cent upon the capital stock of partnership-associations formed under the Act of June 2, 1874, P. L. 271, and limited partnerships organized under the Act of May 9, 1899, P. L. 261. The Act expressly forbid Recorders of Deeds in the several counties of the Commonwealth from accepting for record an article of associations, forming a partnership association under either of the acts mentioned, or an amendment thereof "unless there be annexed thereto a receipt of the State Treasurer for the amount of bonus due." If such a partnership association failed to pay the required bonus the articles of association became void and the parties thereto became liable as general partners. Limited partnership associations formed under the Act of 1899 are subject to the payment of bonus under the Act of 1901.¹³

The Act of May 29, 1901, P. L. 349 imposed bonus at the rate of one-third of one per cent upon all of the capital stock of a corporation, formed by consolidation or merger of two or more companies, in excess of the capital stock of the several corporations so consolidating upon which the bonus required by law was previously paid. The newly formed corporation was not allowed to do business until bonus was paid. For similar bonus provisions see the Act of May 3, 1909, P. L. 408.

An act similar to that of May 29, 1901, P. L. 349, as far as bonus provisions were concerned, but limited to banks and trust companies was the Act of May 28, 1913, P. L. 357. It imposed bonus upon the authorized capital stock of the bank or trust company formed by merger or consolidation in excess of the total authorized stock of the corporations merged or consolidated.

The Act of July 12, 1919, P. L. 914, imposed bonus, in the case of corporations having stock with nominal or no-par value, upon an arbitrary value of \$100 per share of the no-par stock. The Pennsylvania Supreme Court held that this act was constitutional.¹⁴ No bonus is imposed under this act on conversion of par value stock into shares of no par value.¹⁵ This provision for arbitrarily valuing no-par stock at \$100 for bonus purposes, however, proved unsatisfactory and was

¹² In re: Franklin Fire Insurance Company, 45 C. C. 612 (1917).

¹³ Limited Partnership Taxation, 23 CC 582 (1903).

¹⁴ Com. v. Budd Wheel Co., 290 Pa. 380 (1927).

¹⁵ Com. v. Wayne Sewerage Co., 287 Pa. 42 (1926).

finally changed by the Act of April 20, 1927, P. L. 322, as explained below.

The Act of May 17, 1921, P. L. 682, provides that insurance companies shall not have or exercise any powers nor have Letters Patent issued to them until bonus has been paid. Mutual companies, without capital stock are not subject to bonus.

The Act of April 20, 1927, P. L. 322, reduced the bonus rate to one-fifth of one per cent. It imposed bonus on par value stock as theretofore. As to no-par stock, however, the basis was changed being imposed on stated capital which was defined as the "capital with which the corporation begins business, as stated in the certificate of incorporation or reorganization or the joint agreement of merger or consolidation, or as stated or set forth in the proceedings under which such stock is issued."

According to the language of the Act bonus is imposed:

(a) Upon the amount of the capital stock which any corporation, hereafter incorporated, is authorized to have, and upon the amount of actual increase of the capital stock of any corporation heretofore or hereafter incorporated;

(b) Upon the amount of the capital stock which any corporation, other than a banking corporation, is authorized to have, upon the renewal or extension of its charter;

(c) In the case of the merger or consolidation of two or more corporations, upon the amount of the capital stock of the new or merged corporation in excess of the amount of the capital stock of the several corporations, so merging or consolidating, upon which the bonus required by law has been theretofore paid;

(d) In the case of a trust company, incorporated for the purchasing, taking over, merging, or consolidating with any other trust company, or purchasing, taking over, or consolidating with any bank, banking company, or savings institution, where such purpose is expressed in its charter, and in the case of a bank, or banking company, or savings institution, incorporated to similarly acquire a trust company, bank, banking company, or other savings institution, upon the amount of the capital stock authorized by its charter which is in excess of the amount of the capital stock of the corporation or corporations purchased, merged, or acquired, and upon which the bonus required by law has been theretofore paid;

(e) In the case of a trust company which, after its incorporation, purchases, merges, or consolidates with any other trust company, or purchases, or consolidates with, any bank, banking company, or savings institution, and, in the case of a bank, banking company or savings institution, which similarly purchases, merges, or consolidates with any other bank, banking company, trust company, or

savings institution, upon the amount of the capital stock in excess of the combined capital stock of the several corporations thus acquired, merged or consolidated, and upon which the bonus required by law has been theretofore paid;

(f) Upon the amount of the capital which a partnership association, hereafter formed under the provisions of the act, approved the second day of June, one thousand eight hundred and seventy-four (Pamphlet Laws, two hundred seventy-one), entitled "An act authorizing the formation of partnership associations, in which the capital subscribed shall alone be responsible for the debts of the association, except under certain circumstances," and a partnership hereafter formed under the provisions of the act, approved the ninth day of May, one thousand eight hundred and ninety-nine (Pamphlet Laws, two hundred sixty-one), entitled "An act authorizing the formation of partnerships in which one or more, or all of the partners, may limit their liability for the debts of the partnership to the amount of capital subscribed by such partner, or partners, respectively and providing penalties for violation of its provisions," shall have, and upon the amount of any increase of the capital of any such partnership association or partnership heretofore or hereafter formed.

Building and Loan Associations are exempt from bonus under this act as are corporations of the first class provided they have no capital stock. According to an opinion of the Attorney General's Department first class corporations with capital stock were subject to bonus.¹⁸ No-par shares may be increased in number without additional bonus provided there is no increase in stated capital. Additional bonus is imposed only on the amount of the increase of stated capital. Bonus on corporations and partnerships is payable to the Secretary of the Commonwealth as is bonus on increase of capital stock of a corporation but bonus on increase of capital stock of a partnership is paid to and return is filed with the Auditor General.

The Act of April 25, 1929, P. L. 671, amending the Act of April 20, 1927, P. L. 322 required partnerships upon increase of capital to file their returns with the Department of Revenue and pay bonus thereto also.

The Act of June 10, 1931, P. L. 490 grants a credit against Domestic Bonus for Foreign Bonus previously paid by the corporation, if and when it domesticates in Pennsylvania. It amended the Act of June 9, 1881, P. L. 89.

By the Act of April 21, 1937, P. L. 315, credit unions were excused from payment of Domestic Bonus. This act amended the Act of April 20, 1927, P. L. 322.

Under the Act of June 20, 1939, P. L. 473 a foreign corporation which

¹⁸ Opinion of Attorney General: 75 Pbgh. L. J. 824.

domesticates in Pennsylvania is "entitled to a credit on bonus, by exempting, from the payment of bonus, capital stock equal to the capital upon which such foreign corporation has theretofore paid bonus under existing laws of this State." This Act, similar in some of its provisions to the Act of June 10, 1931, P. L. 490 referred to above, amended the Act of April 20, 1927, P. L. 322. It was apparently enacted to remove the confusion as to whether the Corporation Code of 1933, P. L. 364 had voided the Act of 1931.

The most recent change in Domestic Bonus Law was effected by the Act of June 21, 1939, P. L. 609. This Act which amended Sections 1, 2, 4 and 6 of the Act of April 20, 1927, P. L. 322, retained the bonus rate of one-fifth of one per cent but exacted a new requirement from all Pennsylvania corporations—an annual domestic bonus report. Theretofore corporations had been required to file a Treasurer's or President's return whenever an actual increase in capital stock was made. In practice some corporations increased their capital stock but failed to file returns and since the Commonwealth had no way of checking such increases in capital stock substantial amounts of bonus remained unpaid. This Act was designed to correct this condition.

The Act also granted to a Pennsylvania corporation formed by the merger or consolidation of foreign corporations with Pennsylvania corporations a credit against the payment of domestic bonus for the foreign bonus previously paid. As mentioned above the Act of June 10, 1931, P. L. 490, provided for a credit of foreign bonus paid by a foreign corporation, when it domesticated but no recognition had been given to the situation where one or more foreign companies joined with one or more domestic corporations in a merger or consolidation. The Act put the two situations on a comparable basis.

Another major change of this Act was concerned with the definition of "stated capital." In the Act of 1927 this term as it applied to no-par shares on organization was defined as "the capital with which the corporation begins business as stated in the certificate of incorporation. . . ." This allowed a corporation to authorize the issue of a large number of no-par shares but to begin business with a small number of shares for which a nominal stated capital was fixed. When an additional number of the authorized no-par shares was issued, the increase of the stated capital could also be fixed at a nominal amount regardless of the consideration received from the sale of the newly issued stock. In the Act of 1939, however, such stated capital was defined as "the value expressed in dollars, of the entire consideration received by the corporation for or on account of its authorized shares with no par value set forth in the articles of incorporation or applicable thereto, irrespective of whether the consideration be allocated or applicable to stated capital, or to paid-in capital . . ." It is to be noted that stated capital does not include paid-in surplus and the Office of the Secretary of the Commonwealth

takes the position that any part of the consideration received from the issue of no par shares which is allocated to paid-in surplus, is not subject to bonus. In both the Act of 1927 and that of 1939 stated capital as it applied to par value shares is the same, that is, "the number of shares of capital stock multiplied by the par value thereof."

**Legislative History—Corporate Net Income Tax
Summary**

Date of Act	Principal Change from Prior Act	Rate
4-30-64 P. L. 218		3%
5-1-68 P. L. 108	Tax imposed on unincorporated banks and savings institutions, express companies, etc.	3%
3-21-75 P. L. 46	Corporations subject to capital stock tax exempted	3%
6-7-79 P. L. 112	Corporations subject to capital stock and gross receipts taxes, etc. exempt	3%
6-1-89 P. L. 420	Re-enacts Act of 1879	3%
6-28-23 P. L. 876	New 2 year tax on all corporations except those paying gross premiums tax, etc.	½%
5-16-35 P. L. 208	New 2 year tax on all corporations except those specifically exempted	6%
8-7-36 P. L. 127	Rate	10%
4-8-37 P. L. 227	Rate; tax continued for years 1937-1938	7%
5-5-39 P. L. 64	Tax continued for years 1939 and 1940	7%

**Corporate Net Income Tax
Receipts—1936-1940**

Year ended May 31	Amount Collected	Rate
1940	\$23,647,248	7%
1939	16,349,477	7%
1938	28,183,735	7%
1937	29,879,875	10%
1936	12,969,652	6%

Corporate Net Income Tax

The corporate net income tax of 1935 was not the first tax of this kind in Pennsylvania. Although it has been operative only five years it seems to be firmly fixed in the tax system of the Commonwealth. The rate of the tax will undoubtedly be increased or decreased as the need for state revenue is more or less acute but the tax seems here to stay as it is based primarily on the "ability to pay."

The Act of May 16, 1935, P. L. 208 bears the title:

“An Act to provide Revenue for state purposes by imposing an excise tax . . . on the net incomes of certain corporations, joint stock associations and limited partnerships . . .”

The State Supreme Court in discussing the nature of the State Individual Net Income tax,¹ which was passed by the same Legislative Assembly, decided “an income tax is a property tax.” This individual net income tax, which was graduated as to rate, was held to be unconstitutional as it violated the uniformity requirement of Article IX, Section 1, of the Pennsylvania Constitution.²

In an appeal from the settlement of the Corporate Net Income tax the Court did not discuss the nature of the tax but sustained it for the reason there could be no lack of uniformity as in the Individual Net Income Tax because the rate was uniform and not graduated. It is to be noted, as far as the nature of the Corporate Net Income Tax is concerned, that the language of the decision in the individual tax is applicable to the corporate tax also. The title of the Act of 1935 calls the tax an “excise tax”, however, as does section 3 of the act.

The original State tax on net earnings or income was that of April 30, 1864, P. L. 218. This act imposed a tax of 3% upon the net earnings or income of “every incorporated or unincorporated banking and savings institution and deposit and trust company, every gas company, every express company, bridge company, insurance company, foreign insurance company, building and loan association, and manufacturing, mechanical, and mining and quarrying company, and all other companies and corporations doing business in Pennsylvania, except those specified in the first section of this act, not paying a tax to the state on dividends” (exceptions: all transportation companies).

The Act of May 1, 1868, P. L. 108, section 6, imposed the tax upon “every unincorporated bank and savings institution and express company, and all corporations except those liable to the tax on tonnage, and foreign insurance companies.”

All corporations subject to the payment of a capital stock tax were exempted from the tax by the Act of March 21, 1875, P. L. 46, section 2.

Under the Act of June 7, 1879, P. L. 112, section 10, all corporations “liable to a tax on capital stock or gross receipts . . . and the banks, trust companies and savings institutions having capital stock and foreign insurance companies” were exempted.

Section 27 of the Act of June 1, 1889, P. L. 420 provides for the imposition of the tax exempting (1) corporations paying a capital stock tax, (2) incorporated banks, (3) foreign insurance

¹ Act of July 12, 1935, P. L. 970.

² Kelly v. Kalodner, 320 Pa. 180 (1935).

companies. The section was intended to apply to such corporations as, owing to their peculiar nature, might not be included among those taxed by other sections of the act. The only corporations subject to the tax under the act were those without capital stock, such as savings funds institutions.

In construing this act it was held the tax was a franchise tax and corporations subject to the tax were not subject to double taxation although the net income was derived from interest on bonds taxable under the 4th section of the Act of June 30, 1885, P. L. 193.³

The next Act to impose a corporate net income tax was the Emergency Profits Tax Act of 1923⁴ which was in force for two years, 1923 and 1924. Tax at the rate of one-half of one per cent was imposed upon the net income of every corporation except building and loan associations and those companies required to pay a tax upon gross premiums. The net income subject to tax was based upon the net income as reported to the Federal Government except that it did not include that of corporations subject to the gross receipts tax and Anthracite coal tax. Nor did it include interest from United States and Commonwealth of Pennsylvania bonds, etc. and dividends from corporations subject to tax under this act. No allowance was made for taxes paid to the Federal Government.

In the case of corporations, the entire business of which was not transacted in Pennsylvania, the net income was allocated to this state by means of three fractions quite similar to those in the present act.

The act was held to be constitutional.⁵ It was held to apply to trust companies liable to a tax on shares under the Act of June 13, 1907, P. L. 640.⁶

Subsequent to 1924 there was no state tax on corporate net income in effect except the tax on net earnings imposed by the Act of 1889 but so limited that it applied only to savings fund societies without capital stock, until the Act of May 16, 1935, P. L. 208 was passed. This act imposed a tax at the rate of 6% for the years 1935 and 1936 on the net income of both domestic corporations and foreign corporations doing business in Pennsylvania with certain corporations expressly exempt. It was doubted at the time the tax was proposed that it would be held constitutional. However, the Supreme Court held it constitutional.⁷ It should be noted that no violation of the uniformity requirement of the State Constitution was alleged on the grounds that the net income of a corpora-

³ *Com. v. N. L. L. E. & W. R. R. Co.*, 150 Pa. 234 (1892).

⁴ June 28, 1923, P. L. 876.

⁵ *Com. v. Chambersburg Engineering Co.*, 287 Pa. 54 (1926).

⁶ *Com. v. Provident Trust Co.*, 287 Pa. 251 (1926).

⁷ *Turco Paint and Varnish Co. v. Kalodner*, 320 Pa. 421 (1936).

tion was taxed but that of a general partnership or an individual enterprise engaged in the same business was not so subject. It will be recalled in a gross receipts tax case the United States Supreme Court held such tax act was unconstitutional in so far as it imposed the tax on corporations operating taxicabs and failed to impose the tax on general partnerships and individuals engaged in the same business.⁸

The Act of 1935 provides for an allocation to Pennsylvania of income of corporations, the entire business of which was not transacted in Pennsylvania, by means of the same fractions used in the 1935 Franchise Tax formula. The first fraction has for its numerator tangible assets in Pennsylvania and for its denominator tangible assets everywhere. The second and third fractions have for their numerators wages, salaries or commissions and gross receipts respectively assigned to this Commonwealth and for their denominators total wages, etc. everywhere, and total gross receipts respectively. In determining the wages, etc. and the gross receipts assignable to Pennsylvania the act differs from the Emergency Profits Tax Act of 1923 in that the location of the office or offices "owned or rented" by the corporations is made the determining factor in the allocation while in the latter act the assignment of wages, etc. and gross receipts is made "under rulings of the Auditor General."

The Corporate Net Income Tax Act was amended in 1936 and the rate was increased from 6% to 10% and a credit granted in full against net income for dividends received from other corporations.⁹

The Act of April 8, 1937, P. L. 227 continued the tax for the years 1937 and 1938 but reduced the rate from 10% to 7%. It also limited the filing of consolidated reports to corporations permitted to file such reports with the Federal Government. Deduction for Federal taxes was limited to taxes paid for the preceding calendar year or accrued for the current year. Allocation of gross receipts to Pennsylvania was redefined so as to include expressly fees and commissions and dividends and interest received. A number of other changes were made by this act as to payment of the tax, rate of interest, fiscal year reports, etc.

Under the Act of May 5, 1939, P. L. 64, the tax was continued for the years 1939 and 1940 at the rate of 7%. Title insurance companies were expressly exempted from the tax. Corporations having capital or property employed in the Commonwealth were made subject to the tax in addition to those doing business in the State. The Dauphin County Court had held that a domestic cor-

⁸ Com. of Pa. v. Quaker City Cab Co., 277 U. S. 389.

⁹ Act of August 7, 1936, P. L. 127.

poration not doing business in Pennsylvania was not subject to the tax.¹⁰

The requirement that an office to which wages and salaries or gross receipts might be allocated must be "owned or rented" was changed by the substitution of the word "maintained" for "owned or rented" under this act. Likewise a special method of allocation of income was provided for insurance companies. Statutory authority was granted to the Department of Revenue to resettle the tax where a change by the Federal Authorities resulted in a reduction in the tax liability.

¹⁰ Com. v. Delaware River Railroad and Bridge Company, 48 Dauphin 1 (1939).

Legislative History—Alcoholic Beverage Taxes Summary

Date of Act	Principal Change from Prior Act	Rate
2-16-26 P. L. 16	State permits to manufacture, etc. alcohol provided	A
5-3-33 P. L. 252	Beverage Licenses required	B
5-5-33 P. L. 284	Beverage Taxes imposed	a— $\frac{1}{2}\phi$ per pint
11-22-33 P. L. 5 (1933-34)	State Floor Tax	b—\$2. per proof gallon
11-29-33 P. L. 13 (1933-34)	Liquor Control Board established	a—Same b—Same
11-29-33 P. L. 15 (1933-34)	State Stores System established	a—Same b—Same C
12-5-33 P. L. 1938 (1933-34)	Spirituous and Vinous Liquor Taxes imposed	a—Same b—Same c—\$1. per proof gal (Distilled Spirits) d—.30 per proof gal. (Rectified Spirits) e—.00 $\frac{1}{2}$ per proof gal. (Wine)
12-5-33 P. L. 50 (1933-34)	Change in name of "Malt Beverage Tax Law" to "Malt Liquor Tax Law"	Same
12-8-33 P. L. 57 (1933-34)	Increase in permit fees	a—b—c—d—e—Same D
12-20-33 P. L. 75 (1933-34)	Name of "Beverage License Law" changed to "Malt Liquor License Law"	Same
12-22-33 P. L. 91	Liquor tax to cease when State is allowed to share in Federal liquor tax	"
12-22-33 P. L. 94 (1933-34)	Extension permitted for payment of Liquor Floor Tax	"

Legislative History—Alcoholic Beverage Taxes—Continued

Date of Act	Principal Change from Prior Act	Rate
7-9-35 P. L. 628	"Malt Beverage Tax" is changed to "Beverage Tax"	"
7-18-35 P. L. 1217	Rates of beverage licenses increased	a—b—c—d—e—Same E
7-18-35 P. L. 1283	Wine manufacture permitted by filing bond and securing permit	Same
6-9-36 P. L. 13	Emergency Liquor Sales Tax imposed	a—b—c—d—e—Same f—10% (Liquor Sales)
8-6-36 P. L. 92	Excise liquor tax imposed	a—b—c—d—e—f—Same g— 4% (temporary excise)
4-8-37 P. L. 250	Emergency Liquor Sales Tax continued to 6-1-39	Same
4-29-37 P. L. 527	Imposed extra beverage tax on imports from other states	"
6-16-37 P. L. 1762	Changes in requirements for license transfers, etc.	"
5-4-39 P. L. 46	Emergency Liquor Tax continued to June 1, 1941	"
6-24-39 P. L. 802	Townships population range changed for \$200 liquor license fee	"

A—Permit Fee \$100.00.
 B—Beverage License Fees—\$37.50 to \$150.00 for distributor; \$75.00 to \$300.00 for retailers.
 C—Liquor License Fees—\$150 to \$600 for hotels and restaurants; \$50 for clubs except catering clubs which are as hotels and restaurants.
 D—Permit Fees \$1,000 for breweries; \$250 for wineries, \$2,500 to \$25,000 for distilleries.
 E—Beverage License Fees—\$1,000 for manufacturers; \$400 for distributors; \$900 for importing distributors; \$100 to \$300 for retailers.

Alcoholic Beverage Taxes

**Receipts
1933-1940**

Years Ended May 31st	Amount Collected			Rate
	Liquor and Malt Liquor Tax	Liquor and Malt Liquor Licenses	Liquor Sales Tax	
1940	\$7,199,707	\$7,342,829	\$7,093,054	a—1/2¢ per pt. b—\$1 proof gal. c—30¢ proof gal. d—1/2¢ Unit of proof e—10% Sales price
1939	6,862,932	7,056,307	7,344,333	Same
1938	7,461,214	6,795,189	7,803,386	Same
1937	7,433,971	5,733,810	7,290,262	Same
1936	6,779,291	5,033,085		a—b—c—d, Same
1935	6,104,920	3,949,020		Same
1934	5,461,588	2,380,517		"
1933	444,232			a—Same

a—Malt Liquor Tax.
 b—Distilled Spirits Tax.
 c—Rectified Spirits Tax.
 d—Wines Tax.
 e—Liquor Sales Tax.

Alcoholic Beverage Taxes

The distribution of liquor in Pennsylvania is a state monopoly under the control of the Liquor Control Board. Thus the price of liquor is controlled by the Commonwealth and revenue is derived therefrom. In addition, excise taxes are imposed on liquor, wine and beer and all persons engaged in the handling of such products are subject to license and pay license fees.

The Constitution of Pennsylvania does not contain any provisions applicable to the taxation, licensing or regulation of the sale of alcoholic beverages. It was held that the 1935 act amending the Beverage License Act is not unconstitutional because of the incidental inclusion of criminal and revenue provisions in an act the main purpose of which is the exercise of police power or because the title covers more than one subject or because the title does not give sufficient notice that the act is regulatory of the business of a distributor by the Liquor Control Board.¹ Nor does Beverage License Act violate Act III, Section 7 of the Constitution by establishing a classification in liquor trade regulating only malt and brewed beverages and not applying to other liquor trades. The title of the act does not fail to give notice of its provisions as required by Act III, Sec. 3 of the Constitution because in Sec. 23 (1) amusement licenses are required of certain persons and in Sec. 23 (v) the sale of food below a fair value is prohibited.²

Prior to the repeal of the prohibition amendment to the Federal Constitution the Act of February 19, 1926, P. L. 16, provided for the issuing of permits by the State for the manufacture, etc., of any alcohol or alcoholic liquid. The fee for every permit issued under this Act was \$100.

Following the repeal of the prohibition amendment the Beverage License Law, the Act of May 3, 1933, P. L. 252, was passed. Under this Act the county treasurers were authorized to issue distributors licenses and retailers licenses, etc. The license fees in case of distributors were graduated according to the population of the municipalities or townships and ranged from \$37.50 in municipalities or townships with a population of less than 1500 to \$150 in those having a population of 150,000 or more. In the case of retailers the license fees are also based on population and ranged in amount from \$75 in the case of municipalities or townships with a population of less than 1,500 to \$300 in the case of those having a population of 150,000 or more. License fees were also required from dining, club and buffet cars and boats or vessels. These latter fees were paid direct to the state treasurer through the Department of Revenue.

In 1933 in the regular session there was also passed the 1933 Beverage Tax Law, the Act of May 5, 1933, P. L. 284. This act pro-

¹ *Bosnjak v. Grosscup, et al.*, 42 Dauphin 18 (1935).

² *Com. v. Katz*, 31 D. & C. 356 (1937).

vided for taxes on all beverages manufactured in the Commonwealth or imported into the Commonwealth. They were at the rate of $\frac{1}{2}$ cent per pint. Manufacturers and distributors were made responsible for the payment of the tax to the Commonwealth. The payment of the tax was evidenced by affixing Beverage Tax Stamps or crowns to the original containers.

On November 22, 1933, there was passed the Spirituous and Vinous Liquor Floor Tax Law, P. L. 5 (1933-34). In this Act appears the notation that it was signed by the Governor at 5:35 P. M. on the 22nd day of November, A. D. 1933. It provided for a state floor tax on spirituous and vinous liquors lodged or stored within the Commonwealth at any time from the date of the Act to the date of the 21st Amendment to the Constitution of the United States, ratified by conventions in at least three-fourths of the several states. It was imposed at the rate of \$2.00 on each proof gallon or wine gallon when below proof.

The Pennsylvania Liquor Control Board which manages the State Stores monopoly for the sale of liquor in Pennsylvania was established by the Act of November 29, 1933, P. L. 13, (1933-34).

The State stores system was established by the Pennsylvania Liquor Control Act, the Act of November 29, 1933, P. L. 15, (1933-34). It required all applications for hotel, restaurant or club liquor licenses to be made to the Board and the Board was given the authority to issue the license. License fees ranging from \$150 in municipalities having a population of less than 1,500 to \$600 in the case of those with a population of 140,000 and more were provided for in the case of hotels and restaurants. Club liquor license fees were set at \$50 except clubs which cater to groups of non-members in which case the fees were the same as for hotels and restaurants located in the same municipality. Public Service Liquor Licenses were also issued by the Board to railroad or pullman companies at the rate of \$20 for each car and to steamship companies for \$100 for each vessel. Sacramental wine permits were also issued for a fee of \$100 annually. The Board also had the authority to issue importers licenses which permitted the holders to bring or import from other states, foreign countries, etc., to be sold outside Pennsylvania and exclusively to the Pennsylvania Liquor Stores within the Commonwealth. The charge for such license was \$100 per annum.

The Act of December 5, 1933, P. L. 1938 (1933-34), imposed the spirituous and vinous liquor tax. This tax was imposed on distilled spirits at the rate of \$1.00 per proof gallon; on rectified spirits at the rate of 30 cents per proof gallon and on wines at the rate of $\frac{1}{2}$ cent per unit of proof per wine gallon. In the case of importers the payment of taxes was evidenced by the affixing of "spirituous and vinous liquor tax stamps" to the containers.

A malt liquor tax was imposed under the provisions of the Act of December 5, 1933, P. L. 50 (1933-34), amending the Act of May 5, 1933, P. L. 284. In this Act the word "beverage" was changed to "malt liquor" and the law is officially called the "Malt Liquor Tax Law." No changes were made in the rates of the tax.

The alcohol permit law of February 19, 1926, P. L. 16, was amended by the Act of December 8, 1933, P. L. 57 (1933-34). The permit fees were increased very substantially in the case of breweries and wineries being made \$1,000 and \$250, respectively, per annum. In the case of distilleries the fees were put on a graduated basis being \$2500 per annum if the authorized annual production was less than 500,000 proof gallons. Such fees increased to \$25,000 per annum if the authorized annual production was 15,000,000 gallons or more. The fee for all other permits remained at \$100.

The Act of December 20, 1933, P. L. 75 (1933-34), amended the Act of May 3, 1933, P. L. 252 and became known officially as "The Malt Liquor License Law" instead of the "Beverage License Law." The amounts of the license fees are not changed.

The original spirituous and vinous liquor tax law of December 5, 1933, P. L. 38 (1933-34) was amended by the Act of December 22, 1933, P. L. 91 (1933-34). No changes in tax rates were made. The Act, however, contained the following provision:

"This act shall cease to be effective upon the effective date of any Act of Congress providing for participation by the states, or by those states which do not tax distilled spirits and the proceeds of the tax imposed and collected by the United States upon distilled spirits."

The Spirituous and Vinous Liquor Floor Tax Law, the Act of November 22, 1933, P. L. 5 (1933-34), was amended by the Act of December 22, 1933, P. L. 94 (1933-34), the rate of tax has not changed but the amendment provided "that upon written application by any person liable for the tax imposed by this Act filed with the Department, the Department may grant an extension of time for payment of such tax, in whole or in part, for a period not later than the 31st day of December, one thousand nine hundred and thirty-four." The tax, or portion thereof in respect to which the extension is granted, shall thereupon be due and payable on the date of the expiration for the period of the extension. This act several years later was held unconstitutional.³

The Beverage Tax Law first imposed by the Act of May 5, 1933, P. L. 284, and as amended by the Act of December 5, 1933-34, P. L. 50 (1933-34), was further amended by the Act of July 9, 1935, P. L. 628. The name of the act was again changed from "Malt Beverage Tax Law" as it appeared in the act of December 5, 1933-34, to the "Beverage Tax Law." Corresponding changes were made throughout the whole act. No changes were made in the rates of taxes.

³ Com. v. A. Overholt & Co., 331 Pa. 182.

The Act of July 18, 1935, P. L. 1217, amending the original Beverage License Law of May 3, 1933, P. L. 252, called by the first amending act that of December 20, 1933, P. L. 75 (1933-34), the "Malt Liquor License Law," again made the official name of the law the "Beverage License Law." The Act provided for the issuing of a master license to a railroad or a pullman company to cover the maximum number of cars which the company shall estimate that it will operate within the Commonwealth on any one day. The license fee for each car operated more than covered by the license was set at \$10 for each extra car. The license year was changed in the case of distributors and importing distributors being made such as might be established by the Board for the particular district in which the license issued. The schedule of license fees was changed by this act. In the case of manufacture, it was set at \$1,000 for each place of manufacture and in the case of a distributor the charge was \$400 but in the case of an importing distributor the fee was \$900. As to retailers the fees ranged from \$100 in municipal units with less than 10,000 population to \$300 in those with a population of 150,000 or more. Public Service license for cars was set at \$10 per car for the maximum number of cars operated on any one day on which malt or brewed beverages are sold. The fee for a vessel or boat remained \$50.

The alcohol permit law of 1926 as last amended by the Act of December 8, 1933, P. L. 57 (1933-34) was further amended by the Act of July 18, 1935, P. L. 1283. This act re-defined the term "distillery" and excluded therefrom wineries where alcohol is derived from by-products of wine production by distillation for the sole purpose of adding to the fermented products to fortify the same." Persons were allowed to manufacture wine in Pennsylvania by fermentation only and with no alcohol or alcoholic product added thereto by way of fortification and sell the same to a permit holding winery or to Pennsylvania State Stores upon the filing of a bond of \$500 and the securing of a permit for a fee of \$20 per annum.

An emergency tax of 10% of the net price of all liquors sold by the Liquor Control Board was imposed by the Act of June 9, 1936, P. L. 13. This tax was to be collected by the Board from the purchasers of the liquor at the State Stores.

By the Act of August 6, 1936, P. L. 92, an excise tax of 4% upon the purchase price of all distilled, rectified and blended spirits was enacted. The tax imposed was to be paid by persons delivering such spirits in the Commonwealth to the Board at the time of delivery. By its terms this act was to expire May 1, 1937.

The emergency tax of 10% upon liquors sold by the Board was continued until June 1, 1939 by the Act of April 8, 1937, P. L. 250.

The Malt Beverage Tax Law is further amended by the Act of April 29, 1937, P. L. 527. The rate of tax was not changed. This amendment provided for the imposition of an additional tax on beverages shipped

from other states to Pennsylvania where such other states imposed a higher tax or fee upon malt or brewed beverages manufactured within or imported into such states than was imposed in Pennsylvania.

The Pennsylvania Liquor Control Act, the Act of November 29, 1933, P. L. 15 (1933-34), as amended is further amended by the Act of June 16, 1937, P. L. 1762. No change was made in the amount of the license fees however. The changes made in the amendment related chiefly to licenses, hearings, furnishing bond, etc.

The Beverage License Law is further amended by the Act of June 16, 1937, P. L. 1827. No changes were made in the amounts of fees required for licenses. Such changes in the Act were confined to requirements for transfers, applications for renewals, bonds, etc.

The emergency tax of 10% on all liquors sold by the State Liquor Control Board at the State Stores was continued for a further two year period expiring June 1, 1941 by the Act of May 4, 1939, P. L. 46.

The Liquor Control Act of 1933 as amended was further amended by the Act of June 24, 1939, P. L. 802. This act changed the requirement for the population of townships for which a fee of \$200 is charged. Formerly townships having a population of 1500 or more but less than 10,000 were charged this fee. Under the amendment the population range for the \$200 fee was from 1500 to 12,000. The fee of \$300 was charged townships with a population of 12,000 or more but less than 50,000 instead of with a population of 10,000 or more but less than 50,000.

Mercantile License Tax

The mercantile license tax is a tax on the business of merchants, as measured by their gross receipts derived from their sales. It is imposed under the general power of taxation and not under the police

Legislative History—Mercantile License Tax Summary

Date of Act	Principal Change from Prior Act	Rate
4-2-1821 P. L. 241		Varied
3-4-24 P. L. 32	License required for each store of dealer in foreign goods	"
4-7-30 P. L. 387	Dealers classified as to amounts of sales	"
5-4-41 P. L. 307	All dealers taxed; manufacturers exempted	"
4-16-45 P. L. 533	Manufacturers' exemption removed; mechanics vending own manufactures exempt	"
4-22-46 P. L. 489	Provided for appointment of appraisers in all counties	"
3-15-47 P. L. 4496	Changed method of appointment of Allegheny Co., appraiser	"

Legislative History—Mercantile License Tax—Continued

Date of Act	Principal Change from Prior Act	Rate
2-27-68 P. L. 43	Construed Act of 1846	"
4-9-70 P. L. 59	Manufacturers and mechanics exempt on first \$500 of goods not of own manufacture	"
4-18-78 P. L. 28	Farmers selling own produce exempt; 5 appraisers in Phila., to be appointed by recorder and treasurer	"
4-19-83 P. L. 9	Part of Act of 1878 as to appointment of appraisers repealed ...	"
6-5-83 P. L. 87	Manufacturers of nostrums and patent medicines taxed	"
4-20-87 P. L. 60	Repealed Act of 3-30-67, P. L. 630 providing for appointment of appraiser by Scranton City Council	"
5-2-99 P. L. 184	Imposed uniform rates on retailers, (a) Wholesalers (b) and dealers at exchanges (c)	a—\$2 and 1 mill b—\$3 and ½ mill c—\$0.25 per \$1000 gross sales
6-14-01 P. L. 565	Changed period for suits by county treasurer, etc., to collect taxes	Same
5-7-07 P. L. 175	Graduated tax imposed on stock brokers, etc. (d)	a—b—c—Same d—\$10 to \$100
5-25-07 P. L. 244	Tax imposed on shooting galleries, etc. (e)	a—b—c—Same d—Same e—\$20 and \$10
7-21-19 P. L. 1072	Auditor General to investigate incorrect and fraudulent returns	Same
6-30-23 P. L. 986	Date of payment of tax changed	"
4-30-25 P. L. 372	Provision for dealers beginning business subsequent to May 1 ..	"
5-14-25 P. L. 700	Change in date of payment of tax in first class cities	"
4-9-29 P. L. 343	Substitution of Revenue Dept., for Auditor General in collection of tax	"
4-25-29 P. L. 681	Same as to Act of 1899	"
4-25-29 P. L. 685	Same as to Act of 4-30-25, P. L. 372	"
6-1-31 P. L. 318	Restaurants, etc., required to file reports and pay tax	"
6-12-31 P. L. 555	Changed date for suits by county treasurer, etc., for collection of tax	"
12-20-33 P. L. 75 (1933-34)	Malt Liquor licensees exempt from mercantile tax	"
5-7-37 P. L. 588	Clarified provisions of Act of 1899 as to appeals	"

a—Includes \$2 annual license tax on retailers.
b—Includes \$3 annual license tax of wholesalers.
c—On gross business of retailers.
d—On gross business of wholesalers.

Mercantile License Tax Receipts 1928-1940

Years Ended May 31st	Retail ^a	Wholesale ^b	Rate
1940	\$2,553,572	\$638,179	c—1 mill d—½ mill
1939	2,559,889	626,386	Same
1938	2,607,830	710,019	“
1937	2,353,773	740,771	“
1936	2,657,459	607,234	“
1935	2,353,607	550,834	“
1934	2,170,477	511,750	“
1933	2,473,660	630,131	“
1932	2,729,957	566,482	“
1931	2,978,434	768,488	“
1930	3,319,929	647,651	“
1929	2,928,638	851,587	“
1928	3,280,364	988,522	“

a—Includes \$2 annual license tax of retailers.

b—Includes \$3 annual license tax of wholesalers.

c—On gross business of retailers.

d—On gross business of wholesalers.

power.¹ The original tax as imposed by the Act of April 2, 1821, P. L. 241, was a license tax and not a tax on business, and remained so for some years.

It was held that the basic law under which the present tax is imposed, the Act of May 2, 1899, P. L. 184, is constitutional and is a general law within the meaning of Section 1 of Article IX of the Pennsylvania Constitution, although the mercantile appraisers who assess the mercantile tax were appointed differently in cities of the first class from those appointed in counties.²

As originally created by the Act of April 2, 1821, P. L. 241, the tax was applicable to dealers in foreign wares or merchandise only. It was a license tax and a dealer selling foreign goods without a license was subject to prosecution. Dealers in goods sold by the importers in the original package were not required to be licensed.

Dealers in foreign goods who conducted more than one store were required to have a license for each store under the Act of March 4, 1824, P. L. 32. City and county treasurers were required to publish lists of persons subject to license. This act repealed the exemption of the Act of 1821 as to dealers in goods imported in the original packages.

The Act of April 7, 1830, P. L. 387, classified dealers subject to the license in eight groups according to their annual sales. This act exempted from its operation feme sole traders whose annual sales amounted to less than \$2500 and also restored the exemption as to dealers in goods imported in the original packages which had been removed by the Act of 1824.

Under the Act of May 4, 1841, P. L. 307, Section 10, all dealers became liable to the tax whether they handled foreign or domestic

¹ Com. v. Thomas Potter, Sons & Co., 159 Pa. 583 (1894).

² Knisely v. Cotterel, 196 Pa. 614 (1900).

goods. The act exempted all dealers whose annual sales did not exceed \$1000 and those selling goods of their own manufacture or growth. It also continued the exemption of feme sole traders whose annual sales did not exceed \$2500 and importers of foreign goods sold by them in the original packages.

The Act of April 16, 1845, P. L. 533, Section 5, provided for the appointment of mercantile appraisers. The 11th section of this act provided that dealers keeping a store or warehouse for the sale of merchandise, where such persons are interested in the manufacture of such merchandise shall be taxable. It contained a proviso, however, "that mechanics, who keep a store or warehouse at their own shop or manufactory, for the purpose of vending their own manufactures exclusively shall not be required to take out any license."

It was said that many dealers evaded the tax imposed by the Act of 1841 by acquiring a small interest in some manufacturing enterprise and then dealing in its product, when their main business was the keeping of a store for the sale of general merchandise. According to this story the Act of 1845 was designed to prevent such evasions.

The Act of April 22, 1846, P. L. 489, Section 12, extended the provisions of the Act of 1845, as to appointment of mercantile appraisers, to all other counties but provided for the appointment of appraisers therein by the county commissioners instead of the courts of common pleas as in Philadelphia and Allegheny Counties (Act of 1845). The 11th section of this act re-enacted the 11th section of the Act of 1845.

The method of appointment of the appraiser in Allegheny County was changed by the Act of March 15, 1847, P. L. 496, which provided for his appointment by the county commissioners.

The 11th section of the Act of 1846 was construed by the Act of February 27, 1868, P. L. 43, as follows:

"The true intent and meaning of the 11th section of an act, . . . is hereby declared to be, that a manufacturer or mechanic not having a store or warehouse apart from his manufactory or workshop, for the purpose of vending goods, such manufacturer or mechanic shall not be classified or required to pay the annual tax and license as is now required in relation to foreign dealers"

There are numerous cases which construe this act of 1868. Generally the act was construed to exempt sales at the factory or workshop and to tax those made at separate stores.³ If a dealer kept separate show rooms and took orders there but made sales only at the factory the business was exempt.⁴ Even where the offices and sales

³ Com. v. Potter, Sons & Co., 159 Pa. 583; Com. v. Bailey, Banks & Biddle Co., 29 Pa. Super. 210.

⁴ Com. v. Gillinder, 12 Dist. 635.

rooms of a corporation were separated from the factory by a street the business was held not taxable.⁵

The Act of April 9, 1870, P. L. 59, provided "hereafter manufacturers and mechanics who shall sell goods, wares or merchandise, other than their own manufacture, not exceeding the sum or value of \$500 per year . . . shall not be classified or required to pay any annual tax or license fee . . ."

"Farmers selling their own produce or occupying a stall or stalls, or sidewalk or part thereof, in any of the markets of a city of the first class, shall not be subject to classification or taxation for mercantile purposes" according to the Act of April 18, 1878, P. L. 28, section 5. The second section of this act provided for the appointment of five appraisers in Philadelphia by the recorder of that city and the city treasurer.

The part of the Act of 1878 providing for the appointment of the five appraisers in Philadelphia by the recorder and city treasurer was repealed by the Act of April 19, 1883, P. L. 9.

By the Act of June 5, 1883, P. L. 87, "persons engaged in the business of manufacturing or vending nostrums or patent medicines . . . shall . . . be deemed . . . to be dealers in merchandise and shall be classed and rated for a yearly license in the same manner, . . . as other dealers . . ." Druggists were taxable as venders of patent medicines.⁶

The local Act of March 30, 1867, P. L. 630, was repealed by Section 3 of the Act of April 20, 1887.⁷ Said Act of 1867 referred to the appointment of a mercantile appraiser by the councils of the city of Scranton.

The next legislation relative to the mercantile license tax was the Act of May 2, 1899, P. L. 184, the basis of the present tax. This act changed the arbitrary and unscientific classifications theretofore provided for by earlier acts and imposed the tax uniformly on the basis of the amounts of sales, at different rates on dealers who are retailers, wholesalers or dealers at exchanges and boards of trade.

Section 1 of this act imposed an annual license tax of \$2.00 on each retail vender of or retail dealer in goods, wares and merchandise. In addition, "all persons so engaged shall pay one mill . . . on each dollar of the whole volume, gross, of business transacted annually." Each wholesale vender or dealer was required to pay an annual license tax of \$3.00 and one-half mill additional on each dollar of the whole volume gross of business transacted annually. Each dealer in or vender of goods, etc., at any exchange or board of trade was required to pay a tax of twenty-five cents on each thousand dollars worth, gross, of goods so sold.

⁵ *Com. v. Eynon-Evans Mfg. Co.*, 48 Super. 474.

⁶ *Liability of Druggists to Mercantile Tax*, Atty. General's Reports 1895-96.

⁷ *Jadwin v. Hurley*, 10 Pa. Super. 104 (1899).

It is an unsettled question as to whether the Act of 1899 repealed the manufacturing exemption of the Acts of 1846 and 1868. The act was amended by the Act of May 10, 1929, P. L. 1709, so as to exempt from the tax so much of the business transacted annually by wholesalers as pertained to processing and curing of meats, their products and by-products. This amendment overruled the decision of the Supreme Court that pickling and smoking meats and hides and skins was not manufacturing.⁸ The Act of 1899 was further amended by the act of June 1, 1933, P. L. 1151, to exempt from the tax so much of the whole volume gross of business transacted annually by dealers as was realized from the compounding and dispensing of medicines on prescriptions of physicians.

These amendments were evidently made to the Act of 1899 under the assumption that the manufacturer's exemption of prior acts was still in force. In a case construing the Act of April 9, 1870, P. L. 59, which exempted sales by plumbers when under \$500. it was held this act was repealed by the comprehensive mercantile license act of 1899 because the Legislature revised the mercantile license tax without exemptions of any kind.⁹

The question of manufacturer's exemption was not raised directly until 1939. Prior to this case the Commonwealth taxing authorities continued to grant the exemption in cases where it had been allowed by court decisions construing acts prior to 1899 or by amendments to the Act of 1899 as noted above in the case of the curing and processing of meats and druggists prescriptions. In the case of *Com. v. Peerless Paper Specialty, Inc.*, the court directly held that this exemption for manufacturers and mechanics had been repealed.¹⁰ A petition for reargument of this case has been granted but no re-argument has been made to date.

The next legislation relative to mercantile license tax subsequent to the basic act of 1889 was the Act of June 14, 1901, P. L. 565. It provided that every city and county treasurer shall sue for the recovery of all licenses returned by a mercantile appraiser if not paid on or before July 1st, within thirty days after such date instead of within ten days after that date as theretofore.

The Act of May 7, 1907, P. L. 175, provided for a graduated license tax on all stock brokers, bill brokers, note brokers, exchange brokers, merchandise brokers, factors and commission merchants, real estate brokers and agents and pawn brokers. The tax ranged from \$10. on those whose gross annual receipts were less than \$5,000. to \$100. on those who had gross annual receipts of \$20,000 and upwards.

⁸ *Com. v. Weiland Packing Co.*, 292 Pa. 447 (1928).

⁹ *Com. v. Lutz*, 284 Pa. 184 (1925).

¹⁰ 251 January Term 1939 (Supreme Court, Eastern Dist.).

Under the Act of May 25, 1907, P. L. 244 a license tax was imposed on keepers of all shooting galleries, shuffleboard rooms, billiard or pool rooms or any other place in which any game was played on a table with the use of balls and cues and bowling alleys, nine pin alleys and ten pin alleys, etc. The license fee was \$20.00 annually for the first shooting gallery etc., and \$10.00 for each additional one.

Under the Act of July 21, 1919, P. L. 1072, amending Section 7 of the Act of 1899, the Auditor General was required to investigate and ascertain the character and amount or volume of business transacted by any dealer or dealers, vender or venders who by fraud, accident or mistake failed to make a full, complete and accurate return and impose the correct amount of tax indicated by the facts in each case.

The Act of June 30, 1923, P. L. 986, amended Section 7 of the Act of 1899 by changing the last day for payment of mercantile tax from July 1st to September 1st in each and every year. Every mercantile appraiser was required to certify to the county treasurer the correct list of all venders or dealers on or before July 1st instead of May 1st.

Provision was made for dealers who commenced business after May 1st of any year to take out a license for the remainder of the license period and for computing the tax for such period by the Act of April 30, 1925, P. L. 372, supplementing the Act of 1899.

Under another Act passed in 1925, that of May 14, P. L. 700 a change was made in the date for payment of the mercantile tax in cities of the first class. This date was changed from September 1st to July 1st. The mercantile appraisers of cities of the first class were required to certify to the county treasurer a list of all venders and dealers on or before May 1st instead of July 1st.

The fiscal code, the Act of April 9, 1929, P. L. 343, in Section 1204 provided for the exercise of powers and performance of duties in connection with the collection of mercantile license taxes by the newly created Department of Revenue. Theretofore, these powers had been exercised and the duties performed by the Department of the Auditor General.

The Department of Revenue was substituted for the Auditor General's Department in connection with the collection of mercantile license tax by another Act passed in 1929 that of April 25, P. L. 681. This Act amended sections 4, 5 and 6 and sections 7 and 9, as amended, of the Act of 1899.

A third act was passed in 1929, that of April 25, P. L. 685 also provided for the substitution of the Department of Revenue for the Auditor General's Department in reference to collection of the

mercantile tax. This act amended the act of April 30, 1925, P. L. 372 which referred to dealers commencing business after May 1st.

Keepers of restaurant, eating houses, cafes or quick lunch businesses were required to file annual returns on forms furnished by the Department of Revenue and pay mercantile license tax by section 729 of the Act of June 1, 1931, P. L. 318.

The Act of June 12, 1931, P. L. 555, changed the date upon which the city or county treasurer was required to sue for the recovery of mercantile license taxes returned to him by the mercantile appraiser and not paid. Such date was changed from September 1st to August 1st. The Act of June 2, 1933, P. L. 1418, however, repealed the Act of June 12, 1931, P. L. 555, restoring the date to September 1st.

By the Act of December 20, 1933, P. L. 75, 1933-34, Section 9, a licensee under the Malt Liquor License Law was exempted from obtaining a mercantile license and every licensee under such Malt Liquor License Law who was a holder of a mercantile license was allowed to deduct the gross income received from the sale of the malt liquors from his gross income from all sources in making his returns for mercantile license tax purposes.

The Act of May 7, 1937, P. L. 588, clarified the provisions relating to appeals in Section 6 of the Act of 1899 as amended by the Act of April 25, 1929, P. L. 681.

Legislative History—Gross Receipts Tax on Private Bankers

Summary

Date of Act	Principal Change from Prior Act	Rate
5-16-1861 P. L. 708		3%
4-30-64 P. L. 218	Imposed tax on receipts of "every private banker and broker"	Same
6-7-79 P. L. 112	Re-enacted Act of 1864	"
6-27-95 P. L. 396	Real estate brokers exempt from tax	"
6-13-01 P. L. 559	Rate; Tax imposed expressly on "gross receipts" of private bankers and brokers	1%
5-7-07 P. L. 179	Brokers of all kinds exempt from tax	Same
4-9-29 P. L. 343	Reports to be filed with Department of Revenue	"
4-9-29 P. L. 679	Similar procedural change	"

Gross Receipts Tax on Private Bankers

Receipts 1928-1940

Year Ended May 31st	Amount Collected	Rate
1940	\$ 7,666	1%
1939	105,481	Same
1938	89,771	"
1937	20,785	"
1936	30,576	"
1935	46,195	"
1934	21,285	"
1933	46,556	"
1932	9,155	"
1931	6,715	"
1930	17,814	"
1929	20,996	"
1928	16,953	

Gross Receipts Tax on Private Bankers

This tax was originally a tax on the net income of brokers and private bankers. It was first imposed by the Act of May 16, 1861, P. L. 708, which provided as follows:

"Every stock broker, bill broker, exchange broker, real estate broker, and private banker in this Commonwealth shall . . . make a written return to the Auditor General, . . . in which he shall . . . set forth the full amount of his receipts from commissions, discounts, abatements, allowances, and all other profits arising from his business, . . . and pay . . . 3% upon the aggregate amount contained in such return, for the use of the Commonwealth."

Although the Act of 1861 requires the report to include "the full amount of receipts" and the tax to be 3% of the "aggregate amount contained in such return" the State Supreme Court held the act "clearly intended to levy a tax of 3% on the profits or income of the business and was not meant to tax the capital."¹

The Act of April 30, 1864, P. L. 218, imposed the tax on receipts of every private banker and broker" instead of "every stock broker, bill broker, exchange broker, real estate broker and private banker" as provided in the Act of 1861.

The Act of June 7, 1879, P. L. 112, Section 10, re-enacting the tax also imposed it upon the receipts of "every private banker and broker."

The Act of June 27, 1895, P. L. 396, amended the original Act of 1861 by omitting the words "real estate broker" from the taxable subjects enumerated therein.

Accordingly, following the court decision noted, under the Acts of 1864,

¹ Drexel & Co. v. Com., 46 Pa. 31 (1863).

1879 and 1895 the tax was imposed upon the net earnings of private bankers and brokers and not upon the gross receipts.

However, the Act of 1895 was amended by the Act of June 13, 1901, P. L. 559, and the tax was expressly imposed upon the "gross receipts of private bankers and brokers." It provided:

"Every stock broker, bill broker, exchange broker, merchandise broker and private banker in this Commonwealth shall on or before the first Monday of December next, and on or before the same day in each year thereafter make a written return, under oath or affirmation, to the Auditor General of this Commonwealth, in which return he shall exhibit and set forth the full amount of his gross receipts from commissions . . . arising from business during the year ending with the 30th day of November preceding . . . and shall pay . . . one per centum upon . . . such gross receipts."

Section 11 of the Act of May 7, 1907, P. L. 179, relieves brokers of all kinds from the tax imposing it only on private bankers.

The next change in the law was one of procedure made by the Fiscal Code, the Act of April 9, 1929, P. L. 343, which provided for the filing of reports by private bankers with the Department of Revenue instead of the Auditor General's Department.

The Act of April 25, 1929, P. L. 679, also made a similar procedural change in the law, requiring the returns to be filed with the Department of Revenue. This Act amended the Act of 1895 as last amended by the Act of June 13, 1901, P. L. 559.

Legislative History—Stock Transfer Tax

Summary

Date of Act	Principal Change from Prior Act	Rate
6-4-1915 P. L. 828		.02 on each \$100 face value
7-11-17 P. L. 790	Agents for sale of stamps provided for	Same
5-8-19 P. L. 120	Building & Loan Association Stock transfers exempt	"
4-9-29 P. L. 343	Department of Revenue to collect tax	"
5-4-33 P. L. 278	Transfers of certificates from trustee to trustee, substituted by court, etc., exempt	"
6-15-39 P. L. 403	Transfers to a broker for sale, etc., exempt	"

Stock Transfer Tax

This tax of 2 cents on each \$100 at the face value or fraction thereof was first imposed on "all sales or agreements to sell or memoranda of sales of stock and upon any and all deliveries or transfers of shares or

certificates of stock in any domestic or foreign corporation, copartnership association, or joint stock company," by the Act of June 4, 1915, P. L. 828, "In cases where the shares or certificates of stock were issued without designed monetary value, the tax hereby imposed shall be at the rate of 2 cents for each and every share of such stock instead of being based upon the face value thereof." Agreements evidencing deposit of stock certificates as collateral security for money loaned if such stock certificates are not actually sold were exempt. The payment of the tax is evidenced by an adhesive stamp or stamps affixed either upon the books of the corporation, etc., where the evidence of the transaction is shown only by such books and upon a surrendered certificate where the transaction is effected by the delivery or transfer of a certificate.

**Stock Transfer Tax
Receipts 1928-1940**

Year Ended May 31st	Amount Collected	Rate
1940	\$362,017	.02 on each \$100 face value
1939	353,281	Same
1938	316,114	"
1937	545,036	"
1936	493,903	"
1935	245,503	"
1934	334,631	"
1933	299,168	"
1932	392,978	"
1931	479,825	"
1930	740,762	"
1929	630,537	"
1928	445,556	"

By the Act of July 11, 1917, P. L. 790, provision was made for the appointment of an agent or agents by the Auditor General for the sale of the stock transfer stamps. Such agent was allowed as compensation 2% of the par value of the stamps sold.

"The stock of building and loan associations, sales or agreements to sell or memoranda of sales of stock of said associations, and all deliveries or transfers of shares or certificates of stock thereof shall be exempt from the provisions of this Act," according to Section 1 of the Act of May 8, 1919, P. L. 120, amending the Act of June 4, 1915, P. L. 828, Section 1.

The Fiscal Code, the Act of April 9, 1929, P. L. 343, substitutes the Department of Revenue for the Department of the Auditor General in the collection of the stock transfer tax. The pertinent sections are 203 (f), 209, 722, 723, and 1709.

By the Act of May 4, 1933, P. L. 278, there were exempted from the provisions of the Stock Transfer Tax Act "transfers of certificates,

otherwise taxable, from a trustee or trustees to a trustee or trustees substituted by court order or in accordance with the terms of the trust agreement, or to a surviving trustee or trustees provided, in either case, the same continue to be held by such transferee or transferees for the same purposes for which they were held prior to such transfer." Also exempt from the provisions of the law were "such transfers from a deceased person to his or her executor or administrator, from a ward to his or her guardian, from a guardian to the ward, where such transfer is made pursuant to the relationship of executor or administrator or guardian and ward."

The Act of June 15, 1939, P. L. 403, amending Section 2 of the Act of 1915 as amended, added to the exemptions from the stock transfer tax "deliveries or transfers to a broker or his registered nominee for sale, deliveries or transfers by a broker or his registered nominee to a customer for whom and upon whose order a broker has purchased the same, deliveries or transfers by a purchasing broker to his registered nominee, if the shares or certificates so delivered or transferred are to be held by such nominee for the same purpose as if held by the broker." It was provided, however, that such deliveries or transfers to or from a broker or his registered nominee shall be accompanied by a certificate setting forth the facts.

Legislative History—Cigarette Tax Summary

Date of Act	Principal Change from Prior Act	Rate
June 15, 1935 P. L. 341		.01¢ per ten cigarettes
April 8, 1937 P. L. 220	Penalty for selling cigarettes without a permit less severe; tax continued for two year period . . .	Same
May 4, 1939 P. L. 57	Tax continued for two year period ending May 31, 1941	Same

Cigarette Tax Receipts 1936-1940

Years Ended May 31st	Amount Collected	Rate
1940	\$11,982,658	.01 per ten cigarettes
1939	11,158,876	Same
1938	11,291,132	"
1937	10,805,779	"
1936	8,701,805	"

Cigarette Tax

The first cigarette tax enacted by the Commonwealth of Pennsylvania was imposed by the Act of June 15, 1935, P. L. 341. As a part of the emergency revenue program of that year under this act the tax

was effective for a two-year period ending May 31, 1937. The tax was imposed in lieu of the mercantile license tax theretofore imposed on the business of selling cigarettes.

The act provided that it should be unlawful for any person to engage in the sale of cigarettes at wholesale or retail within the Commonwealth unless a cigarette permit shall have been issued to him. Such permits were required annually from dealers who were also required to affix the stamps required to packages of cigarettes to be sold. The tax was imposed at the rate of one cent for each ten cigarettes or fraction thereof. It was provided that manufacturers of cigarettes located within or outside the Commonwealth and wholesale dealers in cigarettes located outside the Commonwealth might purchase stamps from the Department and affix them to the packages of cigarettes to be sold within the Commonwealth in which case the dealer within the State receiving such stamped packages of cigarettes was not required to purchase and affix stamps on packages.

The Act makes no provision for filing reports and apparently they are unnecessary, since the tax is administered by means of the revenue stamps affixed to the packages of cigarettes. According to regulations of the Department of Revenue, the collection agency, sales of cigarettes made upon and within the confines of Federal territory, on property owned by the United States Government and to which the Commonwealth has relinquished its right of sovereignty are not taxable.¹ All sales made by the Post Exchange of Civilian Conservation Corp Camps and Army Camps to the members thereof are exempt from the tax and such Post Exchanges do not need a cigarette permit. All sales of cigarettes to or by the State Emergency Relief Board for use by such Board or sale by such Board in the Transient Camps maintained and operated by such Board are not taxable.²

The Act of April 8, 1937, P. L. 220, amended the Act of 1935. Section 12 (a) made the punishment less severe for selling cigarettes without a permit. This Act also continued the tax for a two-year period ending May 31, 1939.

The tax was continued for a further two-year period ending May 31, 1941, by the Act of May 4, 1939, P. L. 57.

Liquid Fuels Tax

The first act to impose a state gasoline tax was that of May 20, 1921, P. L. 1021, which provided for a tax of one cent a gallon on all gasoline sold in the Commonwealth for any purpose except resale. The tax was collected by the retail dealers and returned to the Commonwealth monthly. One half of the tax collected under the act was credited to the county where it was collected to be used for construction and maintenance of roads and road bond interest.

¹ Regulation No. 6.

² *Ibid.*

**Legislative History—Liquid Fuels Tax
Summary**

Date of Act	Principal Change from Prior Act	Rate
5-20-1921 P. L. 1021		\$.01 per gal.
6-15-23 P. L. 834	Rate; tax on all liquid fuels	a—.01 per gal. b—.01
6-29-23 P. L. 969	Term "liquid fuels" defined	Same
5-13-25 P. L. 671	Emergency tax continued until 6-30-27; Part of tax paid into Motor License Fund	"
5-14-25 P. L. 695	Disposition of tax changed on basis of date of 6-1-25	"
4-13-27 P. L. 201	Rate of permanent tax changed; Emergency tax continued until 6-30-29	a—.02 b—.01
4-14-27 P. L. 287	"Liquid Fuels Permits" required of dealers	Same
4-14-27 P. L. 295	Term "Liquid Fuels" re-defined-	"
4-9-29 P. L. 343	Tax to be collected by Depart- ment of Revenue	"
5-1-29 P. L. 1037	New Act; Rate	a—.04 until 7-1-30; .03 there- after
5-3-29 P. L. 1537	Term "Liquid Fuels" re-defined	b—.00 "
5-21-31 P. L. 149	New Act; Rate; Tax imposed on distributors	a—.03 b—.00
6-1-31 P. L. 298	Term "Liquid Fuels" re-defined	Same
6-1-31 P. L. 299	Tax rate required to be shown separately on signs	"
6-1-33 P. L. 206	Permit may be revoked after hearing	"
5-22-33 P. L. 837	Fines to be paid into Motor License Fund	"
5-22-33 P. L. 917	U. S. and Com. of Pa., bonds may be substituted for surety bonds	"
6-21-35 P. L. 412	Rate	a—.03 b—.01
4-8-37 P. L. 248	Emergency tax continued until 5-31-39	Same
6-5-37 P. L. 1703	Change in discount allowed dis- tributors	"
5-4-39 P. L. 55	Emergency tax continued until 5-31-41	"
6-21-39 P. L. 634	Purposes for use of tax returned to counties, broadened	"

a—Permanent tax.
b—Emergency tax.

Liquid Fuels Tax
Receipts 1928-1940

Year Ended May 31st	Amount Collected			Rate
	Per- manent ^a	Per- manent ^b	Emer- gency ^c	
1940	\$35,636,693	\$7,125,926	\$14,245,010	a & b .03 c .01
1939	35,123,040	7,068,787	13,996,411	Same
1938	34,789,345	7,023,450	13,836,148	"
1937	33,511,596	6,698,210	13,136,842	"
1936	29,622,064	5,921,438	9,242,919	"
1935	27,416,128	5,476,723		a & b—.03
1934	26,473,182	5,286,971		Same
1933	25,672,712	5,115,010		"
1932	27,402,294	5,451,298		"
1931	27,633,026	5,072,827		"
1930	29,266,409	4,580,189		a & b—.04
1929	19,932,787	4,075,820		a & b—.02 c .01
1928	18,806,586	3,695,406		Same

a—2½ cent tax to Motor Fund.
b—½ cent tax refunded to counties.
c—1 cent tax in General Fund.

The one cent State Tax was re-enacted by the Act of June 15, 1923, P. L. 834, which imposed a tax of one cent per gallon upon all liquid fuels sold in Pennsylvania except for resale. In addition an emergency state tax of one cent a gallon was imposed by this act for the two years beginning July 1, 1923, and ending June 30, 1925. The tax was collected by the retail dealer from a purchaser for his own use and not for resale and paid to the Commonwealth quarterly when reports were required.

One-half of all tax collected under the act, except the additional emergency state tax, was credited to the county where the tax was collected to be used only for the purpose of the construction, etc., of roads and highways and payment of interest on county road bonds. The balance of the one cent tax and all of the emergency tax were placed in the General Fund. The Act of 1921 was expressly repealed.

By the Act of June 29, 1923, P. L. 969, the term "liquid fuels" as used in the Act of June 15, 1923, P. L. 834, was construed to mean "all liquids ordinarily, practically and commercially usable in internal combustion engines for the generation of power, except kerosene, fuel and gas oil . . ."

The one cent state tax was re-enacted and the emergency one cent tax was continued for another two years, that is up to and including June 30, 1927, by the Act of May 13, 1925, P. L. 671. Instead of the remaining one half of the permanent tax and all of the emergency tax being placed in the General Fund as theretofore it was, under this

act, paid into the Motor License Fund created by Section 12 of the Act of June 30, 1919, P. L. 678, and was "specifically appropriated for the same purposes as said Motor Vehicle Fund is appropriated by the provisions of existing or future laws."

The Act of May 14, 1925, P. L. 695, clarified the tax disposition feature of the Act of May 13, 1925, P. L. 671, by providing the remaining 50% of the permanent tax and all of the emergency tax should be paid into the General Fund prior to June 1, 1925, and thereafter into the Motor License Fund.

The rate of the permanent tax was increased by the Act of April 13, 1927, P. L. 201 from one to two cents per gallon and the emergency tax of one cent was continued for another two years, that is until June 30, 1929. This act also amended section 9 of the Act of June 15, 1923, by crediting one-fourth of the permanent two cent tax to the county where collected instead of one-half of the one cent tax as theretofore.

The Act of April 14, 1927, P. L. 287, re-enacted the previous permanent tax of 2 cents per gallon and the emergency tax of one cent and required all dealers to secure "Liquid Fuels Permits" before doing business. Provision was made for collection of delinquent liquid fuels tax by employing counsel through the Attorney General's Department.

The Act of April 14, 1927, P. L. 295, excepted kerosene, fuel oil and gas oil from the term "liquid fuels." When the Act of April 14, 1927, P. L. 287, was passed this exception which had existed in prior acts was apparently inadvertently omitted.

Section 727 of the Fiscal Code, the Act of April 9, 1929, P. L. 343 provided for collection of Liquid Fuels tax by the newly created Department of Revenue instead of the Auditor General.

A new Liquid Fuels Tax law written under the date of May 1, 1929, P. L. 1037 provided for collection of the tax by the Department of Revenue. The rate of the tax was made four cents per gallon until July 1, 1930 and three cents thereafter. Liquid fuels purchased, received or consumed by the United States or any board, department, etc., thereof were expressly exempted from tax. A Federal employee, however, was not exempt from the tax bought for his own use.¹

The Act of May 31, 1929, P. L. 1537, excepts kerosene, fuel oil and gas oil from the term "liquid fuels."

The Act of May 21, 1931, P. L. 149, enacted a new Liquid Fuels Tax. A tax of three cents per gallon was imposed upon the distributor who was allowed to add the amount of the tax to the price charged. Previously the tax was collected through each dealer. This method of collection was revolutionary in the history of the State tax. Collection was made easier and more certain as well as more cheaply. Collection attorneys were no longer necessary. The Department of Revenue was authorized to use State Highway Patrolmen to aid in enforcing the Act.

¹ Tax on Liquid Fuels, Opinion of Atty. Gen., 6 D. & C. 741.

They were made peace officers with police power and authority throughout the Commonwealth to arrest on view, without writ, rule, order or process any person known to have violated any of the provisions of the act.

Under the Act of June 1, 1931, P. L. 298, kerosene, fuel oil and gas oil and naphtha, sold for a purpose other than for use in internal combustion engines for the generation of power, were excepted from the term "liquid fuels."

By the Act of June 1, 1931, P. L. 299, the tax rate was required to be stated separately from price of gas on display signs by retailers.

The Act of May 1, 1933, P. L. 206, gives the Department of Revenue the authority to revoke a liquid fuels permit after finding the holder has failed to comply with the act and a hearing has been had. An appeal may be taken to the Dauphin County Court of Common Pleas from a decision of the Department.

All fines collected under the act are required to be paid to the State Treasury and credited to the Motor License Fund by the Act of May 22, 1933, P. L. 837.

The Act of May 22, 1933, P. L. 917, provides for depositing United States Bonds or Commonwealth of Pennsylvania Bonds instead of surety bonds where required from distributors under the act.

The permanent tax of three cents per gallon was re-enacted by Section 4 of the Act of June 21, 1935, P. L. 412 and an emergency tax of one cent per gallon was imposed for the period from the date of the act to May 31, 1937. The act provided for the payment of the entire emergency tax collected prior to June 1, 1936 into the State Treasury to be used only for unemployment relief purposes. All such tax collected after June 1, 1936 was to be credited to the General Fund.

The act does not violate Act III, Sec. 3 of the Constitution requiring the subject of an act to be clearly expressed in its title.²

The additional emergency tax of one cent per gallon was continued for another two year period ending May 31, 1939 by the Act of April 8, 1937, P. L. 248. This act also contained the provision "The tax imposed by this act though payable by the distributor, shall be borne by the consumer, and when paid by the distributor, shall be deemed to have been so paid for the account of the consumer." This provision apparently had for its purpose the allowance of the tax as a deduction for Federal income tax purposes to the consumer, theretofore disallowed the consumer but allowed the distributor.

The Act of June 5, 1937, P. L. 1703, changed the flat 2% discount allowed distributors for filing of report and payment of tax on date required to a graduated rate ranging from 2% to ½%.

² *Gulf Refining Co. v. School District of Phila.*, 109 Super. 177.

The additional emergency tax of one cent per gallon was continued for another two year period ending May 31, 1941 by the Act of May 4, 1939, P. L. 55.

By the Act of June 21, 1939, P. L. 634, the purposes for which the one half cent portion of the permanent tax returned to the counties might be used were broadened to include the payment of sinking fund charges as well as interest on road and bridge bonds and all such payments theretofore made were validated.

Gross Receipts Tax

Originally the Pennsylvania Gross Receipts Tax was regarded by United States Supreme Court as a tax upon the franchise of transpor-

Legislative History—Gross Receipts Tax Summary

Date of Act	Principal Changes From Prior Act	Rate
2-23-1866 P. L. 82		7½ mills
7-19-66 P. L. 1363	Construed Section 2 of Act of 2-23-66	7½ "
5-1-68 P. L. 108	Taxed companies liable to tonnage tax	7½ "
3-21-73 P. L. 46	Abolished Gross Receipts Tax ..	None
4-24-74 P. L. 68		
3-20-77 P. L. 6	Reestablished Tax	8 Mills
6-7-79 P. L. 112	Added to taxables pipe line and conduit companies	8 "
6-1-89 P. L. 420	Added to taxables Telephone & Electric Light Corporations ...	8 "
4-28-99 P. L. 72	Taxes express business of firms incorporated or unincorporated	8 "
5-13-25 P. L. 702	Expressly exempted Municipalities from operation of Act	8 "
5-14-25 P. L. 706	Added to taxables Water Power and Hydro-Electric Cos.	8 "
5-13-27 P. L. 1002	Taxicabs expressly exempted ...	8 "
4-25-29 P. L. 662	Motor Buses and Motor Omnibuses expressly exempted	8 "
6-22-31 P. L. 694	Motor Vehicles taxable; credit for motor registration fees paid	8 "
5-16-35 P. L. 200	Rate; Taxed receipts of municipally owned utilities outside limits of municipality	14 mills
8-6-36 P. L. 87	Rate	20 "
4-8-37 P. L. 245	Continued 20 mill rate for 1937 and 1938	20 "
5-4-39 P. L. 51	Continued 20 mill rate for 1939 and 1940	20 "

Gross Receipts Tax
Receipts 1928-1940

Years Ended May 31st	Amount Collected		Rate
	A	B	
1940	\$7,777,130	\$ 6,085	A-20 Mills B-8 "
1939	6,799,819	10,559	A-20 " B-8 "
1938	7,931,011	11,621	A-20 " B-8 "
1937	6,248,774	6,050	A-20 Mills; 14 Mills* B-8 Mills
1936	4,662,867	5,902	A-14 " B-8 "
1935	3,253,163	3,266	A-8 " B-8 "
1934	2,930,468	3,166	A-8 " B-8 "
1933	4,268,654	2,052	A-8 " B-8 "
1932	3,246,476		8 "
1931	3,390,379		8 "
1930	3,582,581		8 "
1929	4,222,222		8 "
1928	4,329,842		8 "

A—Utilities: Transportation (other than motor vehicles), Power and Transmission.
B—Motor Carriers.

*—For six months' period ended Dec. 31, 1936 rate—20 mills; For six months' period ended June 30, 1936 rate—14 mills.

tation companies which at that time alone were subject to it.¹ In a later case, however, the same court said:

“A review of the question convinces us that the first ground . . . is not tenable . . . It certainly could not have been intended as a tax on the corporate franchise, because by the terms of the act it was laid equally on the corporations of other states doing business in Pennsylvania. If intended as a tax on the franchise of doing business—which, in this case is the business of transportation in carrying on interstate and foreign commerce—it would clearly be unconstitutional.”²

It is not a property tax, however, for receipts derived from traffic within Pennsylvania of foreign corporations doing business in the Commonwealth are taxable, although such receipts may not be within the state. It is probably a tax on the business of the companies subject thereto. The Dauphin County Court in a comparatively recent case calls the tax a privilege tax.³ Quoting from an earlier opinion⁴ of this Court the President Judge says of the Gross Receipts tax:

¹ State Tax on Railway Gross Receipts, 15 Wall. 284 (1872).

² Phila. & South M. S. S. Co. v. Pa. 122 U. S. 326 (1887).

³ Com. v. J. Kenny Transfer, 40 Dauphin 365 (1935).

⁴ Com. v. Phila. Electric Co., 36 Dauphin 339 (1932).

“We have in the same statute, a privilege tax which is a franchise tax, in so far as it is imposed not upon the franchises as such, granted by the State but upon their exercise in the state; a privilege tax in so far as it is imposed upon the business of foreign corporations done within the State; and an occupation tax or privilege tax in so far as it is imposed upon partnerships and individuals doing the taxable business in the state.”

The tax is not imposed upon all of the gross receipts of a company but upon such as are from sources specified in the act. For instance a street railway corporation is not liable for tax upon its gross receipts received from the sale of electric current and rental of tracks; ⁵ a company incorporated to furnish light, heat and power by means of electricity which afterwards purchases the property and franchise of a steam heat company is not liable for tax on receipts derived from the steam heat business; ⁶ a railway company is not liable for tax on gross receipts derived from car mileage and per diem compensation received for the use of its cars upon other lines. ⁷

The first legislation to impose a Gross Receipts Tax in Pennsylvania was the second section of the Act of Feb. 23, 1866, P. L. 82. An annual tax of seven and one-half mills was imposed upon the gross receipts of every domestic railroad, canal and transportation company “not liable to the tax on income under existing laws.”

The second section of the Act of July 19, 1866, P. L. (1867) 1363 provided that the second section of the Act of February 23, 1866, “shall be construed to apply to all railroad, canal and transportation companies not liable to taxation on net income in pursuance of the second section of the Act of April 30, 1864.” This was intended to clarify a provision of the Act of February 23, 1866, to wit, “not liable to the tax on income under existing laws.”

The second section of the Act of February 23, 1866, was repealed by the 16th section of the Act of May 1, 1868, P. L. 108. Gross receipts tax was reimposed by section 8 of the latter act. The corporations liable to the tax were every railroad, canal and transportation company “liable to tax upon tonnage under the preceding section of this act.” Companies so subject to the tonnage tax were “every railroad company, steamboat company, canal company and slack water transportation company and all other companies now or hereafter doing business in this state and upon whose works freight may be transported . . . except turnpike, plank road and bridge companies.”

The Acts of March 21, 1873, P. L. 46, section 3 and April 24, 1874, P. L. 68, section 11 abolished the Gross Receipts Tax and the Commonwealth was without the tax for a period of three years.

⁵ Com. v. Lehigh Valley Transit Co., 14 Dau. Co. 88.

⁶ Com. v. Light and Power Co., 262 Pa. 238.

⁷ Com. v. Buffalo & Susquehanna R. R. Co., 14 Dau. 117.

The tax was re-established, however, by the Act of March 20, 1877, P. L. 6, section 5, which provided that every railroad or canal, steamboat, slack water navigation, transportation, street passenger railway and every other company incorporated in Pennsylvania or doing business in this state and owning, operating or leasing to or from another corporation or company any railroad, canal, slack water navigation, or street passenger railway or other device for the transportation of freight or passengers, and every telegraph company incorporated in Pennsylvania or doing business here and every express company and any palace car and sleeping car company, incorporated or unincorporated, doing business in Pennsylvania should pay to the Commonwealth a tax of 8 mills upon its gross receipts from tolls and transportation, telegraph business or express business.

By the 7th section of the Act of June 7, 1879, P. L. 112 pipe line and conduit companies and limited partnerships engaged in transportation were added to the corporations subject to the tax.

The Act of June 1, 1889, P. L. 420, section 36 repealed the 7th section of the Act of June 7, 1879, P. L. 112. The 23d section of the former act, however, re-enacted the provisions of the repealed section. Telephone and Electric Light corporations were made additional taxable subjects and joint stock associations were added to taxable transportation firms. Prior to the Act of 1889 it had been held by the Dauphin County Common Pleas Court that telephone companies were subject to the tax as "telegraph companies".⁸ Tax was imposed upon gross receipts "received from passengers and freight transported wholly within the state and from telegraph, telephone or express business done wholly within this state or from the business of electric light companies and from transportation of oil done wholly within the state." The tax was required to be paid semi-annually on the last day of January and July.

This act provided for the apportionment of the gross receipts tax in cases where the works of one corporation, etc., were leased to and operated by another corporation, etc. The apportionment was to be made on the basis of the respective leases or agreements but the Commonwealth was permitted to first look to the corporation operating the works for the tax. This provision does not apply to express companies which employ railroad companies to do their transportation.⁹

Section 2 of the Act of April 28, 1899, P. L. 72 also imposes a gross receipts tax. This act amends the Act of June 7, 1879 but imposes the tax of 8 mills only on express business of "corporations limited partnerships, joint-stock associations, partnerships, firms, or associations of individuals incorporated or unincorporated."

In the Legislative Session of 1923, an attempt was made in the House of Representatives to amend the Act of 1889 supposedly at the insti-

⁸ Com. v. Penna. Telephone Co., 2 Dauphin Co. Rep. 57 (1885).

⁹ Com. v. U. S. Express Company, 157 Pa. 579.

gation of the Auditor General to add to the list of taxable subjects taxicab companies, autobus line companies, truck transportation companies and every individual partnership, firm or unincorporated association engaged in or hereafter engaged in the transportation of freight or passengers or oil within the state. In the proposed amendment water-power and hydro-electric companies were also included as taxable subjects. The bill failed of passage although the vote was 90-89 in favor thereof. The vote was reconsidered, however, and the bill recommitted to the Ways and Means Committee, from which it had originally been unanimously reported, for the purpose of amendment.

After being re-reported it was again considered by the House. In the discussion the portion of the amendment which would tax water power and hydro-electric companies was stressed by the proponents of the bill. Attention was called to hydro-electric projects on the Susquehanna, Clarion and Allegheny rivers which were escaping the gross receipts tax. The new amendment still including as taxable subjects taxicab companies, autobus line companies and truck transportation companies, again failed of passage 48-107. In the discussion on the bill as an argument against its passage attention was called to the revenue of upwards of twenty million dollars expected from the proposed emergency profits tax, and either the newly proposed gasoline tax or the increase in the motor license fees—whichever tax bill was finally enacted.

The Act of May 13, 1925, P. L. 702 contained this new provision:

“Nothing contained in this act shall be construed to impose any tax upon any municipality nor upon the gross receipts derived from any municipally owned and operated public utility or from any public utility service furnished by any Municipality.

“No tax shall be collected under the provisions of this act from any municipality upon the gross receipts derived from the ownership and operation of any public utility or from the furnishing by any municipality of any public utility service prior to the passage of this amendment.”

Section 23 of the Act of June 1, 1889, P. L. 420 was also amended by the Act of May 14, 1925, P. L. 706. This act added to the list of taxable subjects, water-power companies and hydro-electric companies both incorporated and unincorporated as first proposed in the 1923 Legislative Session.

The amendment of 1925 which expressly imposed the tax on gross receipts of water-power companies and hydro-electric companies and the attempt in the 1923 session to pass a similar amendment followed court decisions holding that such companies were not liable to the tax under the Act of June 1, 1889, P. L. 420.¹⁰ This class of corporations

¹⁰ *Com. v. Pa. Water & Power Co.*, 23 Dau. 10 (1920); *Com. v. York Haven Water & Power Co.*, 23 Dau. 13 (1920).

was originally created under IX clause, Section 2 of the general corporation act of April 29, 1874 for the purpose of supplying, storing and transporting water and water power and were not made taxable by the Act of June 1, 1889, P. L. 420. By the Act of July 2, 1895, P. L. 425, they were authorized to use this water power to generate electrical power and furnish electric current or power to the public. It was subsequent to this extension of powers that the attempt was made by the fiscal departments to tax the receipts of the companies on the grounds that they had become electric light companies. The court held, however, that in the Pa. Water and Power Co. case that the company was "not an electric light company within the Act of June 1, 1889." In the other case the court found the company was "not to be found among the companies which are specifically mentioned in the statute and which as (were) required to pay the tax." The amendment of May 14, 1925 made water power and hydro-electric power companies taxable regardless of their origin.

Section 23 of the Act of 1889 also provided the tax should become due 60 days after the date of approval of the settlement instead of on the last days of January and July as in prior acts. It is to be noted the change in the due date of the tax brought the language of the law into conformity with the practice of the fiscal departments which had regarded the tax as due 60 days after the date of approval of the settlement.

Also included in the bill to amend section 23 of the Act of June 1, 1889, P. L. 420, as it was passed by the House of Representatives in the 1925 Legislative Session was a provision to tax taxicab companies, auto bus companies and truck transportation companies. The Senate amended the bill and struck out such provision and sent the bill back to the House for concurrence. The House refused to concur, however, and the bill went to a conference committee. The Senate version of the bill was adopted by this committee and the law which was enacted omitted taxicab companies, auto bus companies and truck transportation companies as taxable subjects.

The next change in the gross receipts tax law was made by the Act of May 13, 1927, P. L. 1002 which expressly exempted from the operation of the tax gross receipts from taxicabs. Apparently this amendment of section 23 of the Act of June 1, 1889, P. L. 420 was the direct result of the decision of the Pennsylvania Supreme Court which held in an opinion dated June 26, 1926 that a taxicab company is a "transportation company" within the meaning of those words of the Act of 1889 and as such is subject to a tax on its gross receipts as provided by that act.¹¹ In passing it should be noted that the United States Supreme Court decided on appeal that the tax as it applied to

¹¹ Com. v. Quaker City Cab Co., 287 Pa. 161.

taxicab companies was unconstitutional for the reason that it violated the requirement of the Pennsylvania Constitution on uniformity in taxing taxicab corporations but not taxing individuals and partnerships operating taxicabs.¹² This decision was not handed down until after the Act of 1927 had been passed.

The Act of April 25, 1929, P. L. 662 further changed section 23 of the Act of June 1, 1889, P. L. 420. "Baggage" was added to the articles transported formerly enumerated as freight, passengers and oil. Motor buses and motor omnibuses were added to the devices for the transportation of "freight, passengers, baggage or oil" the gross receipts from which are exempt from the tax. There were other changes in phraseology designed to clarify the meaning of the language of the law. The semi-annual reports were required to be filed with the newly created Department of Revenue.

The Act of June 22, 1931, P. L. 694 imposes an excise tax of 8 mills upon the gross receipts of companies (including corporations, individuals, co-partnerships, etc.,) engaged in the business of carrying passengers or property for hire over the highways of the Commonwealth in motor vehicles or trackless trolleys for the use of the highways of the Commonwealth. Such companies are allowed to deduct from such excise tax any registration fees paid to the Department of Revenue upon motor vehicles used in the business of carrying passengers or property for hire and also any excise taxes paid to any city of the Commonwealth for the use of its highways. If such taxable company operates within and outside the Commonwealth the gross receipts may be apportioned according to the ratio of mileage of routes operated in Pennsylvania to total mileage operated. This act is not an amendment of the Act of June 1, 1889, P. L. 420 and its supplements but an independent act.

The Act of May 16, 1935, P. L. 200 increased the rate of the Gross Receipts Tax imposed on transportation (other than motor carriers), power and transmission companies from 8 to 14 mills for the semi-annual periods of the years 1935 and 1936 but provided it should again become 8 mills for the semi-annual periods of 1937 and thereafter. The act also expressly provided that it should apply to municipalities and taxed gross receipts derived from any municipally owned and operated public utility or from any public utility service furnished by any municipality to the extent of such gross receipts as are derived from business done outside the limits of the municipality operating the public utility service. The act further provided that the proceeds from the years 1935 to the extent of \$2,000,000. should be used only for unemployment relief. The balance of the proceeds for 1935 were to be credited to the General Fund.

The Act of August 6, 1936, P. L. 87 further increased the rate of the

¹² Com. of Pa. v. Quaker City Cab Co. 277 U. S. 389.

tax from 14 to 20 mills for the six month period ended December 31, 1936 but provided for the rate to be reduced again to 8 mills thereafter.

The Act of April 8, 1937, P. L. 245, continued the increased rate of 20 mills for the six months' periods ending June 30 and December 31, 1937 and June 30 and December 31, 1938 and reduced it to 8 mills thereafter.

The Act of May 4, 1939, P. L. 51, continued the increased rate of 20 mills for the 6 months' periods ending June 30 and December 31, 1939 and June 30 and December 31, 1940 and reduced it to 8 mills thereafter.

The gross receipts tax imposed on motor carriers by the Act of June 22, 1931, P. L. 694 still retains the original rate of 8 mills being unchanged by the Acts of 1935, 1937 and 1939 above-mentioned.

Legislative History—Gross Premiums Tax Summary

Date of Act	Principal Changes From Prior Act	Rate
4-4-73 P. L. 26		A—3% B—0
3-20-77 P. L. 6	Domestic companies made taxable	A—3% B—8 mills
6-7-79 P. L. 112	Re-enacted section 6 of Act of 1877	A—3% B—8 mills
6-10-81 P. L. 99	Domestic companies paying tax on business outside Pennsylvania taxed in future only on business in Pennsylvania	A—3% B—8 mills
6-1-89 P. L. 420	Rate of foreign companies	A—2% B—8 mills
6-28-95 P. L. 408	One-half of 2% foreign fire insurance tax to be returned to several cities and boroughs	A—2% B—8 mills
4-20-05 P. L. 1905	Above provision extended to first class townships	A—2% B—8 mills
6-1-11 P. L. 607	Additional deductions from gross premiums allowed foreign companies	A—2% B—8 mills
7-6-17 P. L. 723	Insured required to deduct tax and pay to Penna., tax in case of unregistered foreign company	A—2% B—8 mills
5-17-21 P. L. 682	Additional deductions from gross premiums allowed foreign companies	A—2% B—8 mills
5-17-21 P. L. 789	Excess Insurance Brokers Taxed	A—2% B—8 mills C—3%
5-6-25 P. L. 526	Annual reports required from domestic companies instead of semi-annual	A—2% B—8 mills C—3%
5-13-27 P. L. 998	Marine Insurance Companies taxed	A—2% B—8 mills C—3% D—5%

Legislative History—Gross Premiums Tax—Continued

Date of Act	Principal Changes from Prior Act	Rate
4-9-29 P. L. 343	All reports required to be filed with Dept. of Revenue	Same
4-9-29 P. L. 441	As above in reference to excess insurance brokers	Same
4-25-29 P. L. 665	Report filing date changed to March 15th for domestic companies	Same
6-26-31 P. L. 1408	Domestic life insurance companies exempted from tax	Same
5-31-33 P. L. 1093	Deductions by domestic companies further restricted	Same
5-31-33 P. L. 1094	As above in reference to foreign companies	Same
5-25-39 P. L. 212	Deductions for re-insurance premiums changed	Same
5-25-39 P. L. 213	As above in reference to foreign companies	Same

- A—Foreign life, casualty, fire.
 B—Domestic life, casualty, fire.
 C—Foreign excess insurance brokers.
 D—Domestic and foreign marine.

**Gross Premiums Tax
Receipts 1928-1940**

Years ended May 31st	Amount Collected		Rate
	A	B	
1940	\$243,300	\$7,478,188	a—8 mills b—2% c—3% d—5%
1939	279,365	7,478,010	Same
1938	214,362	7,601,879	Same
1937	173,704	7,111,470	Same
1936	143,414	6,467,936	Same
1935	192,516	6,564,373	Same
1934	150,930	6,208,338	Same
1933	199,924	6,493,290	Same
1932	273,727	7,055,481	Same
1931	197,153	7,154,209	Same
1930	266,818	7,073,411	Same
1929	314,863	6,707,005	Same
1928	293,354	6,416,111	Same

- A—Domestic Companies; B—Foreign Companies.
 a—Domestic fire, casualty, excess re-insurance.
 b—Foreign life, casualty, fire.
 c—Foreign excess insurance brokers.
 d—Domestic and foreign marine.

Gross Premiums Tax

The gross premiums tax was first imposed on gross receipts of foreign insurance companies by Section 10 of the Act of April 4, 1873, P. L. 26. Foreign insurance companies were expressly exempted from the capital stock tax.¹ Nor were they required to pay license fees for

¹ Act of June 1, 1889, P. L. 420, Section 20.

state purposes. Instead they were required by the Act of 1873 to pay a tax of three per cent upon the "entire amount of premiums of every character and description received . . . in this state during the year or fraction of a year ending with the 31st day of December preceding, whether said premiums were received in money, or in the form of notes, credits, or any other substitute for money." The act further provided that until an insurance company of another state or foreign government had granted to it by the State Commissioner of Insurance a certificate of authority showing it was authorized to do business in the Commonwealth no person should act as agent or solicitor for it in any manner whatever relating to risks. The annual report of gross premiums received was required to be made to the Insurance Commissioner in January.

As to domestic insurance companies the gross premiums tax was first imposed by section six of the Act of March 20, 1877, P. L. 6. The tax was imposed at 8 mills on the "entire amount of premiums received" by such companies. Companies doing business on the mutual plan without capital stock or accumulated reserve and purely mutual beneficial associations whose funds for the benefit of members, their families or heirs are made up of weekly or monthly contributions and accumulated interest were expressly exempted from the tax. Reports were required to be filed with the Auditor General for the semi-annual periods ended June 30, and December 31 and a penalty of ten per cent was provided for failure to file reports and pay the tax within thirty days.

The Act of June 7, 1879, P. L. 112, Section eight re-enacted Section six of the Act of March 20, 1877, P. L. 6.

Although the State Supreme Court held that domestic corporations could be taxed under the Act of 1877 on premiums received from business transacted without the State² the Act of June 10, 1881, P. L. 99, Section seven provided as follows:

"That all insurance companies which shall within thirty days after the approval of this act pay into the Treasury of the Commonwealth the amount of money claimed by the Commonwealth for taxes upon their gross premiums for the period of time between the 20th day of March, 1877, and the first day of January, 1881, together with interest upon same, shall be liable from and after the first day of January, 1881, during the continuance of this act to no taxes on their premiums except upon such as were or shall be received from business transacted within this Commonwealth."

The Act of June 1, 1889, P. L. 420, section twenty-four, likewise limited the gross premiums tax of domestic companies to "business transacted within this Commonwealth." This section of the Act of 1889 also made the first change in the gross premiums tax imposed on foreign insurance companies since the Act of 1873 by providing:

² *Ins. Co. of North America v. Com.*, 87 Pa. 173 (1878).

“That hereafter the annual tax upon the premiums of insurance companies of other states or foreign governments shall be at the rate of 2% upon gross premiums of every character and description received from business done within this Commonwealth during the entire calendar year preceding.”

The Act of June 28, 1895, P. L. 408, Section 1, re-enacted section twenty-four of the Act of June 1, 1889, P. L. 420, although it purported to amend it. Section 2 contained a new provision:

“On and after January 1, 1896, and annually thereafter the State Treasurer shall pay to the Treasurers of the several cities and boroughs within the Commonwealth one-half of the net amount received from the 2% tax paid upon premiums by foreign fire insurance companies, the amount to be paid to be based on the return of said 2% tax upon premiums, received from foreign fire insurance companies doing business within said cities and boroughs as shown by Insurance Commissioner’s report.”

Section 2 of the Act of June 28, 1895, was amended by the Act of April 20, 1905, P. L. 1905, so as to extend its provisions as to payments to townships of the first class.

Section 16 of the Act of June 1, 1911, P. L. 607, provided that foreign insurance companies shall make a report to the Insurance Commissioner on or before March first showing the entire amount of premiums of every character received from business transacted in the Commonwealth for the year or fraction of the year ending December 31st preceding. It also allowed the foreign companies to “deduct from the gross premiums received all premiums returned on policies cancelled or not taken and all premiums actually paid for reinsurances, where the same are effected in companies duly licensed to do business in this Commonwealth.” It is to be noted that deductions for the cost of reinsurance were not allowed by the Commissioner of Insurance upon advice of the Attorney General in construing the Act of 1889.³

The Act of July 6, 1917, P. L. 723, provided that any person, corporation, etc., entering into a contract of insurance or reinsurance with any foreign company not registered or entitled to do business in Pennsylvania should deduct, when making payment of premium, an amount equal to the tax imposed on premiums of insurance companies of other states and foreign countries that are registered to do business in Pennsylvania and pay such amount into the State Treasury. It also provided that any person, etc., failing to make such deduction and payment shall be liable for the amount of the tax and also that such person, etc., failing to comply with the act shall be guilty of a misdemeanor and upon conviction shall be sentenced to a fine not exceeding \$500.

Section 319 of the Act of May 17, 1921, P. L. 682, provided:

³ In surance Companies Tax 3 D. R. 350 (1894); 14 Pa. CC 605.

“Any domestic or foreign stock or mutual insurance company, association, or exchange, authorized to transact business in this Commonwealth shall pay to this Commonwealth taxes required on all business taxable within this Commonwealth and reinsured, as provided in this section, with any foreign company, association, or exchange not authorized to transact business in this Commonwealth.”

Section 321 of the Act of 1921 reenacted Section 16 of the Act of June 1, 1911, P. L. 607, and allowed as an additional deduction from gross premiums received by foreign life insurance companies “dividends declared and actually used by policyholders in payment of renewal premiums.” The Insurance Commissioner had previously held on advice of the Attorney General in construing the Act of June 28, 1895, P. L. 408, that no deductions would be allowed on account of dividends paid to policyholders.⁴ This section also provided that “mutual companies, associations and exchanges may deduct that proportion of the advance premium or deposit returned to members upon the expiration of their contracts.”

Section 1009 of this act, referring to attorneys, authorized by Section 1001 of the Act, for exchange reciprocal and inter-insurance contracts provided that:

“Such attorney shall pay to the Commonwealth the same fees and taxes as are now required by law to be paid by stock and mutual companies transacting like kinds of business in this Commonwealth. In the payment of taxes, he may deduct, from gross premiums or deposits received during the calendar year, all amounts returned to subscribers or credited to their accounts, other than for losses.”

Section 212 of the Act of May 17, 1921, P. L. 789, included a retaliatory provision as follows:

“If, by the laws of any other state any taxes, fines, penalties, licenses, fees or other obligations or prohibitions, additional to or in excess of those imposed by the laws of this Commonwealth upon insurance companies, associations and exchanges, of other States and their agents, are imposed on insurance companies, associations and exchanges of this Commonwealth and their agents doing business in such state, like obligations and prohibitions shall be imposed upon all insurance companies, associations, and exchanges and their agents, of such State doing business in this Commonwealth so long as such laws remain in force.”

Section 625 of this Act of 1921 provided for the taxation of Excess Insurance Brokers. They are required to pay annually in January to the Insurance Commissioner a tax of 3% of the gross premiums named

⁴ In re Northwestern Mutual Life Ins. Co. 18 D. R. 490 (1909).

in the policies delivered to the policy holders and upon all policies procured except policies of marine insurance on vessels and vessel property engaged in interstate or foreign commerce. Deduction was allowed for net premiums returned on policies cancelled.

The Act of May 6, 1925, P. L. 526, requires instead of semi-annual reports as theretofore annual reports of gross premiums, premium deposits or assessments of domestic companies, associations or exchanges received for the year ending December 31st to be filed on or before March first, beginning in 1926, and the tax to be paid on or before March 31st. It also provides as additional deductions from gross premiums all amounts returned on policies cancelled or not taken and all premiums paid for reinsurance where such is effected in companies, etc., authorized to transact business in Pennsylvania. This change allowed domestic companies, except life, the same deductions allowed foreign companies by the Acts of May 17, 1921, P. L. 682, and June 1, 1911, P. L. 607. Mutual companies required for any reason to file reports were allowed these same deductions and also the portion of advance premiums, premium deposits or assessments returned in cash or credited to members or policyholders, whether as dividends, earnings, savings or return deposits upon the expiration of their contracts.

By section 2 of the Act of May 13, 1927, P. L. 998, every insurer, organized, admitted or licensed to transact the business of marine insurance within this Commonwealth, shall pay a tax of 5% on that proportion of the total underwriting profit of such insurer, from such marine insurance written within the United States, which the gross premiums of the insurer from such marine insurance written within the Commonwealth bear to the gross premiums of the insurer from such marine insurance written within the United States. Annual reports are required to be filed with the Commissioner of Insurance on or before June 1st. A method of computing the tax is provided. A statement of the tax so computed is required to be mailed by the Insurance Commissioner to the insurer and the tax is paid into the State Treasury.

Sections 713-716 of the Act of April 9, 1929, P. L. 343, inclusive required annual reports of domestic and foreign insurance companies, etc., marine insurance companies and excess insurance brokers, respectively, to be filed with the newly created Department of Revenue. The Reports of both domestic and foreign companies are to be filed on or before March 15th and those of marine insurance companies as theretofore, June 1st, and those of excess insurance brokers on or before January 31st as previously required.

The Act of April 9, 1929, P. L. 441, required the tax on excess insurance brokers to be collected by Revenue Department instead of the Insurance Commissioner.

The Act of April 25, 1929, P. L. 665, amended the Act of May 6, 1925, P. L. 526, and changed the filing date of annual gross premium

reports of domestic insurance companies to March 15th from March first. This is in accord with section 713 of the Act of April 9, 1929, P. L. 343, above noted.

Domestic life insurance companies were added to those companies from which reports of gross premiums and resulting tax thereon were not required by section 24 of the Act of June 26, 1931, P. L. 1408.

By the Act of May 31, 1933, P. L. 1093, the deductions by domestic companies for gross premiums paid for reinsurance were further restricted. By previous acts premiums for reinsurance could be deducted from gross premiums reported if such reinsurance was effected in companies, etc., authorized to transact business in the Commonwealth. According to the Act of 1933 in order for the deduction to be allowed the reinsurance contracts "must be entered into or executed by all parties thereto within this Commonwealth." Otherwise the only condition under which the deduction was allowed was when the tax on such premium for reinsurance was "paid when due by the company in which such reinsurance is effected."

A similar restriction was imposed by the Act of May 31, 1933, P. L. 1094, in reference to foreign insurance companies, etc., except in the case of marine insurance the contract or agreement of reinsurance need not be made within the Commonwealth.

The Act of May 25, 1939, P. L. 212, amended the Act of May 31, 1933, P. L. 1093, in reference to deduction of premiums for reinsurance. The word "paid" for reinsurance was changed to "received" for reinsurance and the words "where such reinsurances are effected in companies, associations, and exchanges authorized to do business in this Commonwealth by contracts or agreements entered into or executed by all parties thereto within this Commonwealth. If such contract or agreement is not entered into or executed by all parties thereto within this Commonwealth, such company, association or exchange, in reporting for taxation, may not deduct such premiums so paid unless the tax thereon is paid when due by the company in which such reinsurance is effected" were omitted. It would seem as if the Commonwealth intends to look to the company placing the reinsurance for the tax instead of to the reinsurer.

The Act of May 25, 1939, P. L. 213, makes a similar change as regards reinsurance premium reductions in reference to foreign companies, etc., by amending the Act of May 31, 1933, P. L. 1094.

Section II

Constitutional Limitations of the Taxing Power in Pennsylvania

By

Sheldon C. Tanner

The Pennsylvania State College

A number of states have, at various times, imposed constitutional restrictions upon the taxing power. These are designed primarily to secure uniformity and equality in the imposition of the tax burden. Such requirements in Pennsylvania had their origin in the Constitution of 1873. Prior to that time the only limitation to the exercise of this power was the Bill of Rights, with its implication "against all unjust, unreasonable and palpably unequal exactions under any name or pretext."¹ Article IX of the Constitution of 1873 provides that all taxes shall be uniform and shall be levied and collected under general laws, subject to the following exemptions at the discretion of the legislature: public property used for public purposes, actual places of religious worship, places of burial not used or held for private or corporate profit, institutions of purely public charity, and as amended on November 6, 1923, real and personal property owned, occupied, and used by any branch, post, or camp of honorably discharged soldiers, sailors, and marines. These and other provisions dealing with this problem are set forth in the footnotes.²

The reasons leading up to the adoption of these provisions, and the social attitudes which prevailed at that time, may be gathered from various expressions of the courts. Speaking of the income tax in 1885, it was said by Mr. Justice PAXSON:

"Of all forms of taxation this is the most odious to the American people. It was submitted to during the war from a feeling of patriotism in view of the great financial strain to which the country was subjected. But when no such cause exists there is little excuse for imposing such an obnoxious burden; still less ought it to be permitted without authority of law, and under the cloak of a tax upon occupations."³

¹ Washington Avenue, 69 Pa. 352 (1871).

² ARTICLE III, Section 7. "The General Assembly shall not pass any local or special law: . . . Exempting property from taxation."

ARTICLE IX, Section 1. "All taxes shall be uniform, upon the same class of subjects, within the territorial limits of the authority levying the tax, and shall be levied and collected under general laws; but the General Assembly may, by general laws, exempt from taxation public property used for public purposes, actual places of religious worship, places of burial not used or held for private or corporate profit, institutions of purely public charity, and real and personal property owned, occupied, and used by any branch, post, or camp of honorably discharged soldiers, sailors, and marines." (Amendment of November 6, 1923.)

ARTICLE IX, Section 18. "Taxation laws may grant exemptions or rebates to residents, or estates of residents, of other States which grant similar exemptions or rebates to residents, or estates of residents, of Pennsylvania." (Amendment of November 6, 1923.)

ARTICLE IX, Section 2. "All laws exempting property from taxation, other than the property above enumerated shall be void."

³ Banger's Appeal, 109 Pa. 79 (1885).

During the following year we find a further explanation by this same Justice of the reason for this limitation in the taxing power, and of the attitude of the Court concerning it:

“This portion of the constitution is too important and valuable to be overridden by the Legislature, or frittered away by judicial construction. It was intended to, and does, sweep away forever the power of the Legislature to impose unequal burdens upon the people under the form of taxation. The evils which led up to its incorporation into the organic law are well known. The burden of maintaining the state has been, in repeated instances, lifted from the shoulders of favored classes and thrown upon the remainder of the community. This was done by means of favoritism and class legislation. Article IX of the constitution was intended to cut up this system by the roots, and we shall have no more of it if the legislative and judicial departments of the government perform their full duty in giving effect to that instrument.”⁴

The judicial philosophy reflected in these utterances, and the circumstances which provoked them, may or may not be important in the light of changing social and economic institutions. It is fairly certain, however, that such expressions have had some influence in the trend of judicial opinion.

It should be observed, upon a reading of Article IX, that “the power to classify” is “retained in clear language This power was possessed under the constitution of 1790, had been exercised in numerous laws, and existed when the new constitution was framed and adopted.”⁵ The following views were expressed by Mr. Chief Justice KEPHART in 1926:

“Article IX, section 1, relative to uniformity, does not prohibit classification for taxation purposes (*Heisler v. Thomas Collieries Co.*, 274 Pa. 448, 463), and classification does not always lead to an exemption within the meaning of article III, section 7, and article IX, section 2: see *Com. v. Germania Brewing Co.*, 145 Pa. 83, 84. An exemption contemplated by article III, section 7, and article IX, section 2, is in exemption from all taxation in any form Mr. Justice ROBERTS stated in *State Board v. Jackson*, 283, U. S. 527, 539: ‘A very wide discretion must be conceded to the legislative power of the state in the classification of trades, callings, businesses or occupations, which may be subjected to special forms of regulation or taxation through an excise or license tax. If the selection is neither capricious nor arbitrary, and rests upon some reasonable consideration of difference or

⁴ Fox's Appeal, 112 Pa. 337 (1886).

⁵ Kittanning Coal Co. v. Com., 79 Pa. 100 (1875).

policy, there is no denial of the equal protection of the law. Our duty is to sustain the classification adopted by the legislature if there are substantial differences between the occupations separately classified. Such differences need not be great.”⁶

To the foregoing may be added two declarations by the Supreme Court of Pennsylvania during the past year, both of which are pertinent to the formulation of a tax program; first, “if an act which undoubtedly provides for classification is capable of two interpretations, one of which would provide for uniform taxes, and the other not, the former interpretation is to be preferred,” and second, “classification for the purposes of taxation is generally for the legislature and the court can declare a statute void only when it clearly, palpably and plainly violates the constitution.”⁷

It would be futile to attempt to reconcile all of the decisions of the Supreme Court of Pennsylvania subsequent to the adoption of the Constitution of 1873, and particularly the dictum expressed in many of the opinions. Certain methods of taxation were employed in a few tax laws which had been adopted many years before the Constitution of 1873 was confirmed, and which were in effect at that time. This is a matter which received judicial comment in each case, and which probably had some influence in the determination that such enactments were not repugnant to that instrument. And yet it was apparently felt that such or similar methods, when applied to new kinds of taxes, should be tested by the standards of uniformity and equality expressed in that instrument, without disturbing the status quo. Following, then, are some of the methods of taxation in effect prior to 1873 and thereafter, but which furnish no precedent otherwise, in so far as new and later subjects of taxation are concerned.

1. *Mercantile License Tax*. The Act of 1841⁸ imposed a tax on wholesale and retail dealers on the basis of annual sales. The tax varied from \$7 to \$200 (one-half if the merchandise was the product of the United States), on annual sales ranging from sales of less than \$5,000 to sales in excess of \$300,000.

2. *Occupation Tax*. The Act of April 29, 1844⁹ provided that “Salaries and emoluments of office, all offices, and posts of profit, professions, trades and occupations, except the occupation of farmers, together with all other things now taxable by the laws of this Commonwealth, shall be valued and assessed and subject to taxation for the purposes of this act mentioned, and for all State and county purposes whatsoever.”

3. *Capital Stock Tax*. The Act of April 29, 1844¹⁰ also imposed the following tax on capital stock: Whenever a corporation

⁶ *Turco Paint & Varnish Co. v. Kalodner*, 320 Pa. 421 (1926).

⁷ *American Stores Co. v. Boardman*, 336 Pa. 36 (1939).

⁸ P. L. 307, sec. 9.

⁹ P. L. 486, sec. 32.

¹⁰ P. L. 486, sec. 33.

failed to declare a dividend of 6% or more, the tax was three mills on every dollar of the appraised value of the stock. Whenever a corporation declared a dividend of 6% or more, the tax was one-half mill on each one per centum of such dividend.

It will be conducive to a proper understanding of the meaning of uniformity and equality, as interpreted by the Supreme Court of Pennsylvania, to review briefly the principal tax laws which have been challenged since the adoption of the Constitution of 1873, and the conclusions reached by that Court on the specific issues involved. The following arrangement is based on the first appeal directed at each of the respective subjects.

1. Corporate Franchise Tax

Certain features of a corporate franchise tax were considered by the Supreme Court in 1875. The Act of April 27, 1874¹¹ imposed a franchise tax upon corporations authorized to mine, purchase, or sell coal, at the rate of three cents per ton of 2240 pounds. This statute was challenged on two grounds, first, because individuals and partnerships were not included; and second, on the theory that a property tax, "without any regard to values, is unconstitutional." In sustaining the classification, and deciding that the tax was upon the privilege of engaging in such business, rather than a tax on specific property, and consequently need not have ad valorem attributes, it was said by Mr. Chief Justice AGNEW:

"We are of opinion that the tax imposed by the 7th section of the Act of April 24th 1874 is upon the corporate franchise of this company measured by its business, to wit: by the number of tons of coal mined or purchased and sold by it, and is not upon the coal itself. The tax thus imposed upon the franchise is uniform, it being at the rate of three cents upon every gross ton mined or purchased and sold. The argument against the tax must therefore deny the right of classification. The classification here is of incorporated coal mining, and purchasing and selling companies, and the subject of taxation, their franchise or privilege of pursuing this business. Now, what is there to prevent the legislature from making this class? It is not expressly forbidden in the first section of the ninth article of the constitution We must conclude, therefore, that a classification of coal-mining and purchasing and selling companies, is not beyond the legislative power, and the tax being clearly uniform upon their business, measured by the extent of it, is not only within the meaning of the constitution, but is equal and just."¹²

¹¹ P. L. 68.

¹² *Kittanning Coal Co. v. Com.*, 79 Pa. 100 (1875).

2. Occupation Tax

An occupation tax was before the Supreme Court in 1885, and before the Superior Court in 1924.

First. Pursuant to the Act of March 18, 1875,¹³ the city of Williamsport adopted an ordinance which directed that a certain tax should be imposed upon "all personal property, and all objects and things assessed as unclassified." The assessors were directed to "assess all offices and posts of profit, professions, trades, and occupations," according to the income derived from each. This was done with respect to laboring men, clerks, and professional men, while bankers and business men were assessed in proportion to the sum that it would cost to hire a clerk to perform their duties. As a result the assessments were crude and chaotic, and were characterized by various deductions and exemptions. The Supreme Court, on appeal, conceded the validity of an occupation tax, and a reasonable classification for that purpose, but found fault with the inequality which resulted from lack of any uniformity in the assessments. As said by Mr. Justice PAXSON:

"The tax we are considering is especially odious from the fact that it assumes to tax the income derived from labor and exempts the income derived from capital Yet so crudely was the matter done, that there appears to have been no uniformity even in the want of uniformity."¹⁴

Second. The Act of April 29, 1844¹⁵ authorized a tax on various occupations for state and county purposes, but excluded the occupation of farmers. The present statute contains the same exemption.¹⁶ In disposing of the exclusion of farmers as a valid classification, rather than an outright exemption, it was said by Judge HENDERSON:

"As will be observed the Act of 1844 makes six classifications of subjects which may properly come within the general denomination of occupations: They are, salaries, offices, posts of profit, professions, trades and occupations except farmers. That is, the class of persons known as farmers are not included within the subjects of taxation and there is reason for the distinction The land on which they labor is taxed as is the increase of their herds and the legislature evidently had these conditions in view in excluding them from the class of subjects made liable to an occupation assessment The legislature had authority to select the classes of subjects of taxation and they did not select a class including farmers."¹⁷

¹³ P. L. 15.

¹⁴ Banger's Appeal, 109 Pa. 79 (1885).

¹⁵ P. L. 486, 72 Purd. Stat. sec. 4781.

¹⁶ Act of May 22, 1933, P. L. 852, 72 Purd. Stat. sec. 5020-201.

¹⁷ Thompson v. Indiana County, 83 Pa. Superior Ct. 248 (1924).

3. Personal Property Tax

The tax on intangibles was considered by the Supreme Court in 1886. The Act of June 30, 1885¹⁸ imposed a tax of three mills on the value of mortgages, bills, notes, bonds, judgments, agreements and accounts bearing interest, etc., but excluded from its operation any such property owned by corporations and by building and loan associations. It was declared to be a supplement to an act which imposed a tax on capital stock. In sustaining this classification it was said by Mr. Justice PAXSON:

“The Act of 1885 being a supplement to the Act of 1879, the two acts must be read together, and thus read we have in the one a tax of three mills on mortgages, etc., in the hands of individual citizens, and what is practically and legally, although not in name, a similar tax upon the same class of subjects in the hands of corporations. Wherein then is the lack of uniformity, and wherein has the legislature made a discrimination in favor of corporations as against individual citizens While a different mode of assessing taxation is adopted in dealing with the tax on corporations from that of taxing money in the hands of individuals, the result is substantially the same.”¹⁹

This statute, however, excepted notes or bills for work or labor done. Here, then, is the first clear cut ruling on the validity of an exemption of property. On this point it was held:

“The exception of ‘notes or bills for work or labor done’ is clearly a violation of the IXth article of the Constitution. This belongs to a species of class legislation that has become very common, more common than commendable, the object of which is to favor a particular class at the expense of the rest of the community. So far as such legislation affects the question of taxation the constitution has put an end to it. There can be no more of it. Nor should there be. The constitution protects all classes alike; the poor and the rich equally enjoy its benefits, and all must share the burden which it imposes. However popular such legislation may be, it cannot be sustained under our present constitution.”²⁰

4. Mercantile License Tax

Certain features of a mercantile license tax have been challenged before the Supreme Court in 1890, 1896, and on two occasions in 1900.

First. On July 8, 1882, the City of Allentown adopted an ordinance which classified vendors of merchandise, and which imposed a tax based on gross annual sales, and a supplemental ordinance on August 27, 1886, which provided for the licensing of various occupations. The rates are

¹⁸ P. L. 193.

¹⁹ Fox's Appeal, 112 Pa. 337 (1886).

²⁰ *Ibid.*

not set forth in the report. Defendant, a proprietor of a restaurant and saloon, objected to these enactments as lacking uniformity. Both were upheld by the lower court as a valid classification of the subjects of taxation. This action was affirmed by the Supreme Court in a PER CURIAM order.²¹

Second. On April 3, 1893, the City of Williamsport adopted an ordinance which imposed an annual license tax upon various kinds of business. Merchants were classified into nine classes, on the basis of gross annual sales ranging from \$25 to \$75,000, and a tax was assessed against each class, respectively, ranging from \$25 to \$100. The decision of the lower court in favor of the constitutionality of this ordinance was sustained in a brief PER CURIAM opinion. The lower court had made the following observation:

“The power of classification is inherent in the power of taxation, and, in my judgment, the only limitation upon this power is that such classification be made in such manner as to produce as great uniformity and equality of taxation as possible I will go further and affirm that, in my judgment, if the subjects named were taxed without regard to the amount of their sales that it would be most unjust and inequitable, and such assessment could not produce uniformity.”²²

Third. On June 25, 1888, the City of Titusville adopted an ordinance imposing an annual license tax upon various kinds of business. Retail and wholesale merchants were classified separately. The tax against retail merchants varied from \$5 to \$100, according to sales ranging from \$1000 to \$60,000 or more. The tax against wholesale merchants varied from \$5 to \$60, according to sales ranging from \$2500 to \$100,000 or more. The opinion and decision of the lower court was affirmed by the Supreme Court in a brief PER CURIAM announcement. With respect to this part of the ordinance, it was said by the lower court:

“We see no objection to classifying wholesalers and retailers separately Classification according to the amount of business done has been frequently recognized in this commonwealth and by our federal courts The right to make such classification seems to be settled by our courts The right to make the classification being determined, we have no doubt as to the legislative authority to impose different ‘rates’ upon the several classes.”²³

This ordinance, however, exempted from its operation, contractors doing an annual business of less than \$1000. Here, then, is the first

²¹ *Allentown v. Gross*, 132 Pa. 319 (1890).

²² *Williamsport v. Wenner*, 172 Pa. 173 (1896).

²³ *Com. v. Clark*, 195 Pa. 634 (1900).

clear cut ruling on the validity of an exemption of persons. On this point it was held:

“This exemption is class legislation, which is forbidden by the constitution, and not in any way or under any guise to be tolerated. This portion of the ordinance must fall, but this defect alone does not render the entire ordinance void.”²⁴

Fourth. The Act of May 2, 1899²⁵ provided that retail dealers should pay an annual mercantile license tax of \$2, and one mill on each dollar of business transacted annually; that wholesale dealers should pay an annual mercantile license tax of \$3, and one-half mill on each dollar of business transacted annually; and that dealers at any exchange or board of trade should pay a mercantile license tax of 25¢ on each one thousand dollars of goods sold. In approving the validity of this statute, it was said by Mr. Justice MITCHELL:

“This court, as thus appears, has not decided that a tax such as now before us is a tax upon property, requiring uniformity in the rate As already said, even regarding it as a tax upon property directly, it could be sustained as a classification according to the use and purpose for which the property is held For each of these classes a uniform rate is fixed per dollar of business transacted. Such a tax is ‘uniform upon the same class of subjects’ within the requirements of the constitution.”²⁶

5. Capital Stock Tax

The validity of a capital stock tax was decided by the Supreme Court in 1891. The Act of June 7, 1879²⁷ provided that corporations which made or declared, during any year, dividends amounting to six per centum or more upon the par value of their capital stock, should be taxed at the rate of one-half mill for each one per centum of dividend; otherwise, at the rate of three mills for each dollar of the actual value of the stock. In sustaining this act it was said by Mr. Justice WILLIAMS:

“Why the net earnings were not adopted as the proper measure of value, instead of so much of them as may be divided or carried to the sinking fund, it is not material to inquire. The standard adopted is applied impartially. Whether it is the best one that could have been adopted or not, is more a legislative than a judicial question, and the learned judge was right in his conclusion that the provisions of the act of 1879, relating to this subject, are not objectionable on constitutional grounds.”²⁸

²⁴ *Ibid.*

²⁵ P. L. 184, 72 *Purd. Stat.* sec. 2621.

²⁶ *Knisely v. Cotterel*, 196 Pa. 614 (1900).

²⁷ P. L. 112.

²⁸ *Com. v. Brush Electric Light Co.*, 145 Pa. 147 (1891).

It should be noted at this point that the proponents of the various tax measures began to press more vigorously upon the Court what was contended to be a logical conclusion to be derived from the first and second sections of Article IX. It will be recalled that Section 1, which declares that all taxes shall be uniform, with certain specific exceptions, is followed by Section 2, which declares that all laws exempting property, other than the property so enumerated in Section 1, should be void. Was it not logical to assume that the injunction in Section 2, prohibiting all laws exempting property from taxation, applied only to a property tax, and that all other taxes—license, privilege, occupation, excise, succession, income, or such taxes by any other name—were not subject to that prohibition? This argument has been fairly met by the Supreme Court, on several occasions, with the reply that notwithstanding the injunction against property exemptions, as contained in Section 2, Section 1 still provides that “all taxes” shall be uniform, and that the phrase “all taxes” could not fairly be construed to mean “property taxes” alone. Furthermore, the Court has pointed out, as a secondary consideration, that it is by no means clear that certain of these taxes are not property taxes, including the tax upon income.

6. Inheritance Tax

Certain phases of an inheritance tax have been challenged before the Supreme Court on two principal occasions, first in 1899 and again in 1934.

First. The Act of May 12, 1897²⁹ imposed an inheritance tax of two dollars on every one hundred dollars of the clear value of personal property, with the proviso that personal property to the amount of five thousand dollars should be exempt. In rejecting the validity of this enactment, it was said by Mr. Chief Justice STERRETT:

“The language of section 1, as to what the rule of uniformity shall embrace, is as broad and comprehensive as it could possibly have been made. The words, ‘all taxes,’ must necessarily be construed to include property tax, inheritance tax, succession tax and all other kinds of tax the subjects of which are susceptible of just and proper classification. By necessary implication, the first clause of that section recognizes the authority of the legislature to justly and fairly, but never arbitrarily, classify those subjects of taxation with the view of affecting relative equality of burdens. A pretended classification that is based solely on a difference in quantity of precisely the same kind of property is necessarily unjust, arbitrary and illegal.”³⁰

Second. The United States Revenue Act of 1926³¹ permitted the states to appropriate 80% of the progressively graduated federal inheritance

²⁹ P. L. 56.

³⁰ Cope's Estate, 191 Pa. 1 (1899).

³¹ 44 Stat. 70, sec. 301 (b), 26 USCA sec. 1093.

tax. In order to appropriate this credit, the Legislature of Pennsylvania, by Act of May 7, 1927,³² added this differential to the existing state inheritance rates. As a consequence, the amounts payable into the state treasury were determined by the graduated federal tax schedules, with respect to those estates large enough to be taxable under the federal law. The Supreme Court of Pennsylvania observed, in an appeal challenging the state law, that if the State of Pennsylvania did not appropriate this differential, it would have to be paid into the federal treasury, consequently no prejudice resulted to beneficiaries who were called upon to pay the tax. Under these circumstances the Court applied the rule that a person not injured by the statute, has no standing to challenge its constitutionality.³³ There is dictum in this opinion to the effect that the constitutional requirement of uniformity does not apply to the taxation of privileges, but this was impliedly overruled in a subsequent decision.³⁴

7. Personal Income Tax

The constitutionality of a personal income tax has been challenged before the Supreme Court on three occasions, 1935, 1938, and again in 1940.

First. The Act of July 12, 1935,³⁵ imposed an annual tax upon the entire net income of residents of Pennsylvania, and upon the net income received by non-residents from property owned or from any business or occupation carried on within this Commonwealth. Numerous exemptions were permitted for the computation of "gross income", as well as deductions for the determination of "net income." Taxpayers were allowed a deduction for living expenses in the amount of \$1000 in the case of a single person, and \$1500 for the head of a family or a married person. In addition a deduction of \$400 was authorized for each dependent under eighteen years of age. The tax imposed at the rate of two per centum of the amount of incomes not exceeding \$5000; two and one-half per centum of the amount over \$5000 but not exceeding \$10,000; three per centum of the amount over \$10,000 but not in excess of \$25,000. Higher rates were applied on incomes within higher brackets, with a provision taxing all income over \$100,000 at the rate of eight per centum. The proponents of this measure vigorously contended that this was an excise, not a property tax, and that the constitutional requirements of uniformity applied only to property taxes. In disposing of this contention it was said by Mr. Chief Justice FRAZER:

"We are at liberty to determine the question along normal, natural lines. In so doing we are inevitably impelled to the conclusion that an income tax is a property tax. This result seems particularly

³² P. L. 859, 72 Purd. Stat. sec. 2303.

³³ Knowles's Estate, 295 Pa. 571 (1928).

³⁴ Rowell's Estate, 315 Pa. 181 (1934).

³⁵ P. L. 970, 72 Purd. Stat. sec. 3402.

clear in so far as a tax upon the income from real and personal property is concerned. On behalf of defendants the argument is made that excise taxes by their nature are not adapted to the rule of uniformity, since 'it is highly impracticable, if not impossible, to classify the subjects upon which a tax is levied according to value.' Be that as it may, the objection remains that the Constitution declares '*All taxes shall be uniform upon the same class of subjects*' and we are not at liberty to disregard this plain mandate of the law upon the ground of inconvenience. Our conclusion is, then, that our previous cases do not justify defendants' assertion that excise taxes need not be uniform in application, and that the tax in question, even though considered an excise, may nevertheless be subject to the constitutional requirement. It is unnecessary to settle the question at this time, however. We find this tax to be, in part at least, a property tax which plainly and without question violates the constitutional rule regarding uniformity, and for that reason must be declared void. Even though the operation of the act might possibly be valid in some instances, the good and the bad are so inseparably interwoven that we are obliged to reject the levy in its entirety."³⁶

The Court was also urged to sustain the tax because of the excessive share of taxation borne by real estate, and on the ground that the tax burden should be more equitably distributed. On this point it was said: "Obviously, we need not dwell on this proposition. The Constitution is the fundamental law of the commonwealth and cannot be flagrantly violated even for the reasons just stated. If such were not the case, there would be no stability in our law, and under the guise of necessity every mandate of the Constitution would in time be infringed. We will not lend our assistance to such a scheme."³⁷

Second. On November 26, 1938, the City of Philadelphia adopted an ordinance imposing an annual tax at the rate of 1½% on salaries, wages, and other compensation earned by residents of Philadelphia and on the net profits of business or other activities conducted by such residents; and upon salaries, wages, and other compensation earned by non-residents of Philadelphia for work done or services performed in the city and on the net profits of business or other activities conducted in the city by non-residents. It further provided that domestic servants in private homes, farm laborers or farmers selling their own products should not be included within the meaning of "taxpayer" as used in the ordinance; that each taxpayer should receive a credit of \$15 upon making and filing the return required under the ordinance; and that the amount of taxes paid to the city on the taxpayers' residence, whether paid by the taxpayer or another, or a proportionate part of such taxes if the taxpayer occupied

³⁶ *Kelley v. Kalodner*, 320 Pa. 180 (1935).

³⁷ *Ibid.*

but a part of the premises, could be deducted as a credit from the total amount of the tax imposed by the ordinance. The constitutionality of this ordinance was disposed of by the Supreme Court in the following PER CURIAM opinion:

“Under the severability clause in the income tax ordinance (cited), the majority, one Justice disagreeing, hold that the income tax ordinance is constitutional, with all exemptions stricken out, including the credit for making and filing the return, and the ordinance must be read as though such exemptions and credit for making and filing the return were not included.”³⁸

Third. On December 13, 1939, the City of Philadelphia adopted a second ordinance (the first was repealed on January 7, 1939), imposing a tax, without exemptions, on salaries and wages earned by residents; on the net profits of businesses or other activities conducted by residents; on salaries and wages earned in the city by non-residents; and on the net profits of businesses or other activities conducted in the city by non-residents. The constitutionality of this ordinance was upheld by the lower court on the authority of the decision noted above. The opinion of the lower court was affirmed by the Supreme Court in a PER CURIAM order.³⁹

8. Corporate Net Income Tax⁴⁰

A tax on corporate net income was before the Supreme Court in 1936. The Act of May 16, 1935,⁴¹ imposed an income tax designed to constitute a levy on business associations, foreign and domestic, for the privilege of doing business in the State. It was intended to reach corporations doing business wholly within the State and those doing business partly within and partly without the State. The Act did not impose a tax on income, as such, but was intended as a tax on a privilege measured by net income. The tax was measured by 6% of the net earnings or profits gained within the State during the year, at the rate of 6% upon each dollar of net income. Where the corporations's entire business was transacted within the State, net income was defined as that returned to the federal government, less federal tax. Where the corporation's business was not entirely transacted in the State, the tax was imposed on such portion of net income as was attributable to operations within

³⁸ *Butcher v. Philadelphia*, 333 Pa. 497 (1938).

³⁹ *Dole v. Philadelphia*, 337 Pa. 375 (1940).

⁴⁰ The Act of June 28, 1923, P. L. 876, imposed an emergency profits tax of one-half of one per centum per annum, for two years, upon each dollar of net income of every corporation during the years 1923 and 1924. The term "net income" was defined to mean the net income as returned to the federal government, together with all interest and dividends. On Appeal to the Supreme Court, the substantive question involved was whether the same deductions provided in the federal law, i. e., losses sustained in previous years, were applicable. In deciding this in the negative, it was said by Mr. Justice SCHAFFER: "If the legislature had intended to allow all deductions which were allowed by the federal government, it would have been easy to say so, but the legislature has not used that language." *Com. v. Chambersburg Engineering Co.*, 287 Pa. 54 (1926).

⁴¹ P. L. 208, 72 *Purd. Stat. sec.* 3420a.

Pennsylvania for the fiscal year. The determination of this income was through a method of apportionment calculated upon three factors, namely, tangible assets, gross receipts and payroll. In sustaining this levy it was said by Mr. Chief Justice KEPHART:

"Where *different* rates are legislatively imposed on varying amounts or quantities of the *same* tax base, then you have a graded tax that lacks uniformity under our Constitution. See *Kelley v. Kalodner*, 320 Pa. 180. To create a graded tax it is generally necessary that the rate itself be a variable factor even though the base may remain constant, or it may be that in particular cases such a tax may result because of intangible differentiations in subject-matter with the imposition of a different rate upon each of them. The impost which varies in levels of the tax base thus defined becomes graded and lacks uniformity under our Constitution. This is not a graduated income tax."⁴²

9. Sales Tax

A sales tax was challenged before the Supreme Court in 1938. On February 24, 1938, the City of Philadelphia passed an amended ordinance, known as the City Sales Tax Ordinance, under which a tax of two per centum was levied upon all retail sales within the city limits from March 1, 1938 to December 31, 1938, with the exception of certain sales of food, drugs, newspapers and periodicals. Included within the act, however, were sales of "Food, drink (other than alcoholic beverages) and entertainment in restaurants, cafes and similar establishments, including in the amount of such receipts any cover or minimum or other charges made to patrons where the charge to the patron (was) one (\$1) dollar or more, in which event the tax (was) imposed on the full amount of the charge to each such patron." With respect to this exemption, it was said by Mr. Justice DREW:

"The intention of the council seems to have been to exempt cover charges under one dollar and tax those over one dollar. The necessity for uniformity and the invalidity of any graduated tax made such exemption void; consequently 'food, drink . . . and entertainment in restaurants, cafes and similar establishments, including in the amount of such receipts any cover or minimum or other charge . . .' are liable to taxation at the uniform rate."⁴³

10. Specific Property Tax

The requirements of a tax on specific property were reviewed by the Supreme Court in 1938. The Act of November 22, 1933,⁴⁴ as amended

⁴² *Turco Paint & Varnish Co. v. Kalodner*, 320 Pa. 421 (1936).

⁴³ *Blauner's Inc. v. Philadelphia*, 330 Pa. 342 (1938).

⁴⁴ P. L. 5, 47 *Purd. Stat. sec. 780*.

by the Act of December 22, 1933,⁴⁵ imposed a state floor tax upon spirituous and vinous liquors lodged or stored in the Commonwealth, until such time as the Twenty-first Amendment to the Constitution of the United States was ratified. The tax was at the rate of \$2 on each proof gallon, regardless of value. As a consequence, the ratio of the tax to the value of the property varied from 12½% on whiskey at \$16 a gallon, to 500% on alcohol valued at forty cents a gallon. The Commonwealth conceded that this was a property tax, but contended that it need not have any ad valorem attributes. In overruling this contention, it was said by Mr. Justice MAXEY:

“The burden of a property tax rests upon the property on which it is imposed and if the same tax is laid on two properties of unequal supporting economic power, the burdens are unequal. A two dollar tax on a unit of liquid property of the value of two dollars while the same tax is laid on the same unit of liquid property of the value of four dollars is just as much an offense against the constitutional prescription of uniformity as in the more extreme examples presented by this record. Uniformity of taxation means equality of tax burden. A tax to be uniform must operate alike on the classes of things or property subject to it. The tax herein challenged presents an outstanding example of a legislatively imposed inequality of burden, and to protect the citizen against it is a judicial duty . . . We also hold that the severability clause of the Floor Tax Statute cannot save it. After excising the parts of this statute which trench upon the Constitution, nothing remains that can effectively function.”⁴⁶

11. Chain Store and Theatre Tax

The validity of a graduated store and theatre tax was before the Supreme Court in 1939. The Act of June 5, 1937⁴⁷ imposed an annual license tax upon every person opening, establishing, operating, maintaining or controlling one or more stores or theatres within the Commonwealth. The tax increased progressively with the number of stores or theatres in each chain. For one unit the tax was \$1; from 2 to 5 units, \$5; from 6 to 10 units, \$10; from 11 to 15 units, \$20; from 16 to 20 units, \$30; from 21 to 30 units, \$50; from 31 to 50 units, \$100; from 51 to 75 units, \$200; from 76 to 100 units, \$250; from 101 to 200 units, \$350; from 201 to 500 units, \$450; and for more than 500 units, \$500. In disposing of the constitutionality of this tax, it was said by Mr. Justice DREW:

“This court has long held and it is now well established in this Commonwealth that a progressively graduated tax is lacking in uni-

⁴⁵ P. L. 94, 47 Purd. Stat. sec. 782.

⁴⁶ Com. v. A. Overholt & Co., Inc., 331 Pa. 182 (1938).

⁴⁷ P. L. 1656, 72 Purd. Stat. sec. 3420-1-11.

formity and violates article IX, section 1, of our Constitution . . . Whether the statute imposes a progressively graduated tax on income or, as does the act here before us, on the operation of stores or theatres within the Commonwealth, it lacks uniformity and hence is unconstitutional . . . Whether the tax attempted to be imposed by the act in question be termed a property or excise tax makes no difference in determining its uniformity under article IX, section 1, of the Pennsylvania Constitution, for there it is clearly provided that 'all taxes shall be uniform.' . . . Since the principles of equality and uniformity are so firmly imbedded in the Constitution of this Commonwealth and in our decisions, we have no alternative but to declare the 'Store and Theatre Tax Act' to be in violation of article IX, section 1, of the Constitution of Pennsylvania." ⁴⁸

Conclusions

The conclusion is obvious, from a review of these decisions, that the constitutional requirement of uniformity in taxation was not adopted for an idle purpose, and was intended to mean something, although there has been some lack of uniformity of judicial expression as to what uniformity of taxation does actually mean. Terminology may be in part responsible. It is said that a tax based upon property values does not require the same ad valorem attributes as a tax in rem, if the former is a license tax and the latter is a tax on the property itself. This distinction is somewhat illogical. "Equality of burden," as a theoretical concept, is not inconsistent with "ability to pay", in so far as the latter is implied in a progressively graduated income levy. As observed by the Chief Justice on one occasion, "Persons pay taxes, not property." ⁴⁹

Aside from theoretical considerations, however, certain fundamental principles appear in the decisions. The requirement of uniformity applies to all taxes, not merely to a property tax, although applied more stringently with regard to the latter. Classification must bear some reasonable relation to the subjects of the tax, and the same may be said of assessments. Aside from these incidents, the opinions fairly condemn progressively graduated schedules, and all manner of exemptions inconsistent with a reasonable classification of the subjects of taxation. It is clear, however, that uniformity is only a relative concept. According to the views most recently expressed, "There is no such thing as perfect uniformity and equality in taxation. The best that can be done, and all that is required, is that it should approximate uniformity and equality as nearly as possible. The requirement of uniformity does not demand mathematical precision." ⁵⁰

⁴⁸ *American Stores Co. v. Boardman*, 336 Pa. 36 (1939).

⁴⁹ *Kittanning Coal Co. v. Com.*, 79 Pa. 100 (1875).

⁵⁰ *Wilson v. Philadelphia*, 330 Pa. 350 (1938).

In 1913, 1928, and again in 1937, the electorate rejected proposed amendments to Article IX, which would have made possible the imposition of graduated schedules. Any such amendment, under the amending clause,⁵¹ must be approved by the legislature at two consecutive sessions, and may not be submitted to the electorate "oftener than once in five years."⁵² In 1939 the legislature authorized the following proposal: "Income inheritance and estate taxes shall be levied and collected under general laws, but such laws may grant exemptions and may impose graded or graduated rates; but no intangible personal property shall be subject to any other State or local tax either on income or capital values during any time that the income therefrom is taxed under any law imposing an income tax on individuals."⁵³ This proposal differs from the former by the express exclusion of intangibles during the continuance of a personal income levy. It is possible that this feature might overcome the antagonism of the electorate to exemptions and progressive rates. Some such amendment would appear to be imperative before the Commonwealth of Pennsylvania will be able to modernize its tax structure.

⁵¹ Article XVIII.

⁵² See *Com. v. Lawrence*, 326 Pa. 526 (1937).

⁵³ 1939 Pamphlet Laws, p. 1217.

Appendix B. Statistical Estimations: Definitions and Techniques

TABLE OF CONTENTS

	Page
Section I. Introductory	259
Section II. Business Tax Impact Differentials, Estimation Techniques	259
A. The Necessity for Constructing Mean Effective Industrial Real Estate Tax Rates	259
B. Definition of the Phrase Mean Effective Industrial Realty Tax Rate ..	260
C. Definition of 'Industrial County' ..	260
D. Estimation of Mean Effective Industrial County Tax Rates	260
E. The Limitations of Mean Effective (Weighted and Unweighted) Industrial Real Estate Tax Rates ..	263
F. Definition of Competing Industrial States	264
Section III. Estimation of Taxes Payable by Families in Different Income Groups	266
A. Composition, Income and Expenditure Patterns of the Average Urban Family	266
B. Pennsylvania Taxes Payable by the Average Urban Family	266
C. The Relationship Between the Pennsylvania Intangibles or Personal Property Tax and the Federal Income Tax: an Illustration	266
Section IV. Estimation of the Probable Net Yield of a Pennsylvania State Clear Income Tax	268
Section V. Estimation of the Probable Net Yield of a Pennsylvania State Total Income Tax	272
Section VI. Estimation of the Probable Net Yield of a Pennsylvania State Earned Income Tax	272
Section VII. Estimation of the Probable Net Yield of a Pennsylvania State Progressive Income Tax	275
A. Some Aspects of the Problem	275

	Page
B. The Nature of the Available Data	275
C. Some Necessary Adjustments of the Wisconsin Data	276
D. Estimation of Frequency Distribu- tion of Taxable Income of Penn- sylvania Residents for 1936	278
E. Estimation of Frequency Distribu- tion of Taxable Income of Penn- sylvania Residents for 1940	283

Appendix B

Statistical Estimations: Definitions and Techniques

Section I

Introductory

Throughout the various chapters of the preceding Report extensive use has been made of statistical estimations. The nature of some of these estimations is simple and does not require further explanation. Other estimations, however, involve the making of sets of assumptions and rather complex statistical manipulations. Appendix B¹ represents a general outline of the statistical operations performed as well as a statement of the assumptions made in connection with these manipulations. In the main, Appendix B follows, as far as the nature of the subject matter permits, the topic sequence adhered to in the Report.

Section II of Appendix B is devoted to a discussion of the techniques used in connection with the estimation of business tax impact differentials, which are dealt with in Chapter IV of the Report. Coincidentally to the discussion of these estimation techniques such terms as e. g. 'presumably competitive state' and 'adjusted mean effective industrial realty tax rate,' which occur throughout the Report, are defined.

Section III is primarily concerned with statistical techniques used in connection with the 'tax-due-income' ratios presented and discussed in Chapter V of the Report.

Sections IV, V, and VI outline the statistical techniques used in connection with the estimation of the net yield of miscellaneous taxes which are discussed in Chapter VI of the Report.

Section II

Business Tax Impact Differentials: Estimation Techniques

A. The Necessity for Constructing Mean Effective Industrial Real Estate Tax Rates

The determination of the rates of the real estate taxes is left by all states to local discretion, such discretion being limited typically by provisos which specify the maximum realty tax rates which minor jurisdictions may impose upon taxable realty. Because of the latitude which state legislatures permit to their minor jurisdictions with regard to the determination of local real estate tax rates, these rates tend to vary widely. Though wide variations exist in local realty tax rates, an attempt must be made to select the typical or average rates which prevail in the industrial

¹ Appendix B was prepared by Paul H. Wueller with the assistance of Mr. Morris Cohen and Dr. Clyde H. Graves, all of the staff of the Pennsylvania State College.

sectors of a given state if significant state tax impact differentials are to be computed.

B. Definition of the Phrase Mean Effective Industrial Realty Tax Rate

For the purpose in hand, a mean effective rate for a given locality is defined as the sum total of real estate tax levies over the sum total of the market values of real property subject to the tax. Similarly, the mean effective rate for a county is defined as the sum total of levies imposed in a given county over the sum total of market values of taxable properties within the county.

C. Definition of Industrial County

If the task in hand were the determination of typical differences in realty taxes imposed upon residential property, one would confine one's attention to realty rates levied against residential property. Inasmuch as the problem under consideration is the determination of typical state differences in real estate tax rates assessed against manufacturing properties, an attempt has been made to segregate the rates assessed against manufacturing properties from those assessed against other types of property. In view of the limited data, no completely satisfactory segregation was attainable. However, a first approximation of satisfactory segregation was attempted by selecting the industrial counties of different states and computing the mean effective realty tax rates prevailing in these counties. In justification of this approach, it may be pointed out that manufacturing enterprise tends to concentrate in certain counties. For purposes of the subsequently outlined computation a county in a given state was designated as *industrial* if it was found to account for more than one per cent of the total 'value added by manufacture' in that state.¹

D. Estimation of Mean Effective Industrial County Tax Rates

The table below shows unweighted and weighted mean effective industrial county tax rates for selected states.

Column 1, Table B-I, lists the states which may be presumed to compete with Pennsylvania on the basis of the 'value added' criterion in the manufacture of principal products.

The basic materials for Cols. 5, 6, and 7 have been obtained from:

1. *Moody's Governments and Municipals*, Moody's Investors' Service, New York, 1940.
2. *Prentice-Hall State Tax Services*, 1940, for the following states:

¹ For the criteria underlying the selection of industrial states for which mean effective industrial county tax rates have been constructed, see, *Appendix B*, p. B-12 and following.

Table B-1

UNWEIGHTED AND WEIGHTED MEAN EFFECTIVE INDUSTRIAL COUNTY REAL PROPERTY TAX RATES FOR
SELECTED STATES

Name of State	Number of Items in Sample			Adjusted Average Rate		Average of NMR Rates	Weighted County Rate Based Upon Columns (5) and (6)	
	Moody's	Prentice- Hall	NMR	Moody's	Prentice- Hall		Moody's	Prentice-Hall
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Pennsylvania	79	79	18	\$26.5094	\$27.9966	\$26.1500	\$24.4431	\$25.6350
California	27	20	17	24.7215	27.3031	25.4753	24.3455	29.0582
Connecticut .....	..*	46	7	.....	22.5728	27.0929	.....	22.3549
Illinois	21	..*	13	24.2806	.....	21.1169	29.9741	.....
Indiana	21	16	8	24.4549	23.8609	25.2100	23.8493	22.2248
Massachusetts	79	307	23	36.4957	34.6755	37.9739	37.7149	36.1544
Michigan	26	17	15	23.8323	24.2869	25.2360	25.8770	26.5310
New Jersey	83	42	17	44.8179	38.8652	41.0035	44.0945	38.0199
New York	49	28	14	28.5643	30.8206	32.5271	29.4171	29.1257
North Carolina	9	9	5	17.8950	17.4761	16.9440	17.4243	16.0324
Ohio	40	33	17	17.5529	18.8125	15.9865	18.4740	20.7300
Tennessee	6	8	4	22.8913	25.6578	28.7200	27.0208	28.5851
West Virginia	24	9	2	18.0759†	15.8307	13.4800	17.9393	15.6493
Wisconsin	32	32	10	28.7755	28.6904	28.9970	29.1001	29.1714

Legend:

Col. (2) *Moody's Governments and Municipals*, New York, 1940.
 Col. (3) *Prentice-Hall State Tax Services*, 1940, for the states under con-
 sideration.
 Col. (4) *National Municipal Review*, December, 1938, and December, 1939.

Cols. (5) and (6) Per \$1000 of Market Value.
 Cols. (8) and (9) Weighted according to "Value Added by Manufacture,"
U. S. Census of Manufactures, 1937.
 * No data given.
 † Class III and Class IV Property.

Pennsylvania, New York, New Jersey, Massachusetts, Indiana and West Virginia.

3. *National Municipal Review*, December, 1938 and December, 1939.
4. Pennsylvania Department of Commerce, *Pennsylvania Planning*, Vol. 6, No. 5, Harrisburg, May-June, 1940.

The sources of the basic information as listed above differ in some important respects.

Moody's and Prentice-Hall furnish nominal tax rates² for numerous communities located in selected states. In addition, these sources present what, in the judgment of their compilers, appear to be adequate assessed value—market value ratios for taxable real estate.

The typical procedure in constructing Cols. 5 and 6 has been to multiply the nominal rates by the pertinent assessment ratios. Throughout, an attempt has been made to associate nominal tax rates and assessed value—market value ratios as given by a specific source.

In connection with the problem of associating assessed-market value ratios and nominal rates, it should be observed that Moody's at times furnishes but one assessed-market value ratio applicable to the nominal rate of but one levying jurisdiction. Whenever this case arose, it has been assumed that the one ratio furnished was typical for all levying jurisdictions, and the multiplication required has been made accordingly. In contradistinction to the Moody's practice, Prentice-Hall supplies what appear to be adjusted over-all assessed-market value ratios. To the extent that the Prentice-Hall ratios adequately reflect the assessment situation, the assumption implicit in treating the Moody's materials need not be made.

In addition, it should be noted that Prentice-Hall does not furnish assessed-market value ratios for Massachusetts. To compensate for this lack of source material, the modal Moody's ratio for Massachusetts has been associated with the nominal Massachusetts rates as given by Prentice-Hall.

Similarly, in the case of Pennsylvania, nominal rates as furnished by Prentice-Hall have been associated with the assessed-market value ratios as estimated by the Superintendent of Public Instruction and reproduced by the *Pennsylvania Planning Board*.

In connection with the general problem of constructing the rates as shown in Col. 5, it should be further noted that at times the nominal rate of a specific jurisdiction, such as a school district for a given year has been combined with a nominal rate for another year of a different specific jurisdiction, such as a sanitation district. It should be noted, however, that in no case did the time period in question exceed three years. In the light of what is generally known about the stability of tax rates, this

² The term nominal rates is defined as the ratio 'tax levy' over 'assessed value.'

time interval would not seem sufficiently long to seriously distort the results.

As regards Col. 7, it should be observed that the above enumerated difficulties were not encountered because the *National Municipal Review* furnishes mean effective rates which call for no adjustment whatever.

In conclusion, it may be noted that the average rates listed in Cols. 5, 6, and 7 are the over-all rates imposed in communities which are located in industrial counties, as the term was defined above.³

Columns 2, 3, and 4 show the number of individual items (over-all local tax rates) which have entered into the computation of the averages shown in Cols. 5, 6, and 7.

Columns 8 and 9 present weighted industrial county rates based upon the adjusted average rates indicated in Cols. 5 and 6 respectively.

The weighted rates have been constructed as follows: 1—The items underlying Cols. 5 and 6, respectively, have been segregated according to county of locations; 2—the items for each county have been summed and averaged; 3—the county averages so obtained have been multiplied by 'value added' as credited by the *Census of Manufactures* to specific counties; 4—the sum of the products has been divided by the sum of frequencies represented by 'value added.'

E. The Limitations of Mean Effective (Weighted and Unweighted) Industrial Real Estate Tax Rates

Mean effective tax rates are average rates and hence suffer from the same types of limitations which characterize all measures of central tendency. These limitations should be fully realized before mean effective or average rates are made the basis of any generalizations whatever.

From point of view of essence, a mean or average value associated with any measure—such as the average height of a United States army recruit—is the equivalent of the probable value or the value which occurs most frequently if a large number of units—such as *e. g.*, United States army recruits—are measured. Illustrating the point under consideration by further reference to the army recruit example, it goes without saying that not all recruits are of the average height, but it goes likewise without saying that unless the greater percentage of recruits are of the average height or close to the average height, the phrase "average height of an army recruit" is devoid of meaning and the computation of the average in question is but an idle exercise in arithmetic.

To test the significance of averages, a measure known as the "coefficient of variation" has been developed. The coefficient of variation is a percentage figure and indicates within what range actual values deviate from the average value. For instance, a coefficient of variation for the average height of army recruits of, say, ten per cent indicates

³ Moody's, in contradistinction to Prentice-Hall, differentiates between 'residential' and industrial communities. All communities designated as 'residential' by Moody's have been disregarded if not located in industrial counties.

that the height of actual recruits ranges from a figure ten per cent below the average height to a figure ten per cent above the average height.

The table below shows average deviations of the mean effective industrial county tax rates for selected states.

Table B-II
Coefficients of Variation of Effective Real Property Tax Rates for Selected States*

State	Coefficient of Variation	
	Moody's Tax Rates	Prentice-Hall Tax Rates
(1)	(2)	(3)
Pennsylvania	22.66%	23.90%
California	13.29	11.47
Connecticut .....	....†	18.00
Illinois	27.28†
Indiana	24.11	24.69
Massachusetts	11.88	17.62
Michigan	20.13	17.90
New Jersey	17.77	21.94
New York	16.60	10.88
North Carolina	16.89	13.15
Ohio	21.32	24.59
Tennessee	28.62	12.50
West Virginia	15.16	21.55
Wisconsin	14.81	12.14

* For underlying rates see Table B-1 columns (2), (3), (5), and (6).

† No data available.

Inspection of Cols. 10 and 11 of Table B-II shows that the coefficients of variation range from 11.88% to 28.62% in the weighted Moody's series and from 11.4% to 24.65% in the weighted Prentice-Hall series.

F. Definition of Competing Industrial States

The states shown in Table B-I, Col. 1 are presumed to compete with the Commonwealth of Pennsylvania in connection with the manufacture of selected products. The selection of these states has been made as follows:

1. In order to determine the states whose products may be presumed to compete with Pennsylvania products, Pennsylvania industries⁴ have been ranked in descending order on the basis of their percentage contribution to total value added by Pennsylvania manufacturing enterprise. All Pennsylvania industries contributing more than one per cent to total value added have been studied with a view of comparing the taxes which are imposed upon a typical firm in the industries in question when operating in Pennsylvania or in presumably competitive states.

⁴ See, Chapter I, Table V, p. 20.

2. In order to ascertain the presumably competitive states, that is, the states whose products are such as to be likely to compete with the products of Pennsylvania, the value added by different industry groups was ranked in descending order for all states and the value added contribution of each industry group in every state was expressed as a percentage of the total value added by manufacture in the respective states. These percentages for different states were converted into a cumulative frequency distribution, and a state other than Pennsylvania was designated as presumably competitive if the list of industries accounting for its first 75% of total value added contained an industry listed under principal industries.

3. The number of competitive states obtained by this method, however, proved too large to be manageable within the limits of the Report, and it was decided to consider only those states as presumably competitive which contained at least three of the principal industries.

4. On the basis of the operations performed under (2) and (3), the following states were found to be in competition with Pennsylvania:

- a. California
- b. Connecticut
- c. Illinois
- d. Indiana
- e. Massachusetts
- f. Michigan
- g. New Jersey
- h. New York
- i. North Carolina
- j. Ohio
- k. Tennessee
- l. West Virginia
- m. Wisconsin

It goes without saying that the products of states other than those listed above do compete with the products of Pennsylvania. However, because of the number of products on the basis of which the above states compete with the Commonwealth, and because of the economic and social significance of the products listed, in the Pennsylvania economy comparison of estimated tax differentials between Pennsylvania and the above listed states seems particularly appropriate.

Section III

Estimation of Taxes Payable by Families in Different Income Groups

A. Composition, Income and Expenditure Patterns of the Average Urban Family

In connection with the study of the fiscally consequential characteristics of the average urban family, see *Temporary National Resources Committee*, "Who Pays the Taxes," Monograph No. 3, Washington, 1940.

B. Pennsylvania Taxes Payable by the Average Urban Family

In connection with the computation of Pennsylvania taxes payable by average urban families in different income groups, the following assumptions have been made: (1) the expenditures for housing of the different families have been capitalized at the rate of 10% and against the capital sum so obtained the mean effective urban real estate tax rate (see Appendix B, Table B-I, Col. 7) has been applied; (2) the investment income of those families receiving such income has been capitalized at the rate of 4% and against the capital sum so obtained Pennsylvania's intangibles or personal property taxes have been applied; (3) families having incomes below \$3000 annually are assumed to have no investment income whatever.

C. The Relationship between the Pennsylvania Intangibles or Personal Property Tax and the Federal Income Tax: An Illustration

A given taxpayer may deduct state taxes paid when computing his net income for Federal tax purposes.

Table B-III shows how the tax burden of differently circumstanced taxpayers would be changed if the Pennsylvania intangibles taxes (state and county) sometimes referred to as personal property taxes were removed.

Table B-III indicates in Col. 1 selected income class intervals and in Col. 2 the average income accruing to taxpayers within the intervals. Column 3 shows the percentage in total tax obligation due to the Pennsylvania intangibles tax. It will be observed that the index drops from 60% for an average income of \$5,414 to 3% for an average income of \$1,092,973. In other words, if the Pennsylvania intangibles tax were removed, the total tax obligation of a taxpayer having an income of \$5,414 would be lessened by 60%; whereas in the case of the taxpayer having an average income of \$1,092,973, the tax burden would be lessened by 3%. Or, to state the matter still differently, granting the presence of the Federal income tax, the Pennsylvania intangibles tax as a

determinant of the total tax obligations decreases as the taxpayer's income increases.

Table B-III
Indifference Index for the Pennsylvania Intangibles or Personal Property Taxes

Net Income Classes	Average Net Income	Indifference Index of Intangibles Taxes
(1)	(2)	(3)
\$ 5,000— 6,000	\$ 5,414	60.12%
6,000— 7,000	6,465	56.20
7,000— 8,000	7,470	53.43
8,000— 9,000	8,465	50.18
9,000— 10,000	9,481	48.76
10,000— 11,000	10,478	46.18
11,000— 12,000	11,478	44.23
12,000— 13,000	12,484	43.08
13,000— 14,000	13,474	41.43
14,000— 15,000	14,490	39.98
15,000— 20,000	17,180	35.87
20,000— 25,000	22,229	28.44
25,000— 30,000	27,352	24.00
30,000— 40,000	34,408	20.51
40,000— 50,000	44,487	16.82
50,000— 60,000	54,638	14.29
60,000— 70,000	64,864	12.43
70,000— 80,000	74,595	12.06
80,000— 90,000	85,177	9.73
90,000— 100,000	95,228	8.73
100,000— 150,000	119,839	7.90
150,000— 200,000	167,876	7.19
200,000— 250,000	219,754	6.42
250,000— 300,000	274,871	5.74
300,000— 400,000	341,409	5.39
400,000— 500,000	430,717	4.74
500,000— 750,000	594,691	4.36
750,000 and over	1,092,973	3.05

Legend:

Col. (2) "Statistics of Income, 1937"

Col. (3) See, *Appendix B*, p. B-15 and following.

In order to construct the indifference index shown in Table B-III, Col. 3, the following data are required:

1. The income distribution of Pennsylvania,
2. The Federal personal income tax rate assessed against incomes of different magnitude,
3. The Pennsylvania intangibles tax rate,
4. The ratios of taxable investment income to total income.

The data listed in (1) were obtained from "Statistics of Income, 1937." The effective Federal income tax rates were calculated by assuming the exemption and credit pattern of the United States, as given in "Statistics of Income, 1937," and applying nominal rates from *Taxes*, August, 1940, pages 467-469. In (4) the ratios of investment income to total income for different income classes were calculated from "Statistics of Income, 1937," which presents the ratios for the United States as a whole.

The utilization of the above materials involves the making of two basic assumptions. In the first place, it is assumed that the national exemption and credit pattern is similar to the comparable Pennsylvania pattern. In the second place, the validity of the method is predicated upon the hypothesis that the national ratio 'taxable investment income' to 'total income' is similar to the corresponding Pennsylvania ratio. While these assumptions cannot be verified at this juncture, they are believed to be substantially correct.

With these materials in hand, the indifference index was defined and constructed as follows:

Let x = proportional part of net income derived from taxable investments

i = rate of interest used in capitalizing Q ($i = .04$)*

k = intangibles tax rate ($k = .008$)

S = intangibles tax ($S = kQ$)

F = Federal income tax on $(x + S)$

F' = Federal income tax on x .

Then the indifference Index I is defined as:

$$I = \frac{S + F' - F}{F' + S}$$

Section IV

Estimation of the Probable Net Yield of a Pennsylvania State 'Clear' Income Tax

The basic data for the estimation of the net yield of a three per cent clear income tax are currently made available by the Income Division of the United States Department of Commerce.¹

Among other pertinent income data, the Department of Commerce estimates annually the 'income payments to individuals' resident in the different states of the union.

For 1939, the Department of Commerce estimates the 'total income payments' received by residents of Pennsylvania at \$5,678,000,000.²

According to Commerce estimates, this grand total was derived from the following sources:

1. Net salaries and wages	\$3,636,000,000
2. Other labor income	445,000,000
3. Entrepreneurial withdrawals	636,000,000

* Cf. Stewart, Charles. "Income Capitalization as a Method of Estimating the Distribution of Wealth by Size Groups," *Studies in Income and Wealth*, Vol. III, National Bureau of Economic Research, 1939, p. 108, note. Dr. Stewart uses 4.5% to capitalize equity securities. Inasmuch as we are considering bonds also, a reduction of 0.5% was in order.

¹ Martin, John L., "Income Payments to Individuals, by States," *Survey of Current Business*, Washington, October, 1940, pp. 8-12.

² Martin, *op. cit.*, p. 12.

4. Dividends, interest, etc.	961,000,000
Total	\$5,678,000,000

For purposes of estimating the net yield of a Pennsylvania personal 'clear' income tax, Item (2) may be disregarded.

Item (2), which consists of:

- a. Workmen's compensation benefits
- b. Payment from private pension or retirement plans
- c. Work relief wages
- d. Direct relief payments
- e. Veterans' compensation
- f. Social insurance benefits

is disregarded because, though labelled 'income' by the Department of Commerce, its components partake either of the nature of insurance benefits or public charity.

Deducting item (2), i. e., other labor income which amounts to \$445,000,000 from total income of \$5,678,000,000, a potential clear income tax base of \$5,233,000,000 is obtained.

However, for purposes of clear income tax estimation, this potential income tax base is too high because it contains entrepreneurial withdrawals amounting to \$636,000,000.

As regards these 'entrepreneurial withdrawals' it should be noted that this item includes both positive and negative items. The positive items consist of individual proprietorship and partnership profits actually earned and the negative items consist of merchandise diverted for personal use, capital conversions, etc.

At the present time it is not possible to estimate with any degree of accuracy the relative importance of the negative items. In view of this lack of positive knowledge, it has been assumed that the negative items account for one-half of all 'entrepreneurial withdrawals.'

On the basis of this assumption, the gross base of the proposed Pennsylvania personal clear income tax becomes \$4,915,000,000.

For purposes of estimating the probable net yield of the levy under construction, it is necessary to make certain assumptions with regard to the total dollar amount which will be claimed by taxpayers for necessary cost of living expenditures.

In order to make the estimation in question, it is useful to differentiate between 1) single individuals and 2) family units and to differentiate again in each one of these groups between a) taxpayers (single or family units) having less than \$800 and b) taxpayers having an excess of \$800 annual net income.

The total number of single individuals having less than \$800

has been estimated on the basis of Census materials³ and "Consumer Incomes in the United States."⁴ The number of single taxpayers having less than \$800 annual income, together with the total amount of income accruing to this group has been estimated on the basis of "Consumer Incomes."⁵ Similar estimation procedures have been used for family units.⁶ On the basis of these estimates, which must be regarded as tentative, it would appear that taxpayers (single and family units) with incomes less than \$800 are likely to claim \$433,000,000 for cost of necessary living expenses. Taxpayers (single and family units) with incomes above \$800 are likely to claim \$685,000,000 for cost of living expenditures. The total necessary living expenses probably claimed, therefore, amounts to \$2,118,000,000. Deducting this total from \$4,915,000,000, the base of the proposed personal clear income tax becomes \$2,797,000,000.

In order to estimate the probable net yield of a Pennsylvania personal clear income tax, it is necessary to ascertain the sources of net salaries and wages by industrial division, because both *collectibility* as well as cost of collection tend to vary with the type of employment in which the taxable income has been earned.⁷

The following major industrial divisions account for the indicated percentages of total net salaries and wages:

a. Manufacturing	34%
b. Trade	14%
c. Government	12%
d. Service	11%
e. Transportation	8%
f. Mining	7%
g. Finance	4%
h. Construction	3%
i. Electricity and Gas	2%
j. Communication	1%
k. Agriculture	1%
l. Miscellaneous	3%

On the basis of past experience it seems safe to assume that the tax upon salaries and wages earned in industrial divisions (a), (c), (e), (g), (h), (i) and (j) can be conveniently stopped-at-source. These sources of salaries and wages account for 64% of the total, or \$2,327,040,000.

³ U. S. Department of Commerce, *Fifteenth Census of the United States*, "Population Bulletin, Pennsylvania Families," Washington, 1932, and *Sixteenth Census of the United States*, "Preliminary Pennsylvania Population, 1940."

⁴ *National Resources Committee*, "Consumer Incomes in the United States" Washington, 1938, pp. 71-78.

⁵ *Ibid.*, pp. 30-31, and 71-78.

⁶ *Ibid.*, pp. 6, and 71-78.

⁷ Strayer, Paul J., *The Taxation of Small Incomes*, New York, 1939, Chapter VI.

Because of similarity of cost of collection and collectibility fractions it seems justifiable to add to this sub-total representing net salaries, and wages, interest, dividends, etc. of \$961,000,000. The sum of the two sub-totals which equals \$3,228,040,000 may be treated as a unit for yield estimation purposes.

Again, on the basis of past experience, it would seem justifiable to add net salaries and wages received in industrial divisions, (c), (d), (f), (k) and (l) to adjusted entrepreneurial withdrawals.⁸

The sum of salaries and wages derived from industrial divisions (b), (d), (f), (k), and (l) plus adjusted entrepreneurial withdrawals amounts to \$1,826,960,000.

Again on the basis of past experience⁹ it would seem justifiable to assume that while both 1) net salaries plus wages accrued in industrial divisions (a), (c), (e), (g), (h), (i) plus interest, dividends, etc., as well as 2) net salaries and wages earned in industrial divisions (b), (d), (f), (k), (l) plus adjusted entrepreneurial withdrawals have collectibility fractions of .80, the first set of accruals is likely to involve a cost of collection of 3%, whereas the second set of accruals will probably involve a cost of collection of 25%.

With a view of determining what fraction of total clear income will involve a cost of collection of 25%, the ratio of accruals indicated under (2) above (\$1,626,960,000) to the sum of the accruals (1) and (2) (\$4,915,000,000) was calculated. Similarly the ratio of accruals listed under (1) above (\$3,288,040,000) to the sum of accruals (1) and (2) (\$4,915,000,000) represents the fraction of total clear income, the tax on which involves a cost of collection of 3%. These two fractions, respectively, are 33.1% and 66.9%. Multiplying the first fraction by \$2,797,000,000, the figure obtained above, as the potential base, after due consideration of all cost of living expenses, the adjusted potential base of \$925,807,000 is obtained. Assuming, as indicated above, a collectibility fraction of .80, the base of \$740,645,600 is obtained. Multiplying the base by a rate of 3%, a probable gross yield of \$22,219,368 is obtained. Subtracting from this gross yield a 25% cost of collection, the probable net yield becomes:

(1) \$16,664,526

Multiplying the second fraction (66.9%) by the potential base of \$2,797,000,000, an adjusted potential base of \$1,871,193,000 is obtained. Assuming once more a collectibility fraction of .80, the base becomes \$1,496,954,000, taxed at the rate of 3% yields a

⁸ See, Appendix B, pp. B-17 and B-18.
⁹ *Twentieth Century Fund*, "Studies in Current Tax Problems," New York, 1937, p. 107 and following; and Strayer, *op. cit.*, p. 128 and following.

gross of \$44,908,632. Subtracting from this gross yield the 3% cost of collection the net yield under consideration becomes:

(2) \$43,561,373

Adding this subtotal to the partial total previously obtained, the grand total representing the probable yield of a Pennsylvania state 3% personal clear income tax at 1939 income levels becomes:

(3) \$60,225,899

It goes without saying that while the above computation is based upon the assumption that a "clear" income tax is imposed at the rate of three per cent, the probable net yield shown can easily be adjusted for other hypothetical rates.

Section V

Estimation of the Probable Net Yield of a Pennsylvania State Total Income Tax

Estimates of the yield of a state tax upon total income as shown in Chapter VI of the Report, are based upon the assumptions outlined in Section IV of Appendix B. Manifestly, in calculating the probable net yield of a tax upon all income rather than upon "clear" income the taxpayer has not been allowed the deduction of "necessary" living expenses up to a legislatively stipulated maximum of \$800.

Section VI

Estimation of the Probable Net Yield of a Pennsylvania State Earned Income Tax

The basic data for the estimation of the net yield of a one per cent earned income tax are currently made available by the Income Division of the United States Department of Commerce.¹

Among other pertinent income data, the Department of Commerce estimates annually the 'income payments to individuals' resident in the different states of the union.

For 1939, the Department of Commerce estimates the 'total income payments' received by residents of Pennsylvania at \$5,678,000,000.²

According to Commerce estimates, this grand total was derived from the following sources:

1. Net salaries and wages	\$3,636,000,000
2. Other labor income	445,000,000

¹ Martin, John L., "Income Payments to Individuals, By States," *Survey of Current Business*, Washington, October, 1940, pp. 8-12.

² Martin, *op. cit.* p. 12.

3. Entrepreneurial withdrawals	636,000,000
4. Dividends, interest, etc.	961,000,000
	<hr/>
Total	\$5,678,000,000

For purposes of estimating the net yield of a Pennsylvania earned income tax, Items (2) and (4) may be disregarded.

Item (2), which consists of:

- a. Workmen's compensation benefits
- b. Payment from private pension or retirement plans
- c. Work relief wages
- d. Direct relief payments
- e. Veterans' compensation
- f. Social insurance benefits

is disregarded because, though labelled 'income' by the Department of Commerce, its components partake either of the nature of insurance or benefits or public charity.

Item (4) is disregarded because the tax studied deals with the taxation of 'earned' income only.³

In view of this elimination, the potential base of a Pennsylvania earned income tax consists of:

1. Net salaries plus wages	\$3,636,000,000
2. Entrepreneurial withdrawals	636,000,000
	<hr/>
Total	\$4,372,000,000

As regards 'entrepreneurial withdrawals,' it should be noted that this item includes both positive and negative items. The positive items consist of individual proprietorship and partnership profits actually earned and the negative items consist of merchandise diverted for personal use, capital conversions, etc. It has been assumed that the negative items account for one-half of all 'entrepreneurial withdrawals.'

On the basis of this assumption, the base of a Pennsylvania earned income tax becomes:

1. Net salaries plus wages	\$3,636,000,000
2. Positive entrepreneurial withdrawals .	318,000,000
	<hr/>
Total	\$3,954,000,000

In order to estimate the probable net yield of a Pennsylvania earned income tax, it is necessary to ascertain the sources of net salaries and wages by industrial division, because both *collectibility*

³ In Pennsylvania, investment income is taxed at present by means of the intangibles tax, the public loans tax, the corporate loans tax, the capital stock tax and the corporate income tax. The applicability of any one or two of these taxes depends upon the type of investment.

as well as *cost of collection* tend to vary with the type of employment in which the taxable income has been earned.⁴

The following major industrial divisions account for the indicated percentages of total net salaries and wages:

a. Manufacturing	34%
b. Trade	14%
c. Government	12%
d. Service	11%
e. Transportation	8%
f. Mining	7%
g. Finance	4%
h. Construction	3%
i. Electricity and Gas	2%
j. Communication	1%
k. Agriculture	1%
l. Miscellaneous	3%

On the basis of past experience it seems safe to assume that the tax upon salaries and wages earned in industrial divisions (a), (c), (e), (g), (h), (i) and (k) can be conveniently stopped-at-source. These sources of salaries and wages account for 64% of the total or \$2,327,400,000. Assuming that 80% of the tax due on this base is collectible, the gross yield of a one per cent income tax is \$18,616,320. Allowing 3%⁵ for cost of collection, a net yield of:

(1)	<u>\$18,057,830</u>
-----	---------------------

may reasonably be expected from the segment of the base under consideration.

Again, on the basis of past experience, it would seem justifiable to add net salaries and wages received in industrial divisions, (b), (d), (f) and (l) to adjusted entrepreneurial withdrawals.⁶

The sum of salaries and wages derived from industrial divisions, (b), (d), (f), and (l) plus adjusted entrepreneurial withdrawals amounts to \$1,626,960,000.

Assuming again that 80% of the tax due is collectible, the effectively taxable base becomes \$1,301,568,000. Applying the proposed tax rate of one per cent to this base, a gross yield of \$13,015,680 is obtained.

On the basis of past experience,⁷ it would seem that it is likely that the collection of this gross will involve a cost of 25%. Multiplying the cost of collection fraction (.25) by the gross yield, the

⁴ Strayer, Paul J., *The Taxation of Small Incomes*, New York, 1939, Chapter VI.

⁵ *Twentieth Century Fund*, "Studies in Current Tax Problems," New York, 1937, p. 107 and following.

⁶ See, *Appendix B*, p. B-25.

⁷ Strayer, *op. cit.*, p. 128 and following.

probable net yield from the segment of the base under consideration becomes:

(2) \$9,761,760

Adding this subtotal to the partial total previously obtained, the grand total, representing the probable yield of a Pennsylvania state one per cent earned income tax, at 1939 income levels becomes:

(3) \$27,819,590

It should be observed that whenever later basic data have become available the probable net yields of the various types of income taxes shown in Chapter VII of the Report, though made by reference to the techniques outlined above, have utilized such later basic data. ✓

Section VII

The Estimation of the Probable Net Yield of a Pennsylvania State Progressive Income Tax

A. Some General Aspects of the Problem

The construction of an estimated frequency distribution of taxable income of Pennsylvania residents presupposes the formulation of a concept of 'taxable income.'

Though a large variety of concepts of taxable income¹ are in existence it was decided to use a concept as closely akin to that underlying the Federal personal income tax statute as available data and statistical techniques permitted. This choice seemed logical in view of the fact that, following precedent, any practical Pennsylvania state personal income tax is most likely to be built around the Federal concept of taxable income.²

Granting the choice of the concept of taxable income the problem of estimating the frequency distribution of taxable income of Pennsylvania residents is reduced to 1) an evaluation of existing data and 2) the development of statistical techniques designed to compensate for the deficiencies of these data.

B. The Nature of the Available Data

The only data available which bear pertinently upon the problem in hand are published annually in "Statistics of Income."³ "Statistics of Income" presents both 'number of income tax returns' and 'net income' by states. Unfortunately, however, the income as

¹ Wueller, P. H., "Concepts of Taxable Income," I, II, and III, *Political Science Quarterly*, March 1938, p. 83; December 1938, p. 557 and December, 1939, p. 555.

² In passing it may be observed that both the present Pennsylvania corporate income tax as well as the Pennsylvania inheritance tax lean heavily upon Federal concepts and procedures. Cf. *Commerce Clearing House*, "Tax Systems," Chicago, 1940, 8th edition, p. 59.

³ *United States Treasury Department, Bureau of Internal Revenue*, "Statistics of Income."

well as the number of returns data for recipients of income of less than \$5,000 are inadequate, because of the exemption and reporting requirements of the Federal statutes. Inasmuch as a substantial percentage of total taxable income accrues to recipients having less than \$5,000 annually, the problem of estimating the dollar amounts of income probably accruing to potential state income taxpayers in this class becomes acute.

The major statistical problems arising in this connection are 1) to find the characteristic of the distribution curve which can reasonably be expected to describe the distribution of Pennsylvania taxable incomes below \$5,000 and 2) to estimate the probable amount of taxable income as well as the probable number of returns to be distributed in accordance with the characteristic of the distribution curve.

Upon examination of the available data that might prove helpful in connection with the construction of a distribution curve for income of Pennsylvania residents having annual incomes of less than \$5,000, it was decided that the comprehensive statistics made available by the Wisconsin Tax Commission⁴ might serve the purpose in hand. In other words, it was decided that the characteristic of the Wisconsin distribution curve could be utilized in determining the probable distribution of Pennsylvania taxable incomes below \$5000.

C. Some Necessary Adjustments of the Wisconsin Data⁵

Taxable income as reported by the Wisconsin Reports does not include 1) dividends received from Wisconsin corporations and 2) Federal income taxes paid. Inasmuch as it is not mandatory for any state to recognize these deductions when determining taxable income, it was decided to adjust the Wisconsin distribution by adding both items to the net income in the appropriate income classes.

The addition of dividends from Wisconsin corporations and Federal income taxes paid, to the income in the appropriate class interval necessitates some assumptions.

The basic assumption underlying the addition was that the number of returns and the amount of income to be shifted from one income class interval to the succeeding and higher class interval was to be the greater of the two numbers (a) the number of returns reporting deductible dividends, or (b) the number of returns reporting Federal income taxes paid.

This assumption seems justified in view of the fact that there would seem to be a large amount of duplication in the number of returns reporting dividends and the number of returns reporting Federal income taxes paid.

⁴ *Wisconsin Tax Commission*, "Wisconsin Individual Income Tax Statistics, 1936 Incomes, Volume I, Tax Analysis."

⁵ *Wisconsin Tax Commission*, *op. cit.*, Table II, Cols. 3 and 5.

With a view of clarifying the nature of the basic assumption under consideration and to illustrate the technique used in adding dividends and Federal income taxes paid to the appropriate class interval, the following notation is introduced:

b_i = lower boundary of the i^{th} income class

B_i = upper boundary of the i^{th} income class

$B_i^{(m)}$ = upper boundary of the $(i + m)^{\text{th}}$ income class

k = an integer

$k_i^{(m)}$ = the number of individuals that will shift from the i^{th} class to the $(i + m)^{\text{th}}$ class

f = the number of returns in the class (i) (Table I, Column 2) *

\hat{f}_D = the number of returns in the class (i) reporting dividends deductible (Table II, Column 2) *

f_T = the number of returns in the class (i) reporting

D = Federal taxes paid (Table II, Column 4) *

the amount of the dividend deductions (Table II, Column 3) *

T = the amount of the Federal taxes paid (Table II, Column 5) *

$f' = f_D$, or $f' = f_T$ whichever is greater

* Wisconsin Tax Commission, *op. cit.*, Tables I & II

Assumptions:

1. The number of individuals in a class subject to shifting is f' .
2. The f' individuals are uniformly distributed within the class.
3. Each of the f' individuals is to have an increased net income equal to $\frac{D + T}{f'}$ (the average amount added to the aggregate income of the class).
4. An individual to be shifted has an income equal to the average of his class plus the increased income $\frac{D + T}{f'}$.
5. An individual in the class with upper boundary B_i is to be shifted to the class with upper boundary $B_i^{(m)}$ if his income after adding $\frac{D + T}{f'}$ is between $B_i^{(m-1)}$ and $B_i^{(m)}$.

Procedure:

The Net Income of the k^{th} individual in the class with upper boundary B is

$$b + \left((k - \frac{1}{2}) \frac{(B - b)}{f'} \right) + \frac{D + T}{f'}$$

Let $k^{(m)}$ be the largest integer such that

$$b + \left(k^{(m)} - \frac{1}{2} \right) \left(\frac{B - b}{F'} \right) + \frac{D + T}{f'} = B^{(m)}$$

Then $k^{(0)}$ is the number of individuals out of the f' that will remain in the class. The number that will shift from the B_i class to the $B_i^{(1)}$ is $k^{(1)} - k^{(0)}$. In general the number that will shift to the $B_i^{(m)}$ class is $k^{(m)} - k^{(m-1)}$. This procedure is continued until all f' individuals have been shifted.

The income to be shifted from class B to class $B^{(m)}$ is

$$\sum_{k^{(m-1)} + 1}^{k^{(m)}} \left[b + (k - \frac{1}{2}) \frac{(B - b)}{f'} \right] = \left[b - \frac{1}{2} \frac{(B - b)}{f'} \right] (k^{(m)} - k^{(m-1)}) + \left(\frac{B - b}{f'} \right) \left[\frac{k^{(m)} - k^{(m-1)}}{2} \right] \left[k^{(m-1)} + k^{(m)} + 1 \right]$$

After the necessary shifting of individuals and income, to each income class $B^{(m)}$ is added the income from dividends and taxes assumed to be associated with each individual shifting into the class $B^{(m)}$.

Application of the above technique to the Wisconsin data as reported produces what may be called an adjusted distribution curve and it is this adjusted Wisconsin distribution curve which is subsequently used to facilitate estimation of that segment of the Pennsylvania distribution of taxable incomes below \$5,000.

D. Estimation of Frequency Distribution of Taxable Income of Pennsylvania Residents for 1936

The characteristic of the Pennsylvania distribution curve for incomes below \$5,000 being assumed to be the same as the characteristic of the 'adjusted' distribution curve for Wisconsin,⁶ it remains to estimate 1) the probable number of Pennsylvania returns and 2) the probable magnitude of the sum total of the taxable income of Pennsylvania residents. Both returns and income magnitude being given, an allocation in accordance with the characteristic of the 'adjusted' Wisconsin distribution curve can be made.

With a view of illustrating the procedure used in estimating both probable number of Pennsylvania returns and probable magnitude of

⁶ This assumption is the equivalent of ascertaining that the Lorenz curve for Wisconsin income is an adequate description of the Pennsylvania distribution.

the sum total of taxable income of Pennsylvania residents, the following notation is introduced:

- x = midpoint of class interval
- f = frequency of the class (number of returns)
- F = cumulative f
- N = total number of returns
- $z = \frac{F}{N} 100$
- a = aggregate net income of the class
- A = cumulative a
- M = total income
- $y = \frac{A}{M} 100$

Further, let $x, f, \text{etc.}$, represent Wisconsin data and $x', f', \text{etc.}$, represent Pennsylvania data as reported by "Statistics of Income" for the year 1936. Let N', M' be total number of expected Pennsylvania returns and expected Pennsylvania total taxable income, respectively.

In terms of this notation, the following is the procedure used in estimating N' and M' :

The Wisconsin data as given in "Statistics of Income" were arranged in order of decreasing size of income class. The Pennsylvania data as given by the same source, were arranged likewise.

For purposes of first approximation, N'' and M'' were determined by the equations:

$$\frac{N''}{N} = \frac{\text{cum } f'}{\text{cum } f}$$

$$\frac{M''}{M} = \frac{\text{cum } a'}{\text{cum } a}$$

where $\text{cum } f$ and $\text{cum } f'$ are the total number of returns for the classes \$5,000 and above, for Wisconsin and Pennsylvania respectively; and $\text{cum } a$ and $\text{cum } a'$ are the total aggregate income for the classes \$5,000 and above for Wisconsin and Pennsylvania. With these values of N'' and M'' , values of z'', y'' were determined corresponding to the classes above \$5,000. For each pair of values (z'', y'') , two equations were obtained in the following manner.

For each z'' there corresponds a z_1 and z_2 , such that $z_1 \leq z'' \leq z_2$. Assuming that the point (z', y') lies on the line joining (z_1, y_1) and (z_2, y_2) , the equation

$$\frac{z_1 - \frac{F'}{N'} 100}{z_2 - z_1} = \frac{y_1 - \frac{A'}{M'} 100}{y_2 - y_1}$$

is obtained. This is a linear equation in the unknowns N', M' since the

F' and A' are values obtained from the frequency distribution for the classes above \$5,000, using the data in "Statistics of Income". Thus, for each class above \$5,000 an equation in N' and M' is obtained. Let the average of this set of equations be denoted by

$$(1) \quad AN' + BM' + C = 0.$$

Likewise for each y'', there corresponds a y₃ and y₄ such that y₃ ≤ y'' ≤ y₄. Assuming that the point (z', y') lies on the line joining (z₃, y₃) and (z₄, y₄), the equation

$$\frac{z_3 - \frac{F'}{N'} 100}{z_4 - z_3} = \frac{y_3 - \frac{A'}{M'} 100}{y_4 - y_3}$$

is obtained. This also is a linear equation in N' and M'.

Therefore, for each class above \$5,000, another equation in N' and M' is obtained. Denote the average of this set of equations by

$$(2) \quad PN' + QM' + R = 0.$$

The values of N' and M', the estimated number of returns, and the estimated total income are found by solving the system of simultaneous equations (1) and (2). The values, determined as indicated are:

$$N' = 1,457,000$$

$$M' = \$3,619,000,000.$$

In other words, the above outlined procedure when applied to the previously cited data ("Statistics of Income for 1936") indicates that the probable taxable income of Pennsylvania in 1936 amounted to \$3,619,000,000 and that the number of returns associated with the estimated amount of taxable income approximated 1,457,000.

Restating the procedures and findings so far outlined and indicated, it may be noted that the following three sets of data are now given: (a) the characteristic of the frequency distribution of the taxable income of Pennsylvania residents (\$5,000.00 and below segment); (b) the probable magnitude of the sum total of personal taxable income, and (c) the probable number of returns (or number of income recipients) associated with the sum total of personal taxable incomes. Hence, it now merely remains to allocate both number of returns and sum total of taxable income in accordance with the previously determined distribution curve. The procedure employed for the purpose in hand is as follows: Form an immediate distribution:

$$\begin{array}{c|c|c} x & f'' & a'' \\ \hline & & \end{array}$$

having the property that

$$\frac{f''}{f} = \frac{a''}{a} = c$$

and that

$$\Sigma f'' = N',$$

where f'' is the frequency of the class in the intermediate distribution, a'' the aggregate income of the class, and c is a constant.

Since:

$$\begin{aligned} & f'' = cf, \\ \text{then } & \Sigma f'' = c \Sigma f, \end{aligned}$$

$$N' = cN,$$

$$\text{and } c = \frac{N'}{N}$$

$$\text{Therefore, } f'' = \frac{N'}{N} f$$

$$\text{and } a'' = \frac{N'}{N} a$$

From the property that $\frac{f''}{f} = \frac{a''}{a} = \text{constant}$ for each class, the Lorenz curve for the intermediate distribution is the same as the Lorenz curve for Wisconsin. For this distribution the total number of returns is N' (the number of expected returns from Pennsylvania) but the total aggregate income is $\frac{N'}{N} M$, which is less than M' (the estimated total aggregate income for Pennsylvania).

The problem must now be faced as to how to inflate aggregate Pennsylvania taxable income until it equals M' without changing the ascertainable degree of inequality which characterizes its distribution.

The inflation of Pennsylvania's aggregate income necessitates the shifting of both number of returns as well as selected income fractions from one income class interval to another. In turn the shifting procedure necessitates a postulate with regard to the distribution of returns within a given income class interval.

For purposes of the computation it was assumed that the returns are linearly distributed within any one class interval.

To introduce a notation to indicate the shifting procedure employed, let:

$$y = mx + k$$

represent the distribution within a class, where m is the slope of the line and k the y -intercept. The values m and k will vary from class to class but for each class they are determined by the equations

$$(3) \int_b^B (mx + k) dx = f(B - b),$$

$$(4) \int_b^B (mx + k)x dx = a(B - b)$$

where b is the lower and B the upper boundary of each class. Integrating, the conditions determining m and k become

$$(5) \quad k = f - \frac{m}{2}(B + b),$$

$$(6) \quad m \frac{(B - b)^2}{12} = f \left(\frac{a}{f} - \frac{B + b}{2} \right)$$

The aggregate income of the intermediate distribution is $\frac{N'}{N} M$. Since, however, the total income for the Pennsylvania distribution is to be M' , each individual income in the intermediate distribution must be multiplied by the constant $\frac{M'N}{MN'}$. This is equivalent to assuming that the Lorenz curve associated with the Pennsylvania distribution is the same as that associated with the Wisconsin distribution even though the average income has increased.

A modification could be made at this point if one knew the changes in inequality of distribution caused by or related to increased average income. A suggested modification is

$$x' = (x) \left(\frac{N}{N'} \right) \left(\frac{M'}{M} \right) (r)$$

where

x = income of individuals before the change in N and M

N = total number of returns in the old distribution,

M = total amount in the old distribution,

x' = income of an individual after the change in N and M ,

N' = total number of returns in the new distribution,

M' = total amount in the new distribution,

and r = a factor which is a function of x , N , M , N' , and M' .

The effect of the factor r is to change the inequality in the distribution. More time and better data would be necessary before the form of the function could be determined. It might be possible to study the Wisconsin Tax reports and the Federal Tax reports and by a combination of empirical and theoretical procedures determine the factor r .

In this work as presented r is assumed to be 1, which means that the same degree of inequality of distribution in Wisconsin is assumed to be in the Pennsylvania distribution.

In order to determine the number that will shift from one class to another, it is first necessary to find the values of x which upon multiplication by $\frac{M'N}{MN'}$ become class boundaries of the intervals.

These values are determined by the equation

$$(7) \quad x \left(\frac{N}{N'} \right) \left(\frac{M'}{M} \right) = B^{(m)} \quad (m=1, 2, \dots)$$

where $B^{(1)} = 500$, $B^{(2)} = 600$, etc., (the upper boundaries of the classes).

Let the solutions of (7) be designated by $L^{(m)}$. The number of

returns to be shifted from the class with upper boundary B_i to the class with upper boundary $B^{(m)}$ is f_{im} where f_{im} is determined by the equation

$$(8) \quad \int_{L^{(m-1)}}^{L^{(m)}} y \, dx = f_{im} (B_i - B_{i-1})$$

and the corresponding amount to be shifted is a_{im} , where a_{im} is determined by the equation

$$(9) \quad \int_{L^{(m-1)}}^{L^{(m)}} \left(\frac{M'}{M}\right) \left(\frac{N}{N'}\right) xy \, dx = a_{im} (B_i - B_{i-1})$$

where $y = m_1x + k_1$ for $B_{i-1} \leq x \leq B_i$
and $y = 0$ for all other values of x .

It is in accordance with the above outlined procedures that an estimated frequency distribution for 1936 of taxable income of Pennsylvania residents has been constructed, the distribution of incomes in excess of \$5,000.00 having been transcribed from "Statistics of Income for 1936."

E. Estimation of Frequency Distribution of Taxable Income of Pennsylvania Residents for 1940

The problem of estimating a frequency distribution of taxable income of Pennsylvania residents for 1940 depends upon 1) an estimation of the aggregate taxable income, and 2) an estimation of the number of returns. The procedures used in estimating the aggregate income and the total number of returns for the 1936 distribution are not applicable to the 1940 estimate since "Statistics of Income for 1940" will not be published until 1942, or even later. However, the Department of Commerce has made an estimate of the National Income for 1940 and this estimate can be used in determining the aggregate taxable income for Pennsylvania.

The procedure is as follows: The table following gives the ratio of Pennsylvania Income to National Income.

It may be observed that the ratio of Pennsylvania Income to National Income has decreased in the decade 1929-1939. In order to estimate the Pennsylvania Income for 1940, the estimate of the ratio for 1940 was determined by fitting a straight line to the series in Table B-IV. The straight line was fitted by the method of least squares and the ratio for 1940 was determined using this line. This ratio (.08036) is considered too low since the National Defense Program has caused increased activity of the heavy industries in Pennsylvania. However, no adjustment of the ratio is attempted. In using this value, the taxable income in Pennsylvania for 1940 is underestimated. The total Income for the

United States for 1940 has been estimated at \$74,000,000,000.⁷ Therefore, the estimate of the total income paid out for Pennsylvania is .0836 times \$74,000,000,000, which is \$5,940,000,000.

Table B-IV
Relationship Between Pennsylvania Income Payments and
United States Income Payments

Year	Pennsylvania Income (000,000)	National Income (000,000)	Ratio of Pennsyl- vania Income to National Income
(1)	(2)	(3)	(4)
1929	\$7,230	\$82,068	.08810
1930	6,653	74,520	.08928
1931	5,631	63,456	.08873
1932	4,253	49,320	.08623
1933	4,002	46,836	.08544
1934	4,595	54,012	.08507
1935	4,947	58,812	.08412
1936	5,698	67,848	.08398
1937	6,038	71,784	.08411
1938	5,347	66,240	.08072
1939	5,678	70,092	.08101

In order to estimate the taxable income for 1940, it is assumed that the ratio of taxable income in 1940 to total income paid out in Pennsylvania in 1940 is equal to the ratio of taxable income in 1936 to total income paid out in Pennsylvania in 1936.

In symbols,

$$\frac{M'}{I'} = \frac{M}{I}$$

where

M' = Taxable income in 1940

M = Taxable income in 1936

I' = Income paid out in Pennsylvania in 1940

I = Income paid out in Pennsylvania in 1936

A better approximation to M' would be

$$M' = (I') \left(\frac{M}{I} \right) (p)$$

where p is a function of "Capital Conversion." With the present data available, no estimation of (p) is made. An arbitrary assumption is made that $(p) = 1$. The following table indicates the behavior of the function (p) in the relationship of the actual amount of taxable income as reported by the Wisconsin Tax Commission and the income paid out estimated by the Department of Commerce.

⁷ *New York Times*, December 15, 1940.

Table B-V

Income Paid Out in Wisconsin as Estimated by the Department of Commerce and Actual Taxable Income as Reported by the Wisconsin Tax Commission

Year	I	M	$\frac{M}{I}$	p	p'	p''
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1929	\$1,906,000,000	\$1,186,234,000	.6224	1.0		
1934	1,156,000,000	542,294,000	.4691	.7537	1.0	
1935	1,317,000,000	609,803,000	.4630	.7439	.98699	1.0
1936	1,545,000,000	723,984,000	.4686	.7529	.9989	1.0121

Column 5 gives the value of (p) which is the ratio of $\left(\frac{M'}{I'}\right)$ to $\left(\frac{M}{I}\right)$ using 1929 as the base year.

Column 6 gives the value of (p) using 1934 as the base year, and Column 7 is the value of (p) using 1935 as the base year. It is observed that the values of (p) given in Cols. 6 and 7 are near to 1.

Using the value of M previously estimated for 1936, the value of I for 1936 as reported by the Department of Commerce, and the value of I' for 1940 as previously estimated, and assuming (p) = 1, the value of M' is estimated to be \$3,616,573,000.

The formation of a distribution of income depends upon the number of returns, the amount of taxable income, and assumptions as to the inequality in the distribution. The greatest difficulty arises with respect to the estimation of the number of returns. One might suppose that a reasonable estimate could be made on the assumption that the number of returns had grown in direct ratio to the rise in population. This assumption, however, ignores the important fact that the number of returns depends on the amount of taxable income as well as the population.

The following table exhibits the changes in the number of returns as related to changes in population and taxable income.

Table B-VI

The Number of Returns and Amount of Taxable Income from Wisconsin as Reported by the Wisconsin Tax Commission and the Population for Various Years as Interpolated from Census Data

Year	N	P	$\frac{N}{P}$	M	$\frac{N}{M}$
(1)	(2)	(3)	(4)	(5)	(6)
1929	476,173	2,908,312	.1637	\$1,186,254,755	.4014
1934	417,831	3,018,438	.1384	542,294,227	.7705
1935	425,481	3,038,297	.1400	609,803,565	.6977
1936	443,350	3,058,155	.1450	723,984,690	.6124

The data available is insufficient to determine N empirically as a function of P and M. It is felt that to use the assumption that

$$\frac{N'}{N} = \frac{P'}{P}$$

where N' = the number of returns in 1940

P' = the population in 1940

N = the number of returns in 1936

P = the population in 1936

is to underestimate too greatly the number of returns. To assume that

$$\frac{N'}{N} = \frac{M'}{M}$$

is to overestimate the number of returns. The best estimate for $\frac{N'}{N}$

would be some value between $\frac{P'}{P}$ and $\frac{M'}{M}$

However, since the ratios are not so very far apart and because of the extremely simple procedure in estimating the distribution of income under the assumption that

$$\frac{N'}{N} = \frac{M'}{M},$$

this assumption is used in the estimation presented.

The values of N, M, and M' are:

$$N = 1,431,863$$

$$M' = 3,616,573,000$$

$$M = 3,469,468,000$$

and the ratio $\frac{M'}{M} = 1.0424$

Operating with the assumption that the number of returns increased in the same ratio as the aggregate taxable income, Tables B-VII and B-VIII are constructed to show estimates of the number of returns and net taxable incomes for 1940 and Tables B-IX and B-X are constructed to show estimates of yields in 1940 of a Pennsylvania Income tax under various assumptions as to rates and exemptions.

These modified tables are shown on the following pages.

Table B-VII

Estimated Net Income * of Pennsylvania Residents and Estimated Number of Income Recipients by Income Classes (1940)

Net Income Classes	Estimated	
	Number of Recipients	Amount of Income
(1)	(2)	(3)
\$ 0— 500	81,856	\$ 20,060,000
500— 1,000	119,147	94,160,000
1,000— 1,500	285,412	362,600,000
1,500— 2,000	297,553	515,850,000
2,000— 2,500	249,457	560,300,000
2,500— 3,000	184,799	504,910,000
3,000— 4,000	165,401	561,450,000
4,000— 6,000	65,819	305,605,000
6,000— 9,000	19,488	140,957,000
9,000— 12,000	7,961	82,311,000
12,000— 15,000	4,433	59,289,000
15,000— 25,000	6,041	114,648,000
25,000— 60,000	4,026	146,523,000
60,000—100,000	767	57,333,000
100,000 and over	415	90,538,000
Total	1,492,575	\$3,616,534,000

* The concept of income underlying the above estimation closely approximates the concept underlying the Federal personal income tax.

Table B-VIII

Estimated Net Income of Pennsylvania Residents Subject to a Pennsylvania State Income Tax Under Alternative Assumptions * and Estimated Number of Returns (1940)

Net Income Class	Estimated Number of Returns	Estimated Income Subject to a Pennsylvania State Income Tax Under Alternative Assumptions Regarding Exemptions	
		Assumptions: A	Assumptions: B
(1)	(2)	(3)	(4)
\$ 800— 1,000	70,056	\$ 4,543,000	\$ 3,857,000
1,000— 1,500	285,412	45,246,000	41,151,000
1,500— 2,000	297,553	60,399,000	44,717,000
2,000— 2,500	249,455	112,735,000	67,944,000
2,500— 3,000	184,800	154,783,000	106,849,000
3,000— 4,000	165,401	245,485,000	192,236,000
4,000— 6,000	65,819	180,606,000	158,447,000
6,000— 9,000	19,491	104,803,000	98,468,000
9,000— 12,000	7,961	68,442,000	66,039,000
12,000— 15,000	4,433	51,750,000	50,478,000
15,000— 25,000	6,041	104,930,000	103,307,000
25,000— 60,000	4,026	140,890,000	139,948,000
60,000—100,000	767	56,513,000	56,356,000
100,000 and over	416	90,034,000	89,958,000
Total	1,361,631	\$1,421,159,000	\$1,219,755,000

* Assumptions: A. 1. Married persons not filing separate returns—\$1,600 exemption. 2. Single persons who are heads of families—\$1,600 exemption. 3. Single persons not heads of families—\$800 exemption. 4. Husbands filing separate returns—\$800 exemption. 5. Wives filing separate returns—\$800 exemption. 6. Each dependent—\$400 exemption.
Assumptions: B. 1. Married persons not filing separate returns—\$2,000 exemption. 2. Single persons who are heads of families—\$2,000 exemption. 3. Single persons not heads of families—\$800 exemption. 4. Husbands filing separate returns—\$1,000 exemption. 5. Wives filing separate returns—\$1,000 exemption. 6. Each dependent—\$400 exemption.

Table B-IX

Estimated Gross Yield * of a Pennsylvania State Personal Income Tax Under Alternative Assumptions Regarding Both Means Effective Rates and Exemptions † (1940)

Mean Effective Tax Rate (in percent)	Estimated Gross Yield of a Pennsylvania State Personal Income Tax Under Alternative Assumptions Regarding Exemptions	
	Assumptions: A	Assumptions: B
(1)	(2)	(3)
1.0	\$ 14,200,000	\$ 12,300,000
1.5	21,400,000	18,300,000
2.0	28,500,000	24,400,000
2.5	35,500,000	30,500,000
3.0	42,600,000	36,600,000
3.5	49,700,000	42,700,000
4.0	56,800,000	48,800,000
4.5	64,000,000	54,900,000
5.0	71,100,000	61,000,000
5.5	78,200,000	67,100,000
6.0	85,300,000	73,200,000
6.5	92,400,000	79,300,000
7.0	99,400,000	85,400,000
7.5	106,600,000	91,500,000
8.0	113,700,000	97,600,000
8.5	120,800,000	103,700,000
9.0	127,900,000	109,800,000
9.5	135,000,000	115,900,000
10.0	142,100,000	122,000,000

Legend:

* 'Gross yield' is defined as 'mean effective rate' multiplied by 'value of base.' No allowance has been made for administrative costs and probable degree of effectiveness of administration.

† For alternative assumptions regarding exemptions, see, Table B-VIII, note 1. (X)

Table B-X

Estimated Gross Yield of a Pennsylvania State Personal Income Tax If Levied at Rates Imposed in Selected States And Under Alternative Assumptions Regarding Exemptions * (1940)

State	Estimated Gross Yield of a Pennsylvania State Personal Income Tax Under Alternative Assumptions Regarding Exemptions	
	Assumptions: A	Assumptions: B
(1)	(2)	(3)
New York	\$51,651,665	\$46,352,927
Minnesota	51,832,139	48,178,913
Georgia	39,030,996	35,740,885
Kansas	27,142,831	24,570,070

Legend:

* For alternative assumptions regarding exemptions, see, Table B-VIII, note 1. (X)

Appendix C

Supplementary Statistical Data

Appendix C contains supplementary statistical data which are believed to be useful in connection with an intensive study of Chapters I to VII, inclusive, of the Report.

Broadly speaking, the data contained in Appendix C may be conveniently divided into four groups. Group I comprises Tables C-I to C-XI, inclusive. These data relate in the main to tax yields for Pennsylvania and competing states. Group II comprising Tables C-XII to C-XXI, inclusive, presents balance sheet and income data upon which the tax impact differentials presented and discussed in Chapter IV of the Report are based. Group III consists of Table C-XXII, which shows fourteen important series relating to distressed school districts. Perusal of Table C-XXII should prove useful in connection with a study of the materials presented in Chapters II and VII. Group IV consists of Tables C-XXIII to C-XXV, inclusive, which are believed to shed light upon certain matters relating to tax administration.

With a view of preventing misunderstandings regarding the limitation of the tax impact differentials shown and discussed in Chapter IV of the Report, the accountants¹ associated with the Joint State Government Commission who have assumed responsibility for the computation of these differentials wish to submit the statement quoted below. It is suggested that this statement be carefully read before Tables C-XII to C-XXI are used or interpreted.

"The accountants were assigned the task of making certain computations of state and local taxes with a view to showing

- a. The effect of including local taxes and state taxes in the comparison by states, and
- b. The variation between tax burden as computed for different industries in the same and in different states.

"In connection with carrying out this assignment it is desired to call attention to materials used, the sources of information used, and assumptions made.

Balance Sheets and Income Statements

"The statements for the various industrial groups were furnished by the Pennsylvania Department of Revenue which has stated that the samples were representative of the returns actually filed by leading Pennsylvania industries.

"The data obtained from the Department of Revenue were arranged in columnar form and consisted of anywhere from one to nine companies in various industrial groups. It was found that the companies

¹ The accountants associated with the Commission were Dr. S. K. Atkinson, and Professor Charles J. Rowland, C. P. A., assisted by Dr. R. H. Mack and Dr. R. W. Mayer.

vary widely in size and the character of the business conducted. It was thought desirable to eliminate very large companies, holding companies, and those showing losses, as well as certain companies in which data were incomplete on the returns. Accordingly the average balance sheet and income statement, as a general rule, is composed of from two to five or six companies, and in two instances is merely one sample company. Certain industries were omitted entirely because of the lack of data for computing sales taxes.

"The accountants are of the opinion that they are not in a position to form any judgment as to whether the samples used are typical or representative of the particular industries as a whole. To form such a judgment would require the consideration of a much larger sample and the consultation of persons thoroughly familiar with a particular industry. It is believed that several levels might be found, and it is also probable that even in the same company conditions may vary considerably from year to year. It is, accordingly, recommended that these financial statements be looked upon as samples taken from the various fields of industry represented in the study.

Local Property Tax Computations

"The accountants desire to call attention to the following points:

1. The rates used are average mean effective rates for industrial county real property taxes for the selected states. These were compiled under the direction of Dr. Paul H. Wueller and the method used is fully explained elsewhere in the report.

2. The rates are applied to land and depreciated value of buildings as shown in the balance sheets submitted, unless a particular state calls for a special treatment.

3. [In such states as tax general property—tangible and/or intangible property—the rates have been applied to the total of all taxable property according to the law of the state in question. Then a computation was made for real property only. The difference is deemed to be the tax on property other than real property. In our judgment, to assume that general property is taxed at 100% efficiency even at mean effective rates would be grossly misleading and result in absurd comparisons. On the other hand, the accountants have no exact knowledge as to the efficiency of assessments of general property in the various states. Therefore the computations show state taxes and real property taxes in total. The other property taxes are then shown as computed on balance sheet values, on a 25% efficiency basis and a 50% efficiency basis. The reader can then form his own judgment as to the probable burden in comparison with other states.]

"The situation with regard to assessment of general property taxes other than real estate is well described by Judge William R. Green in his book on "Theory and Practice of Modern Taxation," who states as follows:

'Direct taxes on tangible personal property are nowhere well administered and in most states very badly enforced. Part of this is owing to the inherent difficulties in enforcing the tax and part of it to the neglect, indifference, or partiality of the assessors. While tangible personal property is, of course, visible when found, it is not always easy to find it. For example: Cattle scattered over thousands of acres of mountains and valleys can not be seen except in part and their number is estimated with great difficulty. Lists are seldom, if ever, made up of property in private residences that is subject to taxation, and as a practical matter it is nearly impossible for the assessor to either list or value it completely. Animals on a farm, farm machinery, and factory machinery which is not affixed to the factory itself may easily be found but even then their value is usually carelessly appraised. On the whole the tax on tangible personal property may be said to be one of those taxes which in its practical application works with much inequality and injustice. But it is likely to remain on the statute books of many states for a long time, for the reason that it can not very well be abolished unless some other tax is substituted for it and the State legislatures are usually very reluctant to make radical changes of this nature. Its application and enforcement could be greatly improved but no very earnest effort has been made to improve its application. There is no doubt but that some of its worst features would be greatly mitigated if tax assessors and collectors were appointed by and made subject to some central authority. This matter also will be considered further on.'

State Tax Laws

"The data for the computation of local and state taxes has been obtained by consulting various tax services. Particular reference was made to the following:

State Tax Guide Service. Published by Commerce Clearing House, Inc., Chicago, Illinois.

Report on Comparative Study of Corporate Taxes in Fifteen Industrial States, by Clarence L. Turner. Published by the Pennsylvania State Chamber of Commerce.

State Tax Services, Commerce Clearing House, Massachusetts, Illinois, Indiana, Pennsylvania, New York, New Jersey and Ohio.

Tax Systems of the World, Commerce Clearing House.
Moody's Investment Manual — Municipals.
Various State publications.

“Attention is called to the following matters which have been excluded from our calculations:

1. The fact that some states have a merit rating plan in fixing rates for the unemployment insurance tax. Pennsylvania does not have such a plan and its manufacturers and business men who may have stable employment pay more than they would in New Jersey, for example. No attempt has been made in our calculations to reflect this difference.

2. Sales taxes passed on to the consumer in the various states and cities have been ignored in our calculations.

3. The possible effect of making manufacturers subject to the Pennsylvania Mercantile Tax is not considered. If the Supreme Court after hearing the reargument of the case of Peerless Paper Specialty, Inc., holds manufacturers are liable for the mercantile tax, new regulations will be issued by the Department of Revenue.

Assumptions Made

“It is important that the readers of this chapter have in mind the following assumptions made in the calculations:

1. In each case the corporation is a domestic manufacturing corporation doing an intrastate business and having all assets within the state.

2. The income account is the same as reported for Federal income tax, except that it is assumed to be net income before any state taxes are computed, but after the Pennsylvania local property taxes have been deducted.

3. In making the computations, the accountants have exercised their judgment in supplying details lacking, allocating reserves for depreciation to particular assets, etc. This resulted in rather arbitrary decisions at times due to the lack of definite information.

4. In computing local taxes the mean effective rates developed from published rates are applied to book values, unless a particular state law prescribes a special procedure. [This method, of course, does not take into consideration inefficiency of local assessors, local practices, failure to reach tangible and intangible personal property, etc.]

5. In computing state income taxes where the State and Federal Income tax are interdependent, that is, where the state law permits both the deduction of the Federal and State in-

come taxes in determining the net income upon which the tax is based, algebraic formulæ were used. The Federal rates imposed by the Second Revenue Act of 1940 were used in these calculations. However, to avoid undue mathematical difficulties it was assumed that the corporations in question were not subject to the Declared Value Excess Profits Tax, nor to the new Excess Profits Tax imposed by the Second Revenue Act of 1940. In addition the information upon which to calculate such excess profits taxes was not available, requiring as it does information concerning invested capital and base period income, etc.

Conclusions

"The Accountants believe the results obtained in this investigation should be looked upon in the following manner: *viewed*

1. It is an attempt to indicate the total state and local tax burden based upon published rates and book values. It is not a result that can be said to have a high degree of precision when applied to the affairs of a single company because of the great importance which special facts and circumstances have in individual cases.

2. The results, particularly with respect to taxes on property other than real estate, if 100 per cent assessment is made, are absurd. For example, if the rates are applied in some of the cases under review, the corporation would pay 50-70% of its net income for local taxes. This leads to the practical conclusion that the general property tax law is not very well enforced and to the extent that it is enforced the rates are applied to valuations much lower than the book values."

STERLING K. ATKINSON
Attorney at Law

Appendix C

List of Tables

		<i>Page</i>
Table C-I	Value Added by Manufacture in Fourteen 'Competitive States,' 1927-1937	297
Table C-II	State Tax Collections in 'Competitive States,' 1929-1939	298
Table C-III	Local Tax Collections in 'Competitive States,' 1929, 1932-38	299
Table C-IV	Estimated State Per Capita Tax Collections in 'Competitive States,' 1929-1939	300
Table C-V	Estimated Local Per Capita Tax Collections in 'Competitive States,' 1929, 1932-1938	301
Table C-VI	Estimated State and Local Per Capita Tax Collections, 1929-1938	301
Table C-VII	Capital—, Net Income—, Transaction—, and License—, Base State Taxes for Major Taxpayer Groups in 'Competitive States,' Fiscal Year 1939	302
Table C-VIII	Proportional and Progressive State Taxes Imposed Upon Major Groups of Taxpayers in 'Competitive States,' Fiscal Year 1939	301
Table C-IX	Assessed Value of Taxable and Assessed Value of Tax Exempt Real Estate for County Purposes, Pennsylvania 1937 ...	303
Table CX	County Personal Property Tax Collections, Combined Real Property and Occupation Tax Collections, Total County Tax Collections and Personal Property Tax Collections as Percent of Total Tax Collections, Fiscal Year 1938	304
Table C-XI	Pennsylvania Local Tax Collections by Levels of Government, 1929-1937	305
Table C-XII	Turner's Manufacturing Corporation	306
Table C-XIII	Average Corporation A	307
Table C-XIV	Average Corporation B	308
Table C-XV	Average Corporation C	308
Table C-XVI	Average Corporation D	309
Table C-XVII	Average Corporation E	309
Table C-XVIII	Average Corporation F	310
Table C-XIX	Average Corporation G	310
Table C-XX	Average Corporation H	311
Table C-XXI	Average Corporation I	311

	Page
Table C-XXII Selected Fiscal Data for Distressed School Districts, 1938-39	312
Table C-XXIII List of Permanent State Tax Commissions, 1925	324
Table C-XXIV Changes from Tax Commissions or Commissioner to Other Tax Administering Agencies and vice versa from 1925 to 1940	325
Table C-XXV Agencies Administering Major State Taxes, 1940	326
Table C-XXVI Summary of Cash Receipts: General and Special Operating Funds, Bienniums 1927-1929 to 1939-1941	328
Table C-XXVII Summary of the General Fund and Special Operating Fund Disbursements, Bienniums 1927-1929 to 1939-1941	328
Table C-XXVIII Citation and Significant Provisions of Tax and License Measures	329

Table C-I
Value Added by Manufacture in Fourteen 'Competitive States'
1927-1937 *
(\$000)

State	1927	1929	1931	1933	1935	1937
(1)	(2)	(3)	(4)	(5)	(6)	(7)
United States	27,585,210	31,783,010	19,357,643	14,538,018	19,496,269	25,173,539
Pennsylvania	2,987,502	3,426,354	1,982,419	1,454,489	1,960,950	2,664,410
California	1,588,592	1,337,818	763,335	609,381	826,623	1,091,597
Connecticut	688,724	806,059	470,324	357,459	504,279	680,787
Illinois	2,464,911	2,921,155	1,721,448	1,200,784	1,688,986	2,319,036
Indiana	926,311	1,135,820	636,329	470,270	720,985	1,018,980
Massachusetts	1,639,039	1,706,535	1,139,191	868,122	1,019,992	1,256,490
Michigan	1,898,263	2,065,947	1,248,601	940,946	1,588,489	2,091,663
New Jersey	1,460,853	1,765,993	1,138,620	807,196	1,064,630	1,362,708
New York	4,595,889	4,957,258	3,397,583	2,399,873	3,008,157	3,316,180
North Carolina	593,827	692,402	381,509	319,140	377,957	475,834
Ohio	2,353,197	2,882,285	1,561,121	1,140,467	1,681,103	2,306,627
Tennessee	262,604	319,688	207,182	172,939	227,575	295,627
West Virginia	202,332	251,316	160,703	134,375	173,142	222,774
Wisconsin	820,325	948,782	529,402	370,037	546,044	709,824

* United States Department of Commerce, *Biennial Census of Manufactures, 1937* (for 1937 figures) and *Statistical Abstract of the United States, 1938*, Table 793 (for years prior to 1937).

Appendix C

TABLE C-II
STATE TAX COLLECTIONS IN 'COMPETITIVE STATES' 1929-1939*
(\$000)

State	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938	1939
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Pennsylvania .	125,851	142,791	165,393	136,099	141,485	125,353	140,069	180,458	278,087	264,548	235,055
California	93,729	90,261	99,175	89,963	77,763	127,231	154,845	185,200	226,162	241,365	244,562
Connecticut ...	29,939	31,967	33,964	29,824	25,799	25,309	26,433	32,537	38,062	29,144	38,809
Illinois	58,271	82,032	110,626	73,865	79,304	126,769	130,904	153,892	175,520	189,025	188,501
Indiana	37,020	41,265	43,706	41,196†	30,897‡	52,696	61,069	64,047	72,091	73,572	72,740
Massachusetts .	50,235	53,525	56,269	52,797†	49,325	75,745	81,967	88,032	105,086	108,374	105,323
Michigan	80,343	98,108	93,550	84,026	50,119	101,695	108,284	122,083	134,853	124,316	133,381
New Jersey ...	74,899	88,072	78,841	75,792	76,057	96,806	100,536	127,412	112,331	119,151	116,465
New York	312,535	347,935	298,477	253,360	245,750	293,538	293,304	384,357	397,298	422,860	416,287
North Carolina	31,842	35,973	29,367	35,687	36,930	42,426	48,065	56,227	67,780	69,597	66,762
Ohio	58,675	61,650	64,151	57,874†	51,596	96,828	157,771	177,562	183,530	163,981	191,950
Tennessee	21,167	26,954	26,913	25,687	23,072	24,628	26,518	30,316	34,834	40,541	40,716
West Virginia..	19,761	20,780	20,466	18,481	15,034	24,530	35,303	39,412	43,014	44,283	41,185
Wisconsin	43,209	48,416	49,191	50,616	47,564	59,501	58,551	68,122	75,543	80,689	75,843

* Sources: 1929—Kimmel, L. H. *Cost of Government in the United States, 1935-37*, p. 48.

1930—*Financial Statistics of States, 1930*, U. S. Department of Commerce, Bureau of the Census, Washington, 1932, pp. 64-65.

1931—*Financial Statistics of States, 1931*, U. S. Department of Commerce, Bureau of the Census, Washington, 1933, pp. 58-59.

1932—*Financial Statistics of States and Local Governments*, *op. cit.* pp. 9-17.

1933—Wueller, P. H. and associates, *op. cit.*, Table R-VIII.

1934-1935—*Tax Systems*, 7th edition, pp. 394-405.

1936-1939—Tax Policy League, *Tax Yields, 1939*, New York, 1940, p. 52-95.

1939—Massachusetts, Ohio and West Virginia were taken from *State and Local Government Special Study No. 10, Preliminary Report*, Department of Commerce, Bureau of the Census, Washington, 1940, p. 8.

All Years: Pennsylvania—See Chapter III, Table I, p. 51.

1929-1938—New York—State Tax Commission, pp. 103-108.

† Interpolations. Indiana was estimated by inflating 1933 collections to a twelve months' basis.

‡ Nine months only because of change of fiscal year.

Appendix C

TABLE C-III
LOCAL TAX COLLECTIONS IN 'COMPETITIVE STATES' 1929, 1932-1938*
(\$000)

State	1929	1932	1933	1934	1935	1936	1937	1938
(1)	(2)	(3)	(3)	(4)	(5)	(6)	(7)	(8)
Pennsylvania	343,092	305,188	279,805	289,330	297,536	303,063	299,603	298,700
California	324,585	332,589	277,723	233,059	229,704	255,711	272,544†	289,376
Connecticut	70,356	76,367	72,375	71,957	74,962	78,002	77,295	76,592‡
Illinois	309,393	333,420	290,661	280,472	325,311	292,901	305,400†	317,899
Indiana	128,119	127,463	104,328	84,831	92,734	90,585	96,110	101,973
Massachusetts	244,842	252,171	233,979	220,947	223,753	227,013	234,039	241,271‡
Michigan	243,653	214,096	207,519	154,530	147,496	146,301	156,378†	166,454
New Jersey	239,943	213,854	231,625	214,051	216,213	220,188	229,900†	239,611
New York	740,702	831,265	736,599	752,847	796,266	827,029	868,800	904,157
North Carolina	65,457	56,369	43,756	35,023	34,683	35,821	36,760	37,723‡
Ohio	307,586	301,392	228,302	194,497	181,882	191,725	190,862†	189,998
Tennessee	45,322	42,874	41,881	35,122	34,512	39,652	45,556§	52,393‡
West Virginia	50,067	47,134	41,150	26,356	25,791	25,468	26,052	26,701
Wisconsin	131,937	130,453	110,647	89,846	91,136	93,537	99,467†	105,397

* Sources: 1929—Kimmel, L. H., *Cost of Government in the United States, 1935-1937*, National Industrial Conference Board, New York, 1938, p. 50.
1932—*Financial Statistics of State and Local Governments*, U. S. Department of Commerce, Bureau of the Census, Washington, 1935, pp 9-17.
1933—Wueller, P. H. and associates, *The Fiscal Capacity of the States: A Source Book*, Social Security Board, Bureau of Research and Statistics, Memorandum 29, Washington, April 1938, Table R-VIII.
1934-1936—*Tax Systems of the World*, seventh edition, Commerce Clearing House, Chicago, 1939, pp. 394-405. Illinois and West Virginia obtained from Kimmel, L. H., *op. cit.*, p. 50.
1937-1938—Tax Policy League, *Tax Yields*, 1939, New York, 1940, pp. 121-125. North Carolina, *Tax Systems, op. cit.*, 401.
All years: Pennsylvania,—See, Chapter III, Table I; p. 4.
New York,—Annual Report of the State Tax Commission, 1938, Albany, 1939, pp. 103-108.

† Interpolations.

‡ Estimated on the basis of the 1936-37 percentage change.

§ Estimated on the basis of the 1935-36 percentage change.

Appendix C

TABLE C-IV
ESTIMATED LOCAL PER CAPITA TAX COLLECTIONS IN 'COMPETITIVE STATES'*
(1929-1939)

State	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938	1939
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Pennsylvania	13.2	14.8	17.1	14.1	14.6	12.9	14.9	18.4	28.3	26.9	23.8
California	17.2	15.9	17.1	15.2	12.9	20.6	24.6	28.9	34.7	36.5	36.0
Connecticut	18.9	19.9	21.0	18.3	15.8	15.4	15.9	19.5	22.7	23.2	22.8
Illinois	7.8	10.8	14.4	9.6	10.3	16.4	16.9	19.8	22.5	24.1	24.0
Indiana	11.5	12.7	13.4	11.4	9.4	15.9	18.3	19.1	21.4	21.7	21.3
Massachusetts	11.9	12.6	13.2	12.4	11.6	17.7	19.1	20.5	24.5	25.2	24.4
Michigan	17.0	20.3	19.2	17.1	10.1	20.3	21.4	24.0	26.3	24.0	25.6
New Jersey	18.9	21.8	19.5	18.6	18.7	23.7	24.5	31.0	27.3	28.8	28.1
New York	25.3	27.6	23.5	19.8	19.1	22.7	22.5	29.3	30.1	31.8	31.1
North Carolina	10.3	11.3	9.1	11.0	11.2	12.7	14.3	16.5	19.6	19.9	18.9
Ohio	8.8	9.3	9.6	8.6	7.7	14.3	23.3	26.1	26.9	23.9	27.9
Tennessee	8.2	10.3	10.2	9.6	8.5	9.0	9.6	10.8	12.3	14.2	14.1
West Virginia	11.6	12.0	11.7	10.5	8.4	13.6	19.4	21.5	23.3	23.7	31.9
Wisconsin	14.9	16.5	16.6	17.0	15.9	19.7	19.3	22.3	24.5	26.0	24.3

* 1930 and final 1940 population figures taken from U. S. Department of Commerce, Bureau of the Census, release of December 20, 1940. Population figures for 1931-1939 are interpolations.

300

Appendix C

TABLE C-V
ESTIMATED LOCAL PER CAPITA TAX COLLECTIONS IN 'COMPETITIVE STATES'*
 1929, 1932-1938

State	1929	1932	1933	1934	1935	1936	1937	1938
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Pennsylvania	36.0	31.5	28.8	29.7	30.5	30.9	30.5	30.3
California	59.5	56.1	45.9	37.8	36.5	39.9	41.4	43.4
Connecticut	44.4	46.9	44.2	43.7	45.2	46.8	46.0	45.4
Illinois	41.2	43.4	37.7	36.2	41.9	37.6	39.1	40.5
Indiana	39.9	38.9	31.7	25.6	27.8	27.0	28.5	30.1
Massachusetts	58.8	59.2	54.8	51.7	52.2	52.9	54.5	56.1
Michigan	51.6	43.5	41.8	30.9	29.2	28.7	30.5	32.2
New Jersey	59.1	52.6	56.8	52.4	52.7	53.5	55.7	57.9
New York	59.9	65.1	57.3	58.2	61.1	63.0	65.8	68.0
North Carolina	21.0	17.3	13.3	10.5	10.3	10.5	10.7	10.8
Ohio	47.6	45.0	33.9	28.8	26.8	28.2	27.9	27.7
Tennessee	17.5	16.0	15.5	12.8	12.5	14.2	16.1	18.3
West Virginia	29.4	26.7	23.1	14.7	14.2	13.9	14.1	14.3
Wisconsin	45.4	43.8	36.9	29.8	30.0	30.6	32.3	34.0

* 1930 and final 1940 population taken from U. S. Department of Commerce, Bureau of the Census, release of December 20, 1940. Population figures for 1931-1939 are interpolations.

Appendix C

TABLE C-VI
ESTIMATED STATE AND LOCAL PER CAPITA TAX COLLECTIONS IN 'COMPETITIVE STATES'*

State	1929	1932	1933	1934	1935	1936	1937	1938
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Pennsylvania	49.2	45.6	43.4	42.6	44.8	49.4	58.8	57.2
California	76.7	71.3	58.8	58.4	61.1	68.7	76.3	79.7
Connecticut	63.3	65.3	59.9	59.0	61.2	66.3	68.7	68.5
Illinois	48.9	53.0	48.0	52.6	58.8	57.4	61.5	64.6
Indiana	51.5	51.5	41.0	41.5	46.1	46.1	49.9	51.8
Massachusetts	70.1	71.5	66.4	69.4	71.4	73.4	78.9	81.3
Michigan	68.6	60.5	51.9	51.2	50.7	52.7	56.7	56.2
New Jersey	79.6	71.0	75.5	76.0	77.2	84.5	83.0	86.7
New York	85.2	85.0	75.9	80.8	83.6	92.3	95.8	99.8
North Carolina	31.3	28.3	24.5	23.3	24.5	27.0	30.3	30.7
Ohio	56.7	53.6	41.6	43.7	50.1	54.3	54.8	51.6
Tennessee	25.7	25.6	24.0	21.8	22.1	25.0	28.4	32.5
West Virginia	41.0	37.2	31.5	28.3	33.6	35.4	37.3	38.0
Wisconsin	60.2	60.8	52.8	49.5	49.3	52.9	56.9	60.1

* 1930 and final 1940 population taken from U. S. Department of Commerce, Bureau of the Census, release of December 20, 1940. Population figures for 1931-1939 are interpolations.

Appendix C

TABLE C-VIII
PROPORTIONAL AND PROGRESSIVE STATE TAXES IMPOSED UPON MAJOR GROUPS OF TAXPAYERS IN 'COMPETITIVE STATES' FISCAL YEAR 1939*
 (\$'000)

State	Proportional			Progressive			Total Taxes
	Business	Personal	Total	Business	Personal	Total	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Pennsylvania	83,648	38,830	122,478	0	21,077	21,077	143,555
California	46,559	97,134	143,693	0	28,882	28,882	172,575
Connecticut	11,755	7,272	19,027	231	3,713	3,944	22,971
Illinois	33,628	83,427	117,055	374	5,636	6,010	123,065
Indiana	7,709	28,730	36,439	2,676	1,037	3,713	40,152
Massachusetts	28,487	38,256	66,743	0	11,085	11,085	77,828
Michigan	25,878	53,816	79,694	597	4,985	5,582	85,276
New Jersey	47,113	17,215	64,328	0	6,915	6,915	71,243
New York	161,713	1,599	163,312	0	138,796	138,796	302,103
North Carolina	19,735	11,519	31,254	0	3,689	3,689	34,943
Ohio	45,521	63,018	108,539	0	5,446	5,446	113,985
Tennessee	10,772	5,353	16,125	0	1,438	1,438	17,563
West Virginia	1,647	22,419	24,066	684	2,011	2,695	26,761
Wisconsin	21,021	902	21,923	10,011	10,862	20,873	42,796

* For classification of taxes see *Tax Systems*, 8th edition *Commerce Clearing House*, Chicago 1940, pp. 11-75.

Appendix C

TABLE C-VII
CAPITAL-, NET INCOME-, TRANSACTION-, AND LICENSE-, BASE STATE TAXES FOR MAJOR TAXPAYER GROUPS IN 'COMPETITIVE STATES'
FISCAL YEAR 1939*
(\$000)

State	Business Taxes					Personal Taxes					Total Business and Personal Taxes
	Capital Value	Income	Transactions	License	Total	Capital Value	Income	Transactions	License	Total	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Pennsylvania	34,429	16,423	25,739	7,056	83,647	41,115	0	18,793	0	59,908	143,555
California	414	20,231	20,252	5,662	46,559	8,372	20,510	92,391	4,743	126,016	172,575
Connecticut	0	6,661	5,198	127	11,986	8,407	0	2,571	0	10,985	22,971
Illinois	3,085	0	27,883	3,034	34,002	6,189	0	82,099	775	89,063	123,065
Indiana	188	0	6,370	3,827	10,385	8,170	740	19,981	876	29,767	40,152
Massachusetts	16,381	608	11,498	0	28,487	29,085	18,797	1,165	294	49,341	77,828
Michigan	14,268	0	4,131	8,076	26,475	6,932	0	51,869	0	58,801	85,276
New Jersey	4,464	0	42,562	86	47,112	24,131	0	0	0	24,131	71,243
New York	33,525	45,453	65,363	17,372	161,713	35,450	103,347	1,598	0	140,395	302,108
North Carolina	3,497	6,958	6,272	3,008	19,735	1,455	2,758	10,995	0	15,208	34,943
Ohio	4,346	0	35,424	5,751	45,521	11,970	0	55,562	932	68,464	113,985
Tennessee	1,962	1,793	5,433	1,585	10,773	2,668	1,410	2,714	0	6,792	17,563
West Virginia	1,250	0	1,081	0	2,331	1,902	1,642	20,630	256	24,430	26,761
Wisconsin	14,483	7,501	3,483	5,565	31,032	4,521	7,229	0	14	11,764	42,796

* For Classification of taxes see *Tax Systems*, 8th edition, *Commerce Clearing House*, Chicago, 1940, pp. 11-75. Gasoline taxes and motor vehicle registration fees have been omitted.

Appendix C

TABLE C-IX

ASSESSED VALUE OF TAXABLE AND ASSESSED VALUE OF TAX EXEMPT REAL ESTATE FOR COUNTY PURPOSES, PENNSYLVANIA, 1937

County	Real Estate Assessments			Col. (2) Col. (4) x 100	Col. (3) Col. (4) x 100
	Taxable (000)	Tax Exempt (000)	Total (000)		
(1)	(2)	(3)	(4)	(5)	(6)
Adams	\$ 15,427	\$ 881	\$ 16,308	94.6	5.4
Allegheny	1,816,908	425,793	2,242,701	81.0	19.0
Armstrong	44,966	10,390	55,356	81.2	18.8
Beaver	91,592	9,497	101,089	90.6	9.4
Bedford	14,688	1,261	15,949	92.1	7.9
Berks	197,619	28,982	226,601	87.2	12.8
Blair	63,945	11,590	75,535	84.7	15.3
Bradford	18,233	4,378	22,611	80.6	19.4
Bucks	65,965	11,283	77,248	85.4	14.6
Butler	59,089	5,984	65,073	90.8	9.2
Cambria	145,151	23,130	168,281	86.3	13.7
Cameron	1,754	461	2,215	79.2	20.8
Carbon	29,579	4,734	34,313	86.2	13.8
Centre	14,900	2,153	17,053	87.4	12.6
Chester	102,731	18,427	121,158	84.8	15.2
Clarion	8,930	1,991	10,921	81.8	18.2
Clearfield	14,490	3,283	17,773	81.5	18.5
Clinton	10,685	2,074	12,759	83.7	16.3
Columbia	27,344	5,260	32,604	83.9	16.1
Crawford	35,060	1,213	36,273	96.7	3.3
Cumberland	46,837	14,538	61,375	76.3	23.7
Dauphin	120,114	70,488	190,602	63.0	37.0
Delaware	269,861	34,282	304,143	88.7	11.3
Elk	7,662	1,621	9,283	82.5	17.5
Erie	115,617	16,521	132,138	87.5	12.5
Fayette	77,202	4,715	81,917	94.2	5.8
Forest	1,460	270	1,730	84.4	15.6
Franklin	33,789	7,331	41,120	82.2	17.8
Fulton	2,103	154	2,257	93.2	6.8
Greene	41,611	2,334	43,945	94.7	5.3
Huntingdon	19,575	4,544	24,119	81.2	18.8
Indiana	34,568	6,964	41,532	83.2	16.8
Jefferson	18,175	2,562	20,737	87.6	12.4
Juniata	4,513	312	4,825	93.5	6.5
Lackawanna	176,914	25,335	202,249	87.5	12.5
Lancaster	136,566	20,097	156,663	87.2	12.8
Lawrence	63,057	10,460	73,517	85.8	14.2
Lebanon	62,314	6,304	68,618	90.8	9.2
Lehigh	146,363	22,664	169,027	86.6	13.4
Luzerne	303,842	37,543	341,385	89.0	11.0
Lycoming	32,691	8,396	41,087	79.6	20.4
McKean	32,755	4,466	37,221	88.0	12.0
Mercer	53,103	8,015	61,118	86.9	13.1
Mifflin	15,158	3,828	18,986	79.8	20.2
Monroe	16,971	2,655	19,626	86.5	13.5
Montgomery	276,078	39,631	315,707	87.4	12.6
Montour	4,743	4,530	9,273	51.1	48.9
Northampton	116,294	25,755	142,049	81.9	18.1
Northumberland	48,132	9,680	57,812	83.3	16.7
Perry	9,128	1,492	10,620	86.0	14.0
Philadelphia*	2,637,722	691,930	3,329,652	79.2	20.8
Pike	9,394	524	9,918	94.7	5.3
Potter	4,403	651	5,054	87.1	12.9
Schuylkill	117,868	11,862	129,730	90.9	9.1
Snyder	7,085	734	7,819	90.6	9.4
Somerset	29,637	7,768	37,405	79.2	20.8
Sullivan	2,630	374	3,004	87.5	12.5
Susquehanna	16,215	9,167	25,382	63.9	36.1
Tioga	11,580	2,948	14,528	79.7	20.3
Union	7,662	1,761	9,423	81.3	18.7
Venango	33,515	8,714	42,229	79.4	20.6
Warren	19,853	9,038	28,891	68.7	31.3
Washington	124,875	18,557	143,432	87.1	12.9
Wayne	13,785	5,633	19,418	71.0	29.0
Westmoreland	152,018	18,387	170,405	89.2	10.8
Wyoming	5,080	861	5,941	85.5	14.5
York	76,507	9,869	86,376	88.6	11.4
Totals	\$8,336,079	\$1,769,030	\$10,105,109	82.5	17.5

Legend: Columns (2), (3), and (4) through the courtesy of the Pennsylvania Department of Internal Affairs, Bureau of Statistics, Division of Assessments and Taxes.

* Philadelphia assessments are for city purposes primarily, but are included for the sake of completeness.

Appendix C

TABLE C-X
COUNTY PERSONAL PROPERTY TAX COLLECTIONS, COMBINED REAL PROPERTY
AND OCCUPATION TAX COLLECTIONS, TOTAL COUNTY TAX COLLECTIONS
AND PERSONAL PROPERTY TAX COLLECTIONS AS PERCENT OF
TOTAL TAX COLLECTIONS, FISCAL YEAR 1938*

County	Personal Property† Tax Collections	Real Estate and‡ Occupation Taxes	Total Tax† Collections	Col. (2) Col. (4) x 100
(1)	(2)	(3)	(4)	(5)
Adams	\$ 16,473	\$ 101,001	\$ 117,474	14.0
Allegheny	2,292,676	12,726,890§	15,019,566	15.3
Armstrong	21,103	228,763	249,866	8.4
Beaver	50,872	736,897	787,769	6.5
Bedford		†	132,984†	
Berks	256,538	1,044,794	1,301,332	19.7
Blair	49,435	379,680	429,115	11.5
Bradford	30,176	208,703	238,879	12.6
Bucks	134,081	232,235	366,316	36.6
Butler	54,979	233,050	288,029	19.1
Cambria	21,116	667,907	719,023	7.1
Cameron	4,258	35,328	39,586	10.8
Carbon	22,127	371,557	393,684	5.6
Centre	23,696	111,083	134,779	17.6
Chester	181,931	266,118	448,049	40.6
Clarion	25,567	80,226	105,793	24.2
Clearfield	24,445	140,855	165,300	14.8
Clinton	17,848	97,068	114,916	15.5
Columbia	16,249	153,210	169,459	9.6
Crawford	51,744	294,953	346,697	14.9
Cumberland	†	†	201,439†	
Dauphin	165,165	600,089§	765,254	21.5
Delaware	504,480	1,066,007§	1,570,487	32.1
Elk	19,668	130,488	150,156	13.1
Erie	157,890	728,533	886,423	17.8
Fayette	44,493	695,803	740,296	6.0
Forest	†	†	18,756†	
Franklin	†	†	251,257†	
Fulton	1,893	20,195	22,088	8.6
Greene	18,927	308,852	327,779	5.8
Huntingdon	†	†	80,229†	
Indiana	16,625	273,918	290,543	5.7
Jefferson	22,683	152,005	174,688	12.9
Juniata	3,736	29,217	32,953	11.3
Lackawanna	213,547	855,325§	1,068,872	19.9
Lancaster	211,617	288,856§	500,473	42.3
Lawrence	71,379	403,876	475,255	15.0
Lebanon	56,336	171,028§	227,364	24.8
Lehigh	141,794	674,247	816,041	17.4
Luzerne	248,881	2,009,408	2,258,289	11.0
Lycoming	67,501	301,281	368,782	18.4
McKean	100,779	274,983	375,762	26.8
Mercer	42,612	361,490	404,102	10.5
Mifflin	†	†	104,838†	
Monroe	23,310	120,554§	143,864	16.2
Montgomery	894,107	678,995§	1,573,102	56.8
Montour	8,178	37,476	45,654	17.9
Northampton	161,446	1,198,250	1,359,696	11.9
Northumberland	52,624	290,630	343,254	15.3
Perry	5,405	57,933	63,398	8.5
Philadelphia	3,467,623	39,200,970§	42,668,593	8.8
Pike	12,957	36,746§	49,703	26.1
Potter	6,169	53,427	59,596	10.4
Schuylkill	86,727	592,290	679,017	12.8
Snyder	3,844	51,982	55,826	6.9
Somerset	21,131	253,185	274,316	7.7
Sullivan	3,181	31,180	34,361	10.2
Susquehanna	16,550	150,936	167,486	9.9
Tioga	†	†	130,288†	
Union	5,066	64,068	69,134	7.3
Venango	223,104	160,884	383,988	5.8
Warren	†	†	210,962†	
Washington	110,669	834,860	945,529	11.7
Wayne	13,758	80,607	94,365	14.6
Westmoreland	108,573	943,851§	1,052,424	10.3
Wyoming	4,147	67,623	71,770	5.8
York	†	†	710,442†	
Total, excluding Philadelphia			42,198,917	
Total, including Philadelphia			84,867,510	12.9†

* From Joint State Government Commission.

† Total amount actually collected, including penalties.

‡ Collections not separable for the various taxes.

§ No occupation tax levied in this county.

¶ Not exact, since those counties were excluded where information was incomplete or unavailable.

TABLE C-XI
PENNSYLVANIA LOCAL TAX COLLECTIONS BY LEVELS OF GOVERNMENT*
1929-1937
(\$000)

Year	Levels of Government												
	Counties	Poor Districts	Cities					Boroughs	Townships			School Districts	Total
			First Class	Second Class	Second Class A	Third Class	Total		First Class	Second Class	Total		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
1929	\$48,727	5,081	\$66,753	\$22,648	....	\$19,231	\$108,632	\$21,224	\$5,182	\$13,529	\$18,711	\$140,719	\$343,094
1930	50,847	5,482	63,933	23,824	....	20,095	107,852	21,288	5,265	13,364	18,629	145,851	349,949
1931	47,590	5,759	63,753	22,912	....	19,471	106,136	20,556	5,141	11,992	17,133	136,633	333,807
1932	41,940	7,305	61,651	17,765	2,009	18,153	99,578	17,530	4,869	9,488	14,357	124,479	305,189
1933	39,847	6,396	58,162	15,249	1,636	15,386	90,433	15,169	4,393	7,256	11,649	116,180	279,674
1934	40,457	7,006	58,102	15,723	1,738	17,171	92,734	15,911	4,801	6,048	10,849	122,374	289,331
1935	40,901	7,084	58,288	17,564	1,645	17,914	95,411	16,961	4,942	5,684	10,626	126,552	297,535
1936	45,701	7,318	54,199	17,441	1,477	19,069	92,186	17,286	5,125	5,541	10,666	129,906	303,063
1937	47,794	6,623	51,290	17,923	1,657	18,784	89,654	18,560	5,592	5,453	11,045	125,927	299,603

* From Pennsylvania Department of Internal Affairs, Bureau of Statistics, Division of Assessments and Taxes.

TABLE C-XII

TURNER'S MANUFACTURING CORPORATION*
STATEMENT OF ASSETS AND LIABILITIES

	<i>Assets</i>	Book Value	Actual Value
(A) FIXED ASSETS			
Land		\$ 300,000.00	\$ 300,000.00
Buildings	\$3,000,000.00		
Less—Reserve for Depreciation	1,400,000.00	1,600,000.00	1,600,000.00
	<hr/>		
Machinery and Equipment	3,650,000.00		
Less—Reserve for Depreciation	2,640,000.00	1,010,000.00	1,010,000.00
	<hr/>		
INVESTMENTS			
Stocks of Domestic Corporations		575,000.00	500,000.00
Stocks of Foreign Corporations		550,000.00	375,000.00
Bonds		175,000.00	100,000.00
CURRENT ASSETS			
(B) Cash		560,000.00	560,000.00
Notes Receivable		80,000.00	10,000.00
Accounts Receivable		3,750,000.00	3,650,000.00
(C) Inventories		2,100,000.00	1,675,000.00
DEFERRED CHARGES		60,000.00	
		<hr/>	<hr/>
		\$10,760,000.00	\$ 9,780,000.00
		<hr/>	<hr/>

Liabilities

CAPITAL AND SURPLUS			
(D) Capital Stock		\$ 3,500,000.00	
Paid in Surplus		250,000.00	
Surplus and Undivided Profits		3,230,000.00	
CURRENT LIABILITIES			
Notes Payable		500,000.00	
Accounts Payable		2,550,000.00	
Accrued Taxes Payable		60,000.00	
RESERVES (Other than Depreciation)		670,000.00	
		<hr/>	
		\$10,760,000.00	
		<hr/>	

Notes—Necessary Supplemental Data

(A) Tangible property outside of state illustrated		\$10,000.00
(B) Cash outside of state illustrated		25,000.00
(C) Inventories classified at actual values as follows:		
Work in Process (Labor & Overhead)	\$1,050,000.00	
Materials	625,000.00	
	<hr/>	
		\$1,675,000.00
		<hr/>

(D) Authorized capital consists of 100,000 shares having a par value of \$100.00 per share.

* Turner, C. L., *Report on Comparative Study of Corporate Taxes in Fifteen Industrial States*, Pennsylvania State Chamber of Commerce, Harrisburg, 1938, p. 17.

Appendix C

TABLE C-XII—Continued

TURNER'S MANUFACTURING CORPORATION†
STATEMENT OF PROFIT AND LOSS

(1) Gross Sales		\$18,000,000.00
Returns and Allowances		725,000.00
Net Sales		17,275,000.00
(2) Cost of Sales		14,225,000.00
Gross Profit		3,050,000.00
Other Income		
(3) Rents	\$ 60,000.00	
(4) Interest	10,000.00	
(3) Dividends	115,000.00	
(5) Capital Losses	2,000.00	
Miscellaneous	53,000.00	236,000.00
		3,286,000.00
Other Deductions		
(6) Interest Paid	32,000.00	
Miscellaneous	2,422,000.00	2,454,000.00
Net Income before Federal Income and State Taxes	\$	832,000.00

Notes: Necessary Supplemental Data

- (1) Allocation of gross sales in all states where required with exception of (Ohio) \$3,900,000.00
(Ohio) sales allocated to state on basis of origin of shipment.
- (2) Allocation of wages (Connecticut, Massachusetts and Pennsylvania):
Total wages paid 2,720,000.00
Wages paid in the state illustrated 2,310,000.00
- (3) Rents, interest and dividends are allocated to state illustrated.
(4) Includes income from bonds of \$3,000.00. (Ohio)
(5) Gross proceeds from sale of capital assets, \$30,000.00.
(6) Includes rent paid of \$30,000.00. (Conn.)

† Turner, C. L., *Report on Comparative Study of Corporate Taxes in Fifteen Industrial States*, Pennsylvania State Chamber of Commerce, Harrisburg 1938, Page 18.

Appendix C

TABLE C-XIII

AVERAGE CORPORATION A
INCOME ACCOUNT BEFORE DEDUCTION FOR STATE AND FEDERAL TAXES*

<i>Income</i>	
Gross Sales	\$725,591
Less: Sales Returns and Allowance	8,381
Net Sales	\$717,210
Less: Cost of Goods Sold	551,785
Gross Profit on Sales	\$165,425
Interest on Loans, Notes, Mtgs. etc.	\$ 1,159
Rents	221
Capital Gains/Loss	(567) †
Dividends	604
Other Income	6,644
Total Income	\$172,487
<i>Expenses</i>	
<i>Deductions</i>	
Compensation of officers	\$25,311
Salaries and Wages	40,090
Rent	5,863
Repairs	6,498
Bad Debts	968
Interest	2,129
Taxes	9,060
Contributions or Gifts	477
Losses by Fire, Storm, etc.	5,285
Depreciation	11,747
All Other Deductions Authorized	98,715
Total Deductions	\$146,143
Net Income	\$ 26,344

* Constructed by Accountants' Committee from income statements supplied by the Pennsylvania Department of Revenue.

† Minus figure.

Appendix C

TABLE C-XIV
AVERAGE CORPORATION B
INCOME ACCOUNT BEFORE DEDUCTION OF STATE AND FEDERAL TAXES*

<i>Income</i>		
<i>Gross Income</i>		
Gross Sales		\$634,190
Less Sales Returns and Allowances		125
Net Sales		<u>\$634,065</u>
Less Cost of Goods Sold		521,776
Gross Profit on Sales		<u>\$112,289</u>
Interest on Loans, Notes, Mtgs.	\$ 2,328	
Rents	4,846	
Royalties	2,124	
Gain on Sale and Exchange of Assets	1,953	
Other Income	820	12,071
Total Income		<u>\$124,360</u>
 <i>Expenses</i>		
<i>Deductions</i>		
Compensation of Officers	\$40,731.50	
Rent	448.50	
Repairs	3,609.50	
Bad Debts	308	
Interest	3,455.50	
Taxes	23,241	
Depreciation	22,507.50	
Total Deductions		<u>\$ 94,301.50</u>
Net Income		<u>\$ 30,058.50</u>

* Constructed by Accountants' Committee from balance sheets supplied by the Pennsylvania Department of Revenue.

Appendix C

TABLE C-XV
AVERAGE CORPORATION C
INCOME ACCOUNT BEFORE DEDUCTION FOR STATE AND FEDERAL TAXES*

Gross Sales		\$2,207,673
Less: Returns and Allowances		41,476
Net Sales		<u>\$2,166,197</u>
Less: Cost of Goods Sold		1,518,357
Gross Profit from Sales		<u>647,840</u>
Other Income		
Interest on Loans, Notes, etc.	\$9,883	
Royalties	735	
Dividends	4,599	
Miscellaneous Income	12,380	27,597
Total Income		<u>\$675,437</u>
 <i>Deductions</i>		
Compensation of Officers	\$113,645	
Salaries and Wages	57,534	
Repairs	25,694	
Bad Debts	10,745	
Interest	4,054	
Taxes	74,117	
Contributions or Gifts	4,347	
Depreciation	40,652	
Other Deductions Authorized by Law	179,085	
Total Deductions		<u>509,873</u>
Net Income		<u>\$165,564</u>

* Constructed by Accountants' Committee from Income Accounts supplied by Pennsylvania Department of Revenue.

Appendix C

TABLE C-XVI
AVERAGE CORPORATION D

INCOME ACCOUNT BEFORE DEDUCTION FOR STATE AND FEDERAL TAXES*

<i>Gross Income</i>			
Net Sales			\$921,388
Less: Cost of Goods Sold			735,801
			<hr/>
Gross Profit			\$185,587
Interest on Loans	\$169		
Interest on U. S. Obligations	199		
Royalties	30		
Capital Gains	223		
Dividends	162		
Other Income	3,391		
			<hr/>
Gross Income			4,174
			<hr/>
Gross Income			\$189,761
<i>Deductions</i>			
Compensation of Officers	30,070		
Salaries and Wages	37,229		
Rent	5,035		
Repairs	3,027		
Bad Debts	897		
Interest	1,615		
Taxes	13,373		
Contributions or Gifts	460		
Loss by Fire, Storm, etc.	179		
Depreciation	7,447		
Other Deductions	72,588		
			<hr/>
Total Deductions			\$171,920
			<hr/>
Net Income			\$17,841

* Constructed by Accountants' Committee from income statements supplied by the Pennsylvania Department of Revenue.

Appendix C

TABLE C-XVII
AVERAGE CORPORATION E

INCOME ACCOUNT BEFORE DEDUCTION FOR STATE AND FEDERAL TAXES*

<i>Gross Income</i>			
Sales			\$720,479
Less Sales Returns and Allowances			4,402
			<hr/>
Net Sales			\$716,077
Loss			574,470
			<hr/>
Gross Profit			\$141,607
Interest on Loans, Notes, etc.	\$1,367		
Interest on obligations of U. S.	637		
Rents	640		
Capital Gain/Loss	910		
Dividends	1,750		
Other Income	943		
			<hr/>
Gross Income			6,247
			<hr/>
Gross Income			\$147,854
<i>Deductions</i>			
Compensation of officers	\$24,140		
Salaries and Wages	30,730		
Rent	3,555		
Repairs	4,361		
Bad Debts	6,444		
Interest	1,675		
Taxes	12,111		
Depreciation	14,301		
Other Deductions	30,041		
			<hr/>
Total Deductions			127,358
			<hr/>
Net Income			\$20,496

* Constructed by Accountants' Committee from income statements supplied by the Pennsylvania Department of Revenue.

Appendix C

TABLE C-XVIII

AVERAGE CORPORATION F

INCOME ACCOUNT BEFORE DEDUCTION FOR STATE AND FEDERAL TAXES*

		<i>Income</i>	
<i>Gross Income</i>			
Gross Sales			\$4,879,836
Less: Sales Return and Allowances			59,629
			<hr/>
Net Sales			\$4,820,207
Less Cost of Goods Sold			3,163,505
Gross Profit on Sales			\$1,656,702
Interest on Bonds, Notes, Mtgs.	\$10,948		
Interest on U. S. Obligations	2,792		
Rents	11,925		
Royalties	2,495		
Capital Gain/Loss	2,172		
Gain/Loss on Sale or Exchange of Capital Assets ...	(306) †		
Dividends	14,068		
Other Income	30,431		74,527
			<hr/>
Total Income			\$1,731,229
		<i>Expenses</i>	
<i>Deductions</i>			
Compensation of officers	\$61,802		
Salaries and Wages	236,955		
Rents	6,010		
Repairs	141,983		
Bad Debts	23,330		
Interest	1,315		
Taxes	140,981		
Contributions and Gifts	1,354		
Depreciation	137,035		
All other Deduction Authorized	538,681		
			<hr/>
Total Deductions			1,299,446
Net Income			\$431,783

* Constructed by Accountants' Committee from income statements supplied by the Pennsylvania Department of Revenue.

† Minus figure.

Appendix C

TABLE C-XIX

AVERAGE CORPORATION G

INCOME ACCOUNT BEFORE DEDUCTION OF STATE AND FEDERAL TAXES*

<i>Gross Income</i>			
Net Sales			\$4,381,323
Less: Cost of Goods Sold			2,885,881
			<hr/>
Gross Profit			\$1,495,442
Interest on Loans	\$4,203		
Interest on U. S. Obligations	4,901		
Rents	419		
Royalties	17,792		
Capital Gain/Loss	(1,214) †		
Dividends	111,291		
Other Income	9,166		146,558
			<hr/>
Gross Income			\$1,642,000
<i>Deductions</i>			
Compensation of Officers	\$74,669		
Salaries and Wages	137,652		
Rent	11,202		
Repairs	177,818		
Bad Debts	7,318		
Interest	3,003		
Taxes	119,479		
Contributions or Gifts	2,513		
Losses by Fire, Storm, etc.	122		
Depreciation	114,089		
Other Deductions	335,032		
			<hr/>
Total Deductions			982,897
Net Income			\$659,103

* Constructed by Accountants' Committee from income statements supplied by the Pennsylvania Department of Revenue.

† Minus figure.

Appendix C

TABLE C-XX

AVERAGE CORPORATION H

INCOME ACCOUNT BEFORE DEDUCTION OF STATE AND FEDERAL TAXES*

<i>Gross Sales</i>		
Net Sales		\$18,966,345
Less: Cost of Goods Sold		14,156,685
		<hr/>
Gross Profit		\$ 4,809,660
Interest on Loans, Mortgages, etc.	\$3,093	
Interest on Obligations of U. S.	64,722	
Rents	29,001	
Capital Gain/Loss	12,813	
Gain/Loss on Exchange of Property	5,863	115,492
		<hr/>
Gross Income		\$4,925,152
<i>Deductions</i>		
Compensation of Officers	\$110,000	
Salaries and Wages	612,657	
Rents	60,105	
Repairs	142,672	
Bad Debts	2,820	
Interest	11	
Taxes	390,422	
Contributions or Gifts	2,364	
Depreciation	416,175	
Other Deductions Authorized by Law	2,156,412	
		<hr/>
Total Deductions		3,893,638
		<hr/>
Net Profit		\$1,031,514

* Constructed by Accountants' Committee from Income Account supplied by the Pennsylvania Department of Revenue.

Appendix C

TABLE C-XXI

AVERAGE CORPORATION I

INCOME ACCOUNT AS REPORTED FOR FEDERAL INCOME TAX*

<i>Gross Income</i>		
Net Sales		\$9,646,529
Less: Cost of Goods Sold		7,699,482
		<hr/>
Gross Profit		\$1,947,047
Interest on Notes, Bonds, etc.	\$2,072	
Interest on U. S. Obligations	1,676	
Rents	96	
Royalties	9,176	
Capital Gain/Loss	(49)†	
Dividends	331	
Other Income	13,529	26,831
		<hr/>
Gross Income		\$1,973,878
<i>Deductions</i>		
Compensation of Officers	\$99,451	
Salaries and Wages	422,666	
Rent	6,453	
Repairs	190,763	
Bad Debts	11,343	
Interest	11,799	
Taxes	221,197	
Contributions or Gifts	3,343	
Loss by Fire, Storm, etc.	3,060	
Depreciation	309,427	
Depletion	280	
Other Deductions	112,466	
		<hr/>
Total Deductions		1,392,248
		<hr/>
Net Income		\$581,630

* Constructed by Accountants' Committee from income statements supplied by the Pennsylvania Department of Revenue.

† Minus figure.

Appendix C

TABLE C-XXII
SELECTED FISCAL DATA FOR DISTRESSED SCHOOL DISTRICTS 1938-1939*

County and School District	Class of District	Assessed Value of Taxable Property (000)	Nominal Millage for School Purposes	True Valuation of Property (000)	Effective millage for School Purposes	True Valuation per Teacher	Average Daily Membership	Per Capita Tax Rate	Taxes Levied			Taxes Collected		
									Per Capita Tax	Property	Total	Per Capita Tax	Property	Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
Adams														
Biglerville	4	\$ 400	20	\$ 464	17.2	\$ 36	361	\$ 4.00	\$ 1,768	\$ 7,901	\$ 9,669	\$ 1,272	\$ 7,396	\$ 8,668
Hamiltonban	4	514	17	911	9.6	65	344	3.00	2,349	8,834	11,183	914	6,675	7,589
Mt. Joy	4	396	15	518	11.5	58	279	4.00	2,520	5,983	8,503	1,677	5,283	6,960
Allegheny														
Elizabeth	3	3,880	24	4,474	20.8	104	1,474	5.00	18,895	93,113	112,008	5,297	73,410	78,707
Glassport	3	6,230	17	8,584	12.3	187	1,484	3.00	13,983	105,913	119,896	4,896	78,037	82,933
Homestead	3	12,608	19	21,041	11.4	174	3,002	.....	.....	240,197	240,197	.....	197,290	197,290
N. Versailles	3	4,038	27	5,088	21.4	164	1,332	4.00	12,324	109,016	121,340	2,512	67,337	69,849
Plum	3	5,605	16	6,426	14.0	174	1,365	5.00	12,440	89,675	102,115	4,363	75,435	79,798
Stone	3	10,329	21	14,695	14.8	100	2,793	2.00	12,906	216,911	229,817	2,432	183,593	186,025
Turtle Creek	3	10,778	18	14,595	13.8	160	2,696	3.50	18,949	193,996	212,945	861	157,588	158,449
Braddock	4	912	25	1,576	14.5	153	312	2.50	2,260	22,801	25,061	610	11,970	12,580
Castle Shannon	4	2,609	20	3,960	13.2	228	529	3.00	5,616	52,184	57,800	2,444	41,885	44,329
Glenfield	4	548	20	838	13.1	209	132	5.00	2,435	10,960	13,395	981	7,226	8,207
Leet	4	937	20	1,545	12.1	193	182	5.00	2,880	18,747	21,627	1,637	15,917	17,554
Lincoln	4	366	20	505	14.5	126	254	4.00	1,260	7,328	8,588	182	5,218	5,400
Patton	4	2,905	20	3,837	15.1	132	1,173	2.50	5,407	58,095	63,503	1,876	37,900	39,777
Port Vue	4	3,276	27.5	5,358	16.8	225	722	.....	.....	70,438	70,438	.....	58,071	58,071
Verona	4	3,606	16	3,449	16.7	108	877	3.00	6,918	57,700	64,618	3,535	48,793	52,329
Wall	4	797	22	1,151	15.2	96	332	1.00	921	17,534	18,455	255	9,306	9,531
West Elizabeth	4	654	23	827	18.2	118	232	3.00	1,623	15,034	16,657	403	10,428	10,831
Armstrong														
Brady's Bend	4	671	12	810	9.9	58	379	5.00	4,085	8,056	12,141	1,243	6,380	7,623
Cadogan	4	198	20	253	15.7	31	184	5.00	1,500	3,967	5,467	1,013	3,865	4,878
Mahoning	4	617	15	649	14.3	36	447	5.00	5,685	9,253	14,938	1,134	4,448	5,582
N. Apollo	4	451	20	459	19.6	57	337	5.00	2,785	9,016	11,771	1,026	5,946	6,973
Red Bank	4	807	15	820	14.8	45	411	4.00	3,736	12,812	16,548	454	6,054	6,509
S. Bethlehem	4	223	12	221	12.1	110	108	5.00	1,485	2,673	4,158	945	2,315	3,216

Beaver														
Monaca	3	3,231	28	4,545	19.9	71	1,857	.....	.....	90,479	90,479	.....	71,574	71,574
Big Beaver	4	591	14	875	9.5	109	226	2.00	1,350	8,274	9,624	477	5,504	5,981
Center	4	638	20	689	18.5	89	380	.....	.....	12,755	12,755	.....	9,233	9,233
Conway	4	647	30	818	23.7	74	363	5.00	4,070	19,338	23,408	1,675	15,495	17,171
E. Rochester	4	244	18	429	10.2	107	139	3.00	909	4,390	5,299	326	3,389	3,715
Homewood	4	80	25	82	24.5	41	73	5.00	905	2,002	2,907	172	1,294	1,467
Hopewell	4	1,218	24	1,181	24.8	73	687	1.00	1,602	29,243	30,845	671	21,091	21,762
Industry	4	618	18	1,136	9.8	189	217	3.00	1,800	11,126	12,926	786	8,775	9,561
New Galilee	4	177	25	195	22.7	61	108	2.00	616	4,432	5,048	276	3,822	4,098
Ohio	4	529	12	536	11.8	76	262	3.00	1,758	6,344	8,102	714	4,000	4,714
Rochester	4	1,321	20	2,583	10.2	12	391	.....	.....	26,414	26,414	.....	15,480	15,480
So. Heights	4	208	23	388	12.3	129	105	5.00	1,675	4,781	6,456	850	3,712	4,563
Bedford														
Bedford	4	1,046	12	1,077	11.7	67	415	3.00	3,621	12,556	16,117	1,873	11,694	13,567
Broad Top	4	749	22	792	20.8	20	892	3.00	5,349	16,480	21,829	960	8,972	9,932
East Providence	4	290	13	307	12.3	26	270	2.00	1,260	3,776	5,036	978	3,129	4,107
Hopewell	4	77	20	78	19.7	20	60	3.00	606	1,543	2,149	155	1,037	1,192
Liberty	4	393	20	406	19.4	33	60	5.00	3,615	7,856	11,471	2,296	7,250	9,546
Londonderry	4	262	12	288	10.9	32	306	5.00	3,375	3,138	6,513	1,479	2,980	4,459
Monroe	4	338	14	312	15.2	21	261	2.00	1,388	4,712	6,100	854	3,616	4,470
Rainsburg	4	53	14	51	14.6	25	45	2.00	258	740	998	233	753	986
Union	4	51	15	71	10.7	24	80	5.00	665	764	1,429	315	528	843
Berks														
Cumru	3	3,007	25	5,037	14.9	157	1,103	3.00	10,749	75,163	85,912	7,806	46,541	54,347
Spring	3	4,541	20	7,989	11.4	168	1,541	4.00	16,732	30,829	107,561	9,419	77,476	86,896
Douglass	4	555	20	730	15.2	91	281	5.00	3,720	11,096	14,816	1,347	6,866	8,214
Tilden	4	479	16	695	11.0	99	211	5.00	2,935	7,984	10,919	2,025	7,027	9,052
Blair														
Altoona	2	74,977	14.5	94,761	11.5	174	14,680	5.00	230,510	1,087,162	1,317,672	184,219	1,097,042	1,281,261
Logan	3	2,942	30	3,695	23.9	88	1,591	4.00	18,708	88,259	106,967	5,483	60,253	65,736
Tyrone	3	2,900	32	7,582	12.2	105	1,985	5.00	26,700	92,633	119,403	10,639	75,464	86,103
Antis	4	690	25	1,108	15.6	48	8,790	5.00	8,790	17,260	26,050	1,957	10,919	12,877
Duncansville	4	371	25	588	15.8	74	252	5.00	3,855	9,281	13,136	947	6,861	7,708
Freedom	4	399	20	567	14.1	63	353	4.00	3,244	7,974	11,208	.....	5,375	5,375
Juniata	4	145	20	313	9.3	53	134	3.00	765	3,179	3,994	96	1,367	1,463
Newry	4	61	15	109	8.5	55	38	2.00	404	919	1,323	122	509	631
Northwoodbury	4	638	23	1,268	11.6	91	265	4.00	3,056	14,683	17,739	1,468	12,813	14,281
Williamsburg	4	768	18	1,198	11.5	67	555	5.00	5,915	13,820	19,735	.....	14,305	14,305
Woodbury	4	445	16	697	10.2	70	287	5.00	1,990	7,126	9,116	717	5,166	5,883
Bradford														
Monroe	4	195	20	151	25.9	29	50	3.00	1,590	3,896	5,486	787	2,797	3,584
No. Towanda	4	146	23	145	23.2	73	15	3.00	996	3,369	4,365	636	3,293	3,929
Sheshequin	4	417	15	434	14.4	50	81	4.00	2,080	6,248	8,328	1,128	5,268	6,396
South Creek	4	191	18	204	16.8	55	105	3.00	1,209	3,430	4,639	735	3,078	3,813

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
Bucks															
Morrisville	3	2,724	25	4,051	16.8	45	1,163	3.00	9,855	68,202	78,057	7,497	61,477	68,974	
Butler															
Bruin	4	302	24	367	19.7	57	190	5.00	1,820	7,247	9,067	946	3,934	4,880	
Evansburg	4	843	20	903	18.7	60	536	5.00	4,780	16,868	21,648	2,326	14,466	16,792	
Cambria															
Adams	3	3,002	30	3,550	25.4	70	1,836	5.00	12,980	90,062	103,012	8,403	80,039	88,442	
Nanty-Glo	3	1,381	30	2,629	15.8	69	1,348	5.00	13,930	41,439	55,369	10,121	31,621	41,742	
Portage	3	1,318	30	1,505	26.3	32	1,488	5.00	11,400	39,528	50,928	4,872	32,112	36,984	
Ashville	4	81	25	90	22.4	....	153	5.00	930	2,014	2,944	268	900	1,160
Cassandra	4	83	30	104	24.1	34	101	3.20	768	2,505	3,273	186	1,615	1,801	
Cresson	4	737	14	981	10.5	126	249	5.00	4,225	10,312	14,537	982	8,852	9,834	
Croyle	4	1,371	21	1,418	20.3	56	880	5.00	7,495	28,794	36,289	3,743	22,081	25,824	
Daisytown	4	106	25	135	19.6	45	71	5.00	1,010	2,651	3,661	438	1,880	2,318	
Dale	4	1,301	23	1,845	16.2	57	786	5.00	9,580	29,932	39,512	4,229	25,585	28,814	
East Carroll	4	723	16	760	15.2	63	281	4.00	2,640	11,562	14,612	1,400	7,060	8,400	
East Conemaugh	4	1,696	21	1,922	18.5	49	1,357	5.00	10,415	35,624	46,039	4,502	31,131	35,633	
Elder	4	327	25	351	23.3	32	372	5.00	3,650	8,179	11,129	488	6,123	6,611	
Hastings	4	462	25	466	24.8	19	744	5.00	4,700	11,547	16,247	1,978	9,442	11,420	
Lilly	4	309	30	384	24.1	20	537	5.00	5,070	11,425	16,495	2,383	8,139	10,522	
Patton	4	1,162	18	1,234	17.0	44	760	5.00	7,880	20,917	28,797	4,651	13,410	18,061	
Cambria															
Richland	4	\$ 2,776	18	\$ 5,752	8.7	\$205	1,009	\$20.00	\$ 2,842	\$ 49,976	\$ 52,818	\$ 1,706	\$ 44,778	\$ 46,484	
Sankertown	4	179	35	226	27.7	56	104	5.00	2,155	6,248	8,403	736	4,295	5,031	
Stoneycreek	4	1,572	20	3,527	8.9	252	412	5.00	5,875	31,431	37,306	1,841	23,693	25,534	
Susquehanna	4	875	25	948	23.1	31	819	5.00	8,560	21,884	30,444	2,779	17,516	20,295	
Tunnelhill	4	79	20	80	19.8	40	80	5.00	1,185	1,585	2,770	240	569	809	
Vintondale	4	439	25	442	24.8	26	57	5.00	3,565	10,971	14,536	3,004	2,242	5,246	
West Carroll	4	742	30	785	28.4	34	633	5.00	5,790	22,246	28,036	3,121	18,443	21,564	
Cameron															
Portage	4	27	30	29	27.8	29	†	5.00	365	800	1,165	237	605	842	
Carbon															
Lansford	3	3,815	28.5	10,676	10.2	217	1,281	5.00	20,225	108,717	128,942	9,582	85,305	94,887	
Mauch Chunk	3	2,952	47	16,168	8.6	274	1,619	5.00	13,730	138,742	152,672	6,646	107,994	114,639	
Summit Hill	3	2,169	30.5	4,707	14.1	98	1,103	5.00	13,435	66,144	79,579	....	58,825	58,825
Banks	4	1,440	32	2,717	17.0	97	604	5.00	6,395	46,072	52,467	2,506	31,394	33,900	
Beaver Meadow	4	314	35	400	27.5	40	376	5.00	4,840	10,977	15,817	2,505	8,599	11,104	
East Side	4	60	25	67	22.4	67	44	5.00	735	1,507	2,242	186	877	1,063	
Lausanne	4	32	17	33	16.5	33	23	5.00	385	549	934	201	516	727	
Mauch Chunk	4	1,237	25	1,679	18.4	67	420	5.00	9,720	30,916	40,636	3,889	23,669	27,558	
Packer	4	198	20	280	14.2	70	115	5.00	1,300	3,968	5,268	569	3,095	3,664	

Packerton	4	495	25	675	18.3	61	253	5.00	2,905	12,381	15,286	881	3,977	4,858
Penn Forest	4	121	20	123	19.7	41	89	5.00	975	2,414	3,389	571	2,149	2,720
Centre														
Boggs	4	167	18	174	17.3	24	369	5.00	3,815	2,998	6,813	1,097	1,898	2,995
Milesburg	4	104	25	230	11.3	58	105	4.00	1,640	2,595	4,235	777	2,057	2,834
Penn	4	293	18	302	17.5	50	122	3.00	1,293	5,279	6,572	829	4,756	5,565
Rush	4	428	32	689	19.8	25	234	3.00	5,916	13,688	19,604	813	8,903	9,716
S. Phillipsburg	4	41	35	103	13.8	34	102	3.00	753	1,484	2,237	258	915	1,172
Spring	4	761	24	1,937	9.4	88	777	3.00	5,505	18,275	23,780	2,127	15,009	17,135
Taylor	4	81	30	161	15.0	40	110	5.00	1,025	2,420	3,445	193	1,415	1,608
Chester														
Calm	4	1,047	16	2,149	7.8	239	271	5.00	4,335	16,756	21,091	2,512	14,516	17,028
Clarion														
Brady	4	25	35	34	26.1	17	37	5.00	505	886	1,391	161	688	849
Clarion	4	1,031	23	2,273	10.4	73	785	5.00	9,870	23,727	33,597	7,556	21,769	29,325
Foxburg	4	95	25	167	14.3	42	69	5.00	1,405	2,387	3,792	1,300	1,668	2,968
Limestone	4	397	18	525	13.6	48	164	5.00	3,255	7,142	10,397	2,278	6,066	8,344
Porter	4	464	25	632	18.3	40	352	5.00	3,125	11,588	14,713	7,381	10,340	11,721
Red Bank	4	391	12	561	8.4	44	342	5.00	4,195	4,493	8,888	888	3,955	4,843
Clearfield														
Clearfield	3	2,753	39	7,572	14.2	95		4.00	19,184	107,384	126,568	.....	99,208	99,208
Lawrance	3	587	45	1,132	23.3	38		5.00	12,995	26,398	39,393	1,928	20,933	22,961
Beccaria	4	367	35	820	15.7	28	813	2.50	2,852	12,844	15,696	1,098	6,819	7,917
Bigler	4	267	35	419	22.3	14	773	5.00	6,935	9,332	16,267	1,965	6,167	8,133
Bloom	4	71	30	109	13.6	27	99	5.00	1,150	2,139	3,289	425	1,417	1,843
Boggs	4	184	35	300	21.5	25	413	2.50	1,750	6,444	8,194	219	4,571	5,790
Brisbin	4	29	35	54	19.0	14	91	5.00	1,155	1,030	2,185	145	515	660
Burnside	4	48	35	72	23.3	24	75	2.50	507	1,673	2,181	177	1,250	1,428
Coalport	4	143	35	205	24.4	20	406	5.00	2,895	4,998	7,893	1,478	3,520	4,999
Cooper	4	326	35	757	15.1	24	925	4.00	4,280	11,423	15,703	1,104	8,449	9,553
Decatur	4	281	35	816	12.1	37	723	1.00	1,600	9,846	11,446	254	6,024	6,278
Ferguson	4	119	22	165	15.8	28	113	1.00	265	2,608	2,873	82	1,821	1,903
Girard	4	82	25	87	23.6	15	199	2.50	755	2,044	2,799	180	907	1,087
Glen Hope	4	29	30	53	16.2	53	38	3.00	279	892	1,171	43	171	214
Gulich	4	171	35	405	14.8	25	495	2.50	2,607	5,982	8,589	547	3,251	3,798
Houtzdale	4	242	35	400	21.1	33	411	5.00	4,030	8,469	12,499	1,199	5,462	6,661
Huston	4	139	35	217	22.4	14	336	3.00	2,130	5,176	7,306	579	2,518	3,097
Irvona	4	122	28	273	12.6	34	175	3.00	1,569	3,440	5,009	567	2,505	3,072
Karhaus	4	127	12	182	8.4	30	203	5.00	2,160	1,520	3,680	820	1,297	2,117
Knox	4	111	20	225	9.8	25	183	2.00	802	2,217	3,019	165	1,007	1,172
Lumber City	4	7	35	149		75	73	5.00	825	2,491	3,316	267	2,164	2,431
Morris	4	259	35	633	14.3	20	982	5.00	5,000	9,064	14,064	1,460	4,751	6,211
Osceola Mills	4	361	24	749	11.6	34	609	3.00	2,838	8,637	11,475	996	7,046	8,042
Pike	4	347	33	607	18.9	55	296	1.00	487	10,325	10,812	.....	8,342	8,342

315

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
Ramey	4	90	35	167	18.8	24	214	.....	2,253	901	3,154	1,706	683	2,389
Sandy	4	385	35	183	16.2	26	1,186	5.00	8,420	13,462	21,882	3,010	9,486	12,496
Union	4	106	30	172	18.4	34	144	5.00	795	3,167	3,962	631	2,425	3,056
Wallaceton	4	60	30	191	9.5	95	91	2.00	392	1,810	2,202	79	1,564	1,643
Clearfield														
Westover	4	108	35	197	19.2	39	177	5.00	1,615	3,773	5,388	.....	3,714	3,714
Woodward	4	137	39	373	14.4	16	614	3.00	3,189	5,359	8,548	729	3,110	3,839
Clinton														
Colebrook	4	24	25	23	26.5	11	55	1.00	126	610	736	20	301	321
Flemington	4	180	33	241	24.7	35	256	5.00	3,210	5,801	9,011	998	4,812	5,810
Lamar	4	394	21	475	17.4	42	301	5.00	3,475	8,264	11,739	.....	7,773	7,773
Noyes	4	146	20	222	13.2	18	157	4.00	1,648	2,916	4,564	399	2,180	2,579
Renovo	4	1,108	29	1,346	23.9	43	795	5.00	10,915	32,129	43,044	2,429	20,795	23,224
S. Renovo	4	238	34	252	32.1	41	117	5.00	2,690	8,099	10,789	2,690	5,314	7,904
Columbia														
Beaver	4	311	26	399	20.3	49	273	5.00	1,980	8,096	10,076	665	5,877	6,542
Centralia	4	401	35	457	30.7	42	424	1.00	1,102	14,043	15,145	401	7,240	7,641
Crawford														
Troy	4	341	20	370	18.4	42	182	1.00	355	6,820	7,175	285	4,034	4,318
Cumberland														
E. Pennsboro	4	1,819	22	2,429	16.5	74	1,065	5.00	.....	53,506	53,506	.....	38,332	38,332
Newton	4	703	13	766	11.9	96	254	4.00	2,904	9,139	12,043	1,628	8,457	10,085
Dauphin														
Swatara	3	2,178	23	280	\$	54	1,375	3.00	11,031	50,094	61,125	2,352	44,573	46,924
Wiconisco	4	1,111	20	1,317	16.9	75	585	2.00	2,506	22,215	24,721	.....	22,167	22,167
Delaware														
Collingdale	3	3,887	30	6,479	18.0	127	1,395	.....	.....	116,601	116,601	.....	99,492	99,492
Chester	4	1,231	29	2,039	17.5	170	370	2.00	1,966	35,690	37,656	596	28,192	28,788
Clifton Heights	4	2,706	25	3,021	22.4	92	879	.....	.....	67,645	67,645	.....	55,468	55,468
Darby	4	5,118	29	1,812	\$	86	1,643	.....	.....	148,435	148,435	.....	125,128	125,128
Folcroft	4	1,087	28	1,822	16.7	154	249	.....	.....	30,430	30,430	.....	25,918	25,918
Morton	4	735	30	2,196	10.1	215	185	.....	.....	22,040	22,040	.....	15,034	15,034
Delaware														
Upper Chichester	4	1,725	30	4,228	16.2	182	1,214	5.00	9,780	51,516	61,290	3,131	37,778	40,909
Elk														
Jay	4	249	35	599	14.5	24	682	3.00	3,282	8,704	11,986	858	7,393	8,251

Erie														
Albion	4	591	25	914	16.2	47	441	5.00	5,093	14,410	19,503	.....	14,448	14,448
Conneaut	4	603	12	904	8.0	87	218	5.00	3,010	7,235	10,245	1,592	5,812	7,040
Union	4	496	20	650	15.3	65	210	5.00	3,185	9,923	13,108	.....	1,925	1,925
Fayette														
Menallen	3	796	35	1,183	23.6	38	1,049	2.50	4,287	27,855	32,142	869	13,899	14,768
N. Union	3	3,619	35	3,991	31.7	41	3,270	1.00	5,601	126,649	132,250	845	100,809	101,654
Redstone	3	4,514	35	6,782	23.3	55	4,648	5.00	25,030	158,000	183,030	2,870	115,776	118,646
S. Union	3	2,603	35	2,940	31.0	47	2,080	.....	.....	91,118	91,118	.....	61,809	61,809
Uniontown	3	18,990	15	19,271	14.8	133	4,603	5.00	72,390	284,857	357,247	12,238	195,828	208,066
Brownsville	4	325	35	1,015	11.2	102	308	2.50	2,145	11,390	13,535	330	5,540	5,870
Bullskin	4	679	18	1,207	10.1	52	783	1.00	1,765	12,215	13,980	292	6,122	6,414
Dawson	4	220	31	368	18.5	92	104	1.00	484	6,819	7,303	193	4,891	5,084
Everson	4	318	22	363	19.3	91	169	3.50	2,520	6,986	9,596	255	3,305	3,561
Fairchance	4	502	20	664	15.1	37	404	5.00	4,025	10,036	14,061	655	5,563	6,218
Fayette City	4	435	28	562	21.6	47	309	5.00	4,450	12,174	16,624	.....	9,796	9,796
Masonstown	4	1,095	35	2,505	15.3	89	81	4.00	4,408	38,341	44,749	716	14,937	15,253
New Salem	4	626	35	1,247	17.6	69	428	5.00	5,495	21,917	27,412	258	19,772	20,030
Nicholson	4	832	25	1,447	14.4	69	728	3.00	3,966	20,796	24,762	499	10,153	10,652
Ohio pyle	4	88	23	183	11.0	37	149	4.00	1,048	2,015	3,063	204	1,228	1,432
Point Marion	4	680	30	792	25.8	38	737	5.00	6,205	20,398	26,603	2,432	12,359	14,791
Saltlick	4	486	33	1,413	11.4	72	654	.....	.....	16,039	16,039	.....	11,591	11,591
S. Connellsville	4	425	35	785	18.9	62	509	5.00	6,590	14,869	21,459	1,156	8,457	9,613
Springfield	4	308	29	644	13.9	40	517	1.00	909	11,031	12,021	174	5,801	5,975
Spring Hill	4	1,185	20	1,652	14.3	66	674	4.00	6,552	23,700	30,252	.....	8,412	8,412
Stewart	4	314	22	535	12.9	45	259	3.00	1,563	6,917	8,480	258	3,332	3,590
Upper Tyrone	4	378	33	723	17.3	49	395	1.00	1,397	12,481	13,878	88	6,320	6,408
Vanderbilt	4	156	35	260	20.9	37	219	5.00	2,470	5,451	7,921	309	2,824	3,133
Forest														
Tionesta	4	129	12	321	4.8	39	305	1.00	249	1,552	1,801	138	1,232	1,370
Franklin														
Mont Alto	4	142	20	170	16.7	43	122	2.00	718	2,835	3,553	.....	2,496	2,496
Fulton														
Dublin	4	169	18	230	13.2	35	173	5.00	1,985	3,045	5,031	804	1,945	2,748
Licking Creek	4	105	30	137	23.1	14	288	3.00	1,356	3,158	4,514	.....	2,957	2,957
Greene														
Greensboro	4	180	20	251	14.3	80	92	3.50	1,229	3,590	4,819	373	2,998	3,370
Huntingdon														
Broad Top City	4	91	14	100	12.8	33	125	5.00	1,485	1,388	2,873	654	793	1,447
Carbon	4	200	18	211	17.1	30	132	3.00	507	3,607	4,114	110	2,867	2,977
Coalmont	4	26	10	27	9.7	27	22	2.50	207	259	467	112	213	325
Dudly	4	71	20	80	17.8	16	95	2.50	507	1,418	1,925	435	1,192	1,627

317

318

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
Hopewell	4	152	12	161	11.3	32	102	4.00	1,352	1,818	3,170	490	1,091	1,581
Logan	4	228	13	244	12.1	46	102	5.00	1,120	2,961	4,081	437	2,236	2,703
Orbisonia	4	192	17	218	15.0	22	318	3.50	1,414	3,270	4,684	.....	3,631	3,631
Petersburg	4	224	13	228	12.8	40	314	5.00	1,785	2,912	4,697	.....	2,787	2,787
Shade Gap	4	27	15	27	14.5	27	26	4.00	324	407	731	215	353	568
Shirly	4	589	15	629	14.1	42	388	3.00	2,313	8,832	11,145	453	5,580	6,034
Tell	4	184	15	197	14.0	33	183	5.00	1,810	2,762	4,572	521	2,167	2,688
West	4	210	7	223	6.6	45	81	3.00	642	1,473	2,115	396	1,032	1,428
Indiana														
Banks	4	283	14	330	12.0	25	304	3.00	1,779	3,967	5,746	258	3,061	3,319
Burrell	4	1,368	14	1,473	13.0	64	671	1.00	1,562	19,156	20,718	284	12,986	13,271
Montgomery	4	427	15	561	11.4	27	611	5.00	4,560	6,402	10,962	1,046	4,971	6,017
Saltsburg	4	617	16	676	14.6	43	363	4.00	2,636	9,879	12,515	1,104	8,523	9,627
W. Wheatfield	4	670	16	577	18.6	38	387	5.00	5,225	10,721	15,946	.....	6,775	6,775
Jefferson														
Brockway	4	1,054	22	1,137	20.4	47	1,098	5.00	6,825	23,181	30,006	4,715	20,864	25,579
Jefferson														
McCalmont	4	276	20	317	17.4	24	347	5.00	2,995	5,524	8,519	876	4,372	5,248
Perry	4	348	17	345	17.1	27	313	5.00	2,640	5,911	8,551	1,060	4,183	5,326
Porter	4	160	11	155	11.3	31	123	5.00	1,585	1,761	3,346	820	1,363	2,184
Summerville	4	326	29	334	28.3	26	279	5.00	2,880	9,447	12,327	1,175	8,290	9,465
Timlin	4	86	20	107	16.0	36	121	5.00	960	1,713	2,673	453	1,396	1,849
Young	4	4	17	334	...§	22	325	5.00	5,070	4,708	9,778	.....	5,578	5,578
Juniata														
Beale	4	209	16	292	11.5	73	143	2.00	686	3,346	4,032	.....	3,617	3,617
Mifflintown	4	369	17	617	10.1	47	195	5.00	3,240	5,531	8,771	.....	7,113	7,113
Milford	4	329	18	477	12.4	68	170	3.00	1,215	5,915	7,130	.....	5,624	5,624
Spruce Hill	4	219	16	273	12.8	46	107	3.00	918	3,516	4,424	.....	4,473	4,473
Tuscarora	4	227	15	343	9.9	38	217	4.00	2,228	3,404	5,632	.....	4,298	4,298
Walker	4	646	15	757	12.8	76	319	2.00	1,672	9,682	11,358	944	7,720	8,664
Lackawanna														
Archbald	3	2,756	38	3,240	32.3	53	1,737	5.00	19,240	104,743	123,983	1,045	43,500	44,545
Blakely	3	606	40	3,649	6.6	59	1,859	5.00	20,220	104,255	124,475	5,354	63,793	69,147
Dunmore	3	10,144	30	10,769	28.3	68	4,808	2.50	28,807	304,326	333,133	5,542	180,210	185,752
Fel	3	1,736	44	1,995	38.3	35	1,470	3.00	5,565	76,399	81,964	237	26,709	26,946
Old Forge	3	2,900	42	3,422	35.6	30	2,687	5.00	27,285	121,805	149,090	825	59,049	59,584
Olyphant	3	5,177	34	6,318	27.8	66	1,954	5.00	23,320	176,020	199,340	4,771	128,190	132,962
Taylor	3	4,545	29	5,375	24.5	64	2,109	1.00	4,748	131,806	136,554	337	79,209	79,546
Throop	3	2,897	40	4,044	28.6	49	2,022	4.00	12,484	115,893	128,377	1,791	74,006	75,798
Winton	3	2,022	45	2,749	33.1	40	1,759	5.00	16,675	90,011	106,686	.....	29,238	29,238
Carbondale	4	806	35	835	33.8	44	406	5.00	3,940	28,227	32,167	555	16,574	17,129

Dalton	4	768	22	754	22.4	69	295	4.00	2,068	16,900	18,968	1,353	14,181	15,535
Jermyn	4	1,363	20	1,397	19.5	58	646	4.00	7,068	27,256	34,324	1,203	17,455	18,659
Mayfield	4	854	31	924	28.7	29	807	5.00	6,840	26,478	33,318	405	11,887	12,292
Ransom	4	449	25	456	24.7	65	.... §	3.00	1,692	11,237	12,929	903	7,779	8,682
Vandling	4	310	33	466	22.0	33	248	3.00	1,611	10,231	11,842	261	4,668	4,929
West Abington	4	161	15	154	15.7	77	42	3.00	291	2,408	2,699	63	1,825	1,888
Lawrence														
Ellport	4	336	25	385	21.8	48	189	5.00	2,555	8,405	10,960	662	4,335	4,997
Mahoning	4	988	25	1,020	24.2	38	586	5.00	6,615	24,706	31,321	2,156	20,780	22,937
Lawrence														
S. New Castle	4	228	30	284	24.1	41	174	5.00	2,435	6,840	9,175	278	2,999	3,277
Taylor	4	708	22	1,093	14.3	121	202	5.00	3,050	15,585	18,635	430	9,139	9,624
Wayne	4	563	20	654	17.2	55	440	5.00	4,700	11,267	15,967	1,688	7,736	9,425
Lehigh														
Whitehall	3	5,089	22	18,016	6.2	286	2,288	5.00	27,565	111,966	39,531	11,569	93,013	104,582
Coplay	4	987	22	2,293	9.5	176	428	5.00	7,175	21,712	28,887	3,139	15,848	18,980
Salisbury	4	1,930	17	4,797	6.8	252	541	4.00	6,992	32,815	83,807	2,777	24,122	26,899
Luzerne														
Duryea	3	2,303	46	2,814	37.7	41	96	2.50	9,338	105,957	115,295	1,113	60,207	61,320
Foster	3	1,556	43	1,825	36.7	40	96	4.00	9,696	66,899	76,595	3,463	56,712	60,176
Plains	3	6,883	39	8,746	30.7	67	96	3.00	20,442	268,434	288,876	20,442	268,612	289,054
Swoyersville	3	2,124	35	3,182	23.3	59	94	3.00	9,348	74,331	83,679	5,359	3,255	38,614
Avoca	4	1,160	29	1,243	27.1	33	994	5.00	11,915	34,099	46,014	1,630	23,381	25,011
Bear Creek	4	277	28	763	10.2	91	134	3.00	1,164	7,763	8,927	195	3,534	3,729
Butler	4	806	27	880	24.7	88	362	5.00	5,855	21,766	27,621	3,949	17,158	21,107
Conyngham	4	589	32	647	29.2	29	536	5.00	5,525	18,855	24,380	2,431	12,569	15,000
Courtdale	4	279	35	.... §	.... §	.... §	190	3.00	1,560	9,766	11,326	3,117	3,999	4,316
Denison	4	193	25	216	22.3	43	114	2.00	726	4,815	5,541	426	3,406	3,832
Dupont	4	808	35	904	31.3	28	1,104	3.00	6,513	28,294	34,807	1,439	20,745	22,184
Fairmont	4	233	20	301	15.4	38	173	4.00	1,828	4,653	6,481	867	3,267	4,134
Franklin	4	315	15	363	13.0	73	124	3.00	1,119	4,719	5,838	....	4,213	4,213
Hunlock	4	368	25	363	25.3	45	356	5.00	4,560	9,206	13,766	1,919	6,493	8,413
Pittston	4	1,233	35	1,630	26.5	51	952	5.00	9,905	43,158	53,063	205	29,903	30,108
Pringle	4	603	35	658	32.1	41	411	2.50	2,407	21,091	23,498	200	5,486	5,686
Wright	4	308	30	391	23.6	130	142	5.00	1,910	9,241	11,151	654	6,391	7,045
Lycoming														
S. Williamsport	3	2,285	27.5	3,936	16.0	98	1,316	4.50	14,971	62,824	77,795	7,286	48,869	56,155
Clinton	4	282	25	392	18.0	36	91	5.00	3,630	7,125	10,755	2,024	6,081	8,105
Eldred	4	143	20	297	9.7	59	119	5.00	1,515	2,867	4,382	810	2,028	2,838
Hughesville	4	394	34	774	17.3	48	434	5.00	5,705	13,380	19,085	3,719	11,397	15,116
McIntyre	4	118	24	289	9.7	32	231	4.00	1,932	2,633	3,565	....	2,429	2,429
Montgomery	4	566	25	902	15.7	67	788	5.00	6,150	14,160	20,310	....	14,500	14,500

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
Lycoming															
Muncy Creek	4	398	25	600	16.6	52	124	5.00	3,760	9,938	13,698	1,900	8,349	10,240	
Old Lycoming	4	343	25	463	18.5	51	389	5.00	5,235	8,571	13,806	2,793	6,751	9,545	
Plunketts Creek	4	89	25	225	9.9	75	62	1.00	180	2,220	2,400	75	1,511	1,586	
Salladasburg	4	31	25	76	10.4	38	40	5.00	715	775	1,500	358	607	965	
Mercer															
E. Lackawannock ...	4	370	14	534	9.7	34	.....†	3.00	1,086	5,173	6,259	794	4,129	4,923
Hempfield	4	774	20	1,465	10.6	163	338	5.00	5,050	15,480	20,530	3,076	13,112	16,188	
Pine	4	457	30	609	22.5	51	363	5.00	4,515	13,719	18,234	2,783	11,116	13,899	
Springfield	4	551	22	753	16.1	54	372	5.00	5,115	12,127	17,242	1,310	9,825	11,135	
Stoneboro	4	337	25	458	18.4	34	297	5.00	3,535	8,417	11,952	1,859	7,216	9,075	
Mifflin															
Bratton	4	265	17	273	16.5	45	228	4.00	2,180	4,509	6,689	861	3,676	4,537	
Decatur	4	253	18	284	16.1	75	331	4.00	2,724	4,558	7,282	187	2,999	3,186	
Derry	4	1,058	29	1,250	24.6	36	1,396	5.00	14,150	30,681	44,831	3,954	22,418	26,372	
Montgomery															
Upper Dublin	4	4,138	20	6,735	12.3	269	641	.....	.....	82,770	82,770	.....	75,541	75,541
W. Pottsgrove	4	1,091	18	1,609	12.2	95	610	5.00	6,220	19,609	25,829	3,376	17,597	20,973	
Montour															
Derry	4	299	17	301	16.9	60	.....†	2.50	880	5,076	5,956	695	3,829	4,524
Mahoning	4	313	15	314	15.0	52	190	5.00	4,555	4,702	9,257	2,375	4,024	6,399	
Valley	4	258	16	264	15.7	55	119	5.00	1,640	4,134	5,774	875	3,472	4,347	
Northampton															
Glendon	4	201	16	225	14.3	75	78	5.00	1,650	3,214	4,864	639	2,709	.....
Roseto	4	358	25	579	15.5	64	295	5.00	4,560	8,960	13,520	.....	9,692	9,692
Wind Gap	4	486	25	1,065	11.4	130	222	5.00	4,100	12,152	16,252	1,840	9,163	11,003	
Northumberland															
Coal	3	10,495	40	21,223	19.8	135	3,758	.....	.....	432,268	432,268	.....	145,994	145,994
Kulpmont	3	1,142	45	2,281	22.5	58	1,090	5.00	12,245	51,373	63,618	4,725	24,493	29,218	
Mt. Carmel	3	3,482	35	5,617	21.7	68	2,880	5.00	34,080	121,860	155,940	11,992	88,201	100,193	
Delaware	4	622	15	678	13.8	56	276	3.00	2,139	9,333	11,472	1,283	7,840	9,123	
Northumberland															
E. Cameron	4	831	13.5	1,306	8.6	145	301	3.00	1,464	11,224	12,688	1,005	3,877	4,882	
Herndon	4	178	19	273	12.4	37	174	5.00	2,075	3,383	5,458	1,542	2,785	4,327	
Jackson	4	169	22	225	16.6	37	153	2.00	758	3,718	4,476	.....	3,987	3,987
Jordon	4	149	20	260	11.5	43	181	5.00	1,725	2,983	4,708	1,202	2,514	3,716	
Marion Heights	4	322	25	442	18.2	40	249	5.00	3,900	8,041	11,941	.....	6,133	6,133
Northumberland	4	1,051	30	1,578	20.0	48	1,025	5.00	12,640	31,518	44,158	12,714	21,748	34,462	
W. Cameron	4	301	33	482	20.6	96	157	2.00	578	9,929	10,507	480	1,653	2,133	
Zerbe	4	3,658	18	8,501	7.7	283	766	1.00	1,500	22,720	24,220	1,472	16,002	17,474	

Potter															
Eulalia	4	105	20	163	13.0	81	9	1.00	206	2,108	2,314	164	1,857	2,021	
Keating	4	57	20	85	13.3	21	57	1.00	170	1,191	1,361	92	800	892	
Lewisville	4	143	35	198	25.3	29	159	4.00	1,424	4,978	6,402	993	3,967	4,960	
Schuylkill															
Ashland	3	3,308	25	5,815	14.2	157	1,111	1.00	3,639	82,700	86,339	3,205	70,179	73,384	
Cass	3	2,929	42	4,694	26.2	74	1,164	1.00	1,727	123,031	124,758	752	52,792	53,544	
Coaldale	3	2,466	42	2,518	41.1	48	1,213	5.00	17,175	104,116	121,291	7,421	78,466	86,387	
Frackville	3	2,599	32	3,696	22.5	58	2,077	5.00	83,160	20,105	103,265	57,206	9,250	66,456	
McAdoo	3	746	35	1,251	20.9	39	1,093	5.00	12,705	26,102	38,807	4,107	22,153	26,260	
Minersville	3	2,696	37	3,392	29.4	59	1,302	5.00	.....	115,753	115,753	.....	81,132	81,132
St. Clair	3	2,088	37	5,695	13.6	125	1,379	5.00	17,555	77,250	94,805	7,199	51,774	58,973	
Schuylkill Haven	3	2,559	24	3,835	16.0	89	1,342	5.00	20,320	61,600	81,920	12,842	57,633	70,475	
Shenandoah	3	7,371	24	10,574	16.7	92	3,051	5.00	46,060	176,908	222,968	11,609	135,556	147,165	
Tamaqua	3	5,177	24	15,681	7.9	212	2,415	5.00	25,980	124,252	160,232	12,950	94,975	107,925	
W. Mahonoy	3	3,820	42.6	5,587	29.1	82	1,683	1.25	3,255	164,111	167,366	1,069	150,826	151,895	
Branch	4	2,325	30	7,707	9.1	308	456	.....	.....	69,759	69,759	.....	22,024	22,024
Butler	4	4,074	28.4	7,333	15.8	204	841	1.00	2,044	115,697	117,741	1,272	62,600	63,872	
Delano	4	452	35	1,181	13.4	91	290	5.00	2,870	15,832	18,702	1,297	3,545	4,842	
E. Norwegian	4	1,382	27	2,541	14.7	231	269	1.00	573	37,319	37,892	81	20,506	20,587	
E. Union	4	686	35	1,577	15.2	69	655	5.00	6,025	23,993	30,017	1,518	10,647	12,165	
Eldred	4	223	25	367	15.2	41	283	5.00	2,570	5,567	8,137	2,075	4,806	6,881	
Foster	4	853	21	1,286	13.9	90	238	1.00	516	17,918	18,434	177	13,028	13,205	
Frailey	4	2,762	10.5	7,613	3.8	810	208	.....	.....	28,997	28,997	.....	4,622	4,622
Gilberton	4	1,383	35	1,873	25.8	51	1,001	3.00	5,547	48,407	53,954	259	5,515	5,774	
Schuylkill															
Girardville	4	1,557	25	2,734	14.3	101	615	3.00	8,208	38,929	47,137	2,199	28,349	30,548	
Hegins	4	2,200	19	6,652	6.3	185	1,012	1.00	1,732	41,805	43,537	1,589	21,062	22,651	
Kline	4	1,007	35	1,523	23.1	73	468	3.00	3,504	35,252	38,756	1,260	32,739	33,999	
Mechanicsville	4	229	25	688	11.7	229	96	5.00	2,030	8,005	10,035	705	6,958	7,663	
Middleport	4	318	35	585	19.0	98	145	3.00	1,554	11,119	12,673	347	8,165	8,512	
New Castle	4	1,510	31	3,710	12.6	206	347	1.00	1,038	36,797	47,835	329	25,814	26,143	
New Philadelphia	4	962	27.7	1,924	14.6	321	104	5.00	5,950	26,653	32,603	643	18,942	19,585	
Norwegian	4	2,589	16	5,344	7.7	382	255	1.00	755	41,418	42,173	318	8,305	8,623	
Palo Alto	4	477	23	784	14.0	131	284	4.00	4,084	10,976	15,060	998	6,882	7,880	
Porter	4	2,313	20	4,034	11.5	112	935	2.00	3,700	46,263	49,963	2,746	19,851	22,597	
Reilly	4	3,574	19.5	10,050	6.9	396	263	1.00	804	69,712	70,516	428	11,285	11,714	
Schuylkill	4	2,740	20	8,961	6.1	498	368	1.00	1,255	54,805	56,060	550	26,655	27,205	
Tremont	4	991	26	1,598	15.2	102	447	3.00	4,017	25,776	29,793	3,313	19,165	22,478	
W. Pine Grove	4	93	18	137	12.2	46	77	5.00	1,145	1,788	2,933	558	1,301	1,859	
Snyder															
Spring	4	296	21	301	20.6	30	311	5.00	3,110	6,206	9,316	2,273	5,212	7,485	
Washington	4	269	12	271	11.9	45	128	3.00	1,056	3,251	4,307	645	2,252	2,897	
W. Beaver	4	285	26	277	26.8	21	347	5.00	3,580	7,414	10,994	1,674	4,952	6,626	

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
Somerset														
Conemaugh	3	2,776	30	3,500	23.8	64	2,263	5.00	19,140	83,254	102,394	10,789	65,809	76,598
Jenner	3	2,142	23	2,447	20.1	63	1,159	5.00	12,450	49,142	61,492	7,048	41,979	49,027
Shade	3	1,600	35	1,958	28.6	36	1,721	5.00	11,310	55,994	67,304	6,711	46,659	53,370
Allegheny	4	.....^s	..	268	...	34	121	...	.....	.....	.....	.....	.....	.....
Brothers Valley	4	1,125	16	1,535	12.7	70	980	5.00	6,305	19,448	25,753	3,806	15,385	19,191
Central City	4	526	25	584	22.5	39	444	5.00	4,375	13,154	15,529	2,022	7,989	10,011
Elk Lick	4	606	16	930	10.4	47	453	5.00	5,350	9,702	15,052	3,343	8,392	11,735
Garrett	4	137	35	280	17.2	31	233	5.00	2,005	4,807	6,812	438	3,544	3,982
Lower Turkeyfoot ..	4	173	20	182	19.0	18	.....^f	5.00	1,995	3,451	4,446	611	2,122	2,733
New Baltimore	4	30	17	31	16.6	31	48	5.00	445	517	962	365	471	836
Northampton	4	117	21	139	17.7	23	111	5.00	1,345	2,457	3,802	573	1,265	1,838
Rockwood	4	338	25	392	21.5	28	377	5.00	3,395	8,445	11,840	2,151	6,312	8,463
Salisbury	4	134	25	223	15.0	22	292	5.00	2,425	3,347	5,772	1,694	2,957	4,651
Ursina	4	69	14	58	16.6	29	48	5.00	720	966	1,686	232	541	773
Sullivan														
Cherry	4	605	20	608	19.9	25	447	3.00	2,898	12,104	15,002	1,424	6,782	8,206
Colley	4	200	22	283	15.5	20	248	3.00	1,704	4,391	6,905	1,314	3,433	4,747
Davidson	4	174	20	180	18.4	18	227	5.00	2,390	3,488	5,878	1,374	2,855	4,299
Susquehanna														
Great Bend	4	304	20	305	19.9	76	17	3.00	1,146	6,074	7,220	303	2,766	3,069
Harmony	4	186	16	217	13.7	43	99	5.00	1,445	2,974	4,419	493	1,975	2,468
Little Meadows	4	68	13	72	12.3	72	20	2.00	216	880	1,104	186	836	1,022
Middletown	4	169	18	195	15.6	65	69	2.00	374	3,035	3,409	152	2,231	2,383
Tioga														
Bloss	4	47	35	67	24.4	13	104	2.50	690	1,633	2,323	232	1,494	1,726
Blossburg	4	422	30	535	24.1	32	346	5.00	6,240	12,666	18,906	3,119	10,992	14,111
Charleston	4	538	25	541	24.9	42	383	5.00	3,780	13,439	17,219	1,748	9,016	10,764
Hamilton	4	126	35	174	25.4	15	205	4.50	2,020	4,407	6,427	.....	4,873	4,873
Clymer	4	214	35	221	33.9	26	146	1.00	379	7,488	7,867	189	6,008	6,097
Union														
Gregg	4	320	14	320	14.0	64	146	4.00	1,700	4,486	6,186	1,091	3,453	4,544
White Deer	4	565	15	566	15	47	344	5.00	5,015	8,479	13,494	.....	9,242	9,242
Venango														
Sugar Creek	3	44	14	50	12.5	123	1,221	5.00	275	620	895	170	558	728
Washington														
Cecil	3	3,319	25	3,618	22.9	67	2,001	3.00	12,504	82,972	95,476	4,527	70,632	75,159
E. Bethlehem	3	1,550	32	1,569	31.6	32	1,579	5.00	12,050	49,590	61,640	4,510	46,245	50,775
Monongahela	3	6,588	14	9,522	9.7	129	2,308	5.00	25,520	106,313	131,833	11,728	89,423	101,151
Smith	3	3,071	22	3,222	21.0	45	1,438	5.00	13,590	67,566	81,156	5,307	56,325	61,632

322

Coal Centre	4	135	25	183	18.4	46	118	5.00	1,880	3,375	5,255	555	2,917	3,472
W. Brownsville	4	458	27.5	721	17.5	90	281	3.00	2,525	12,585	15,150	532	8,392	8,924
Wayne														
S. Canaan	4	397	16	407	15.6	49	231	5.00	2,760	6,345	9,105	1,768	5,075	6,843
Westmoreland														
Derry	3	4,143	25	7,471	13.9	78	3,184	5.00	20,835	103,586	124,421	6,545	68,503	75,048
Westmoreland														
E. Huntingdon	3	1,990	18	2,523	14.2	59	5,501	5.00	17,370	35,821	53,191	4,263	28,270	32,533
Hempfield	3	7,270	26	9,318	20.3	67	4,180	5.00	30,070	189,026	219,096	19,896	155,813	175,709
Mt. Pleasant	3	4,250	19	2,475	32.6	58	2,539	1.00	3,340	80,751	84,091	1,427	78,543	79,970
N. Huntingdon	3	3,995	26	4,039	25.7	55	2,599	5.00	18,970	103,857	122,827	10,899	87,205	98,104
Penn	3	2,731	26	2,839	25.0	79	1,417	5.00	10,970	71,004	81,974	7,355	62,617	69,972
Salem	3	2,007	24	2,533	19.0	73	1,101	3.00	5,034	48,179	53,213	4,608	40,352	44,960
S. Huntingdon	3	3,785	18	3,981	17.1	80	1,634	2.50	6,000	68,135	74,135	2,398	63,491	65,889
Un ty	3	5,252	18	5,533	17.1	111	1,605	1.00	4,640	94,534	99,174	1,540	81,703	83,243
Bell	4	1,128	18	1,228	16.5	60	721	5.00	3,330	20,316	23,646	1,336	19,569	20,905
Bolivar	4	278	25	463	15.0	33	411	2.50	952	6,945	7,897	375	3,663	4,038
E. Vandergrift	4	335	35	602	19.5	43	356	5.00	2,250	11,707	13,957	1,047	8,206	9,253
Fairfield	4	842	17	1,202	11.9	71	400	2.50	1,710	14,319	16,029	503	8,553	9,056
Lower Burrell	4	1,333	28	1,739	21.4	69	957	5.00	6,960	37,321	44,281	3,800	31,803	35,603
Loyalhanna	4	819	17	1,093	12.7	70	419	5.00	2,795	13,924	16,719	695	8,585	9,280
N. Irwin	4	417	26	550	19.7	78	172	5.00	3,220	8,852	14,072	1,461	8,337	9,748
Saint Clair	4	183	18	225	14.6	75	92	4.00	632	3,294	3,926	186	2,594	2,780
Seward	4	337	25	339	24.9	43	243	5.00	2,025	8,429	10,454	766	5,556	6,322
W. Newton	4	1,353	19	2,394	10.7	80	746	5.00	6,265	25,702	31,967	4,279	24,474	28,753
Youngstown	4	128	16	167	12.3	83	60	3.00	789	2,053	2,842	219	1,371	1,790
Wyoming														
Braintrim	4	29	25	49	15.0	49	14	5.00	220	728	948	.....	595	595
Laceyville	4	124	29	246	14.6	27	183	5.00	1,600	3,610	5,210	1,174	3,429	4,603
Meshoppen	4	191	25	256	18.7	23	187	.....	.....	4,767	4,767	.....	4,593	4,593
Nicholson	4	217	18	690	5.7	53	80	5.00	1,950	3,904	5,854	1,143	2,249	3,392
Overfield	4	325	28	642	14.2	161	.....	2.00	762	9,104	9,866	.....	6,958	6,958
Tunkhannock	4	846	22.5	1,698	11.2	77	583	5.00	6,640	19,039	25,679	3,660	17,515	21,175
Tunkhannock	4	249	22	500	10.9	63	186	2.00	1,200	5,469	6,669	232	2,968	3,200
York														
Franklintown	4	53	16	83	10.2	83	61	5.00	815	851	1,666	463	669	1,132

* Through the courtesy of the Superintendent of Public Instruction.

† Member of a joint school district.

‡ School closed.

§ No information available.

¶ No schools.

TABLE C-XXIII

LIST OF PERMANENT STATE TAX COMMISSIONS—1925*

State	Name of Body	When estab- lished	No.	How appointed	Term Yrs.	Salary	
						Chair- man	Mem- bers
Ala.	State Tax Commission	1919	3	Governor	4	\$3,000	\$3,000
Ariz.	State Tax Commission	1912	3	Elected	6	3,000	3,000
Ark.	Ark. Tax Commission	1909	3	Governor	6	2,400	2,400
Cal.	State Board of Equalization	1872	5	Elected	4	4,000	4,000
Colo.	Colo. Tax Commission	1911	3	Governor	6	3,600	3,600
Conn.	Tax Commissioner	1901	1	Governor	4	.....	6,000
Del.	State School Tax Com- missioner	1921	1	Governor	4	.....	4,000
Fla.	State Equalizer of Taxes ..	1921	1	Governor .....	..	.....	4,000
Ga.	State Tax Commissioner ..	1913	1	Governor	6	.....	4,000
Ida.	State Board of Equalization	1889	5	Elected .....	..	.....	.....
Ill.	State Tax Commission	1917	3	Governor	6	6,000	6,000
Ind.	State Board of Tax Com- missioners	1891	3	Governor	4	4,500	4,500
Kan.	State Tax Commission	1907	3	Governor	4	3,500	3,500
Ky.	State Tax Commission	1917	3	Governor	4	3,600	3,600
La.	State Tax Commission	1917	3	Governor	6	5,000	5,000
Me.	Board of State Assessors ..	1891	3	Governor	6	2,500	2,500
Md.	State Tax Commission	1914	3	Governor	6	6,000	5,000
Mass.	Commissioner of Corpora- tions and Taxation	1919	1	Governor	3	.....	7,500
Minn.	Minn. Tax Commission	1907	3	Governor	6	4,500	4,500
Mich.	Board of State Tax Com- missioners	1899	3	Governor	6	3,500	3,500
Miss.	Board of State Tax Com- missioner	1916	3	Governor	4	2,500	2,500
Mo.	Commissioner of Budgets ..	1921	1	Governor .....	..	.....	5,000
Mont.	State Board of Equalization	1891	5	Elected .....	..	.....	.....
Nebr.	State Tax Commissioner ..	1921	1	Governor	2	.....	5,000
Nev.	State Tax Commission	1917	7	Governor	4	3,000†	500
N. H.	State Tax Commission	1911	3	Supreme Court	6	3,000†	2,500
N. J.	State Board Taxation and Assessments	1915	3	Governor	3	5,000	4,000
N. M.	State Tax Commission	1915	3	Governor	6	3,500	10
N. Y.	State Tax Commission	1915	3	Governor	6	12,000	10,000
N. C.	Commissioner of Revenues	1921	1	Governor	4	.....	5,000
N. D.	State Tax Commissioner ..	1919	1	Governor	6	.....	4,000
Ohio	State Tax Commission	1910	3	Governor	6	.....	4,000
Ore.	State Tax Commission	1909	4	Governor	4	.....	3,000
R. I.	Board of Tax Commis- sioners	1912	3	Governor	6	5,000	5,000
S. C.	State Tax Commission	1915	3	Governor	6	2,500	§
S. D.	State Tax Commission	1913	3	Governor	6	3,250†	3,000
Tenn.	State Tax Commissioner ..	1921	1	Legislature ...	6	.....	4,500
Tex.	State Tax Board	1905	3	Governor	2	2,500	2,500
Utah	State Board of Equalization and Assessment	1896	3	Governor	4	4,000	4,000
Vt.	Commissioner of Taxes ...	1882	1	Governor	2	.....	3,000
Wash.	Department of Taxation and Examination	1921	1	Governor .....	..	.....	6,000
W. V.	State Tax Commissioner ..	1904	1	Governor	6	.....	4,000
Wisc.	State Tax Commission	1899	3	Governor	8	5,000	5,000
Wyo.	State Board of Equalization	1905	3	Governor	2	2,500	2,500

† Secretary to Commission.

‡ Attorney to Commission.

§ Members receive compensation of \$5.00 per day.

* Source: Report of the Pa. Tax Commission to the General Assembly, Commonwealth of Pennsylvania, 1925, p. 88.

TABLE C-XXIV

CHANGES FROM TAX COMMISSIONS OR COMMISSIONERS TO OTHER TAX ADMINISTERING AGENCIES FROM 1925 TO 1940 AND VICE VERSA

	1925	1940
Alabama	State Tax Commission	Department of Revenue
Arizona	State Tax Commission	State Tax Commission
Arkansas	State Tax Commission	Commissioner of Revenue
California	State Board of Equalization	State Board of Equalization
Colorado	State Tax Commission	State Tax Commission
Connecticut	Tax Commissioner	Tax Commissioner
Delaware	State School Tax Commissioner	Tax Commissioner
Florida	State Equalizer of Taxes	Comptroller
Georgia	State Tax Commissioner	Commissioner of Revenue
Idaho	State Board of Equalization	State Board of Equalization
Illinois	State Tax Commission	Department of Finance
Indiana	State Board of Tax Comm'rs	State Board of Tax Commissioners
Iowa*		Tax Commission
Kansas	State Tax Commission	Director of Revenue
Kentucky	State Tax Commission	Department of Revenue
Louisiana	State Tax Commission	State Tax Commission
Maine	Board of State Assessors	Bureau of Taxation
Maryland	State Tax Commission	State Tax Commission
Massachusetts	Comm'r of Corp. and Taxation	Comm'r of Corp. and Taxation
Michigan	Board of Tax Commissioners	Board of Tax Commissioners
Minnesota	Minnesota Tax Commission	Commissioner of Taxation
Mississippi	Board of State Tax Comm'rs	Board of State Tax Commissioners
Missouri	Commissioner of Budgets	Board of Equalization
Montana	State Board of Equalization	State Board of Equalization
Nebraska	State Tax Commissioner	State Tax Commissioner
Nevada	State Tax Commission	State Tax Commission
New Hampshire	State Tax Commission	State Tax Commission
New Jersey	State Bd. of Taxa. and Assess.	Tax Commissioner
New Mexico	State Tax Commission	State Tax Commission
New York	State Tax Commission	State Tax Commission
North Carolina	Commissioner of Revenue	Commissioner of Revenue
North Dakota	State Tax Commissioner	State Tax Commissioner
Ohio	State Tax Commission	State Tax Commission
Oklahoma*		Tax Commission
Oregon	State Tax Commission	State Tax Commission
Pennsylvania*		Department of Revenue
Rhode Island	Board of Tax Commissioners	Tax Administrator
South Carolina	State Tax Commission	State Tax Commission
South Dakota	State Tax Commission	Director of Taxation
Tennessee	State Tax Commissioner	Comm'r of Finance and Taxation
Texas	State Tax Board	Comptroller
Utah	State Board of Equalization	Tax Commission
Vermont	Commissioner of Taxation	Tax Department
Virginia*		Tax Commissioner
Washington	Dept. of Taxa. and Examination	Tax Commission
West Virginia	State Tax Commissioner	State Tax Commissioner
Wisconsin	State Tax Commission	Commissioner of Taxation
Wyoming	State Board of Equalization	State Board of Equalization

* No information given for 1925.

NOTE: An examination of the schedule showing "Agencies Administering Major State Taxes—1940" indicates that some tax commissions concern themselves primarily with one particular type of tax while other taxes are administered by various departments of the state government.

RECAPITULATION

Type of Agency	1925	1940
Tax Commissions or Commissioners	31	31
State Board of Equalization	5	5
State School Tax Commissioner	1	
State Equalizer of Taxes	1	
Board of State Assessors	1	
Commissioner of Corporations and Taxation	1	
State Board of Taxation and Assessments	1	
Department of Taxation and Examination	1	
Commissioner of Budgets	1	
Department or Commissioner of Revenues	1	7
Comptroller		2
Tax Department		1
Department of Finance		1
Bureau of Taxation		1
Total	44	48

TABLE C-XXV
AGENCIES ADMINISTERING MAJOR STATE TAXES—1940

	<i>General Property</i>	<i>Income</i>	<i>Sales</i>	<i>Gasoline</i>
Ala.	Dept. of Revenue	Department of Revenue	Department of Revenue	Department of Revenue
Ariz.	Tax Commission	Tax Commission	Tax Commission	Superintendent Motor Vehicle Div.
Ark.	Corporation Commission	Commissioner of Revenues	Commissioner of Revenues	Commissioner of Revenues
Cal.	—	Franchise Tax Commissioner	Board of Equalization	Board of Equalization
Colo.	Tax Commission	Treasurer	Treasurer	Treasurer
Conn.	Tax Commissioner	Tax Commissioner	—	Commissioner Motor Vehicles
Del.	—	Tax Commissioner	—	Highway Department
Fla.	Comptroller	—	—	Comptroller
Ga.	Commissioner of Revenue	Commissioner of Revenue	—	Commissioner of Revenue
Ida.	Board of Equalization	Tax Commissioner	—	Tax Commissioner
Ill.	—	—	Department of Finance	Department of Finance
Ind.	Board of Tax Commissioners	—	Treasury Department	Auditor
Ia.	Tax Commission	Tax Commission	Tax Commission	Treasurer
Kan.	Director of Revenue	Director of Revenue	Director of Revenue	Director of Revenue
Ky.	Department of Revenue	Department of Revenue	—	Department of Revenue
La.	Tax Commission	Collector of Revenue	Collector of Revenue	Collector of Revenue
Me.	Bureau of Taxation	—	—	Bureau of Taxation
Md.	Tax Commission	Comptroller	—	Comptroller
Mass.	Commissioner Corp. and Tax.	Commissioner Corp. and Tax.	—	Commissioner Corp. and Taxation
Mich.	—	—	Board of Tax Administration	Secretary of State
Minn.	Commissioner of Taxation	Commissioner of Taxation	—	Commissioner of Taxation
Miss.	Ch. Tax Commission	Ch. Tax Commission	Ch. Tax Commission	Commissioner Motor Vehicles
Mo.	Board of Equalization	Auditor	Auditor	Department Oil Inspection
Mont.	Board of Equalization	Board of Equalization	—	Board of Equalization
Nebr.	Tax Commissioner	—	—	Department Agri. and Inspection
Nev.	Tax Commission	—	—	Tax Commission
N. H.	—	—	—	Commissioner Motor Vehicles
N. J.	Tax Commissioner	—	—	Tax Commissioner
N. M.	Tax Commission	Commissioner of Revenue	Commissioner of Revenue	Commissioner of Revenue
N. Y.	—	Tax Commission	—	Tax Commission
N. C.	—	Commissioner of Revenue	Commissioner of Revenue	Commissioner of Revenue
N. D.	Tax Commissioner	Tax Commissioner	Tax Commissioner	Auditor
Ohio	—	—	Tax Commissioner	Tax Commission
Okla.	—	Tax Commission	Tax Commission	Tax Commission
Ore.	Tax Commission	Tax Commission	—	Secretary of State
Pa.	—	Secretary of Revenue	—	Secretary of Revenue
R. I.	—	—	—	Tax Administrator
S. C.	Tax Commission	Tax Commission	—	Tax Commission
S. D.	—	Director of Taxation	Director of Taxation	Treasurer
Tenn.	Superintendent of Taxation	Commissioner Finance and Tax.	—	Commissioner Finance and Taxa.
Tex.	Comptroller	—	—	Comptroller
Utah	Tax Commission	Tax Commission	Tax Commission	Tax Commission
Vt.	—	Tax Department	—	Commissioner Motor Vehicles
Va.	—	Tax Commissioner	—	Div. Motor Vehicles
Wash.	Tax Commission	—	Tax Commission	Director of Licenses
W. V.	Tax Commissioner	Tax Commissioner	Tax Commissioner	Tax Commissioner
Wisc.	Commissioner of Taxation	Commissioner of Taxation	—	Treasury Department
Wyo.	Board of Equalization	—	Board of Equalization	Highway Department

326

TABLE C-XXV—Continued
 AGENCIES ADMINISTERING MAJOR STATE TAXES—1940

	<i>Motor Vehicle</i>	<i>Tobacco</i>	<i>Death</i>	<i>Liquor</i>	<i>No. of Agen.</i>
Ala.	Department of Revenue	Department of Revenue	Department of Revenue	Board of Liquor Cont.	2
Ariz.	Sup't Motor Vehicle Division	Tax Commission	Treasurer	Tax Commission	3
Ark.	Commissioner of Revenues	Commissioner of Revenues	Commissioner of Revenues	Commissioner of Revenues	2
Cal.	Motor Vehicle Department	—	Controller	Board of Equalization	4
Colo.	Treasurer	—	Inherit. Tax Commissioner	Secretary of State	4
Conn.	Com'r Motor Vehicles	Tax Commissioner	Tax Commissioner	Tax Commissioner	2
Del.	Com'r Motor Vehicles	—	Tax Commissioner	Liquor Commission	4
Fla.	Com'r Motor Vehicles	—	Comptroller	Beverage Department	3
Ga.	Commissioner of Revenue	Commissioner of Revenue	Commissioner of Revenue	Commissioner of Revenue	1
Ida.	Department Law Enforce.	—	Tax Commissioner	Tax Commissioner	3
Ill.	Secretary of State	—	Attorney General	Department of Finance	3
Ind.	Treasury Department	—	Board of Tax Com'rs	Alcoholic Beverage Com.	4
Ia.	Department Public Safety	Tax Commission	Tax Commission	Tax Commission	3
Kan.	Highway Commission	Director of Revenue	Director of Revenue	Director of Revenue	2
Ky.	Department of Revenue	Department of Revenue	Department of Revenue	Department of Revenue	1
La.	Secretary of State	Collector of Revenue	(local)	Collector of Revenue	3
Me.	Secretary of State	—	Attorney General	Liquor Commission	4
Md.	Com'r Motor Vehicles	—	Comptroller	Comptroller	3
Mass.	Dept. Public Works	Com'r Corp. and Taxation	Com'r Corp. and Tax.	Com'r Corp. and Tax.	2
Mich.	Secretary of State	—	Auditor	Liquor Control Com.	4
Minn.	Secretary of State	—	Com'r of Taxation	Liquor Control Com.	3
Miss.	Com'r Motor Vehicles	Ch. Tax Commission	Ch. Tax Commission	Ch. Tax Commission	2
Mo.	Com'r Motor Vehicles	—	Treasurer	Department Liquor Cont.	6
Mont.	Registrar Motor Vehicles	—	Board of Equalization	Liquor Control Board	3
Nebr.	Dept. Roads and Irrigation	—	Tax Commissioner	Liquor Control Com.	4
Nev.	Secretary of State	—	—	Tax Commission	2
N. H.	Com'r Motor Vehicles	Tax Commission	Attorney General	Liquor Commission	4
N. J.	Com'r Motor Vehicles	—	Tax Commissioner	Tax Commissioner	2
N. M.	Commissioner of Revenue	—	Commissioner of Revenue	Com'r of Revenue	2
N. Y.	Tax Commission	Tax Commission	Tax Commission	Tax Commission	1
N. C.	Com'r of Revenue	—	Commissioner of Revenue	Com'r of Revenue	1
N. D.	Highway Commissioner	Laboratories Department	Tax Commissioner	Tax Commissioner	4
Ohio	Registrar Motor Vehicles	Tax Commissioner	Tax Commissioner	Tax Commissioner	2
Okla.	Tax Commission	Tax Commission	Tax Commission	Tax Commission	1
Ore.	Secretary of State	—	Treasurer	Liquor Control Com.	4
Pa.	Secretary of Revenue	Secretary of Revenue	Secretary of Revenue	Secretary of Revenue	1
R. I.	Tax Administrator	Tax Administrator	Tax Administrator	Tax Administrator	1
S. C.	Highway Commissioner	Tax Commission	Tax Commission	Tax Commission	2
S. D.	Secretary of State	Secretary of Agriculture	Director of Taxation	Secretary of Agriculture	4
Tenn.	Com'r Finance and Tax.	Com'r Finance and Tax.	Com'r Finance and Tax.	Com'r Finance and Tax.	2
Tex.	Highway Commission	Comptroller	Comptroller	Liquor Control Board	3
Utah	Tax Commission	Tax Commission	Tax Commission	Tax Commission	1
Vt.	Commission Motor Vehicles	Tax Department	Tax Department	Liquor Control Board	3
Va.	Division Motor Vehicles	—	Tax Commissioner	Tax Commissioner	2
Wash.	Director of Licenses	Tax Commission	Tax Commission	Liquor Control Board	3
W. V.	Road Commission	—	Tax Commissioner	Tax Commissioner	2
Wisc.	Motor Vehicle Department	Treasury Department	Com'r of Taxation	Treasury Department	3
Wyo.	Secretary of State	—	Inherit. Tax Com'r	Liquor Commission	5

TABLE C-XXVI
SUMMARY CASH RECEIPTS:
GENERAL AND SPECIAL "OPERATING" FUNDS
BIENNIUMS 1927-1929 TO 1939-1941
(\$000)

	1927- 1929	1929- 1931	1931- 1933	1933- 1935	1935- 1937	1937- 1939	1939- 1941†
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
General Fund*	\$159,447	\$200,095	\$188,666	\$183,455	\$342,283	\$382,157	\$393,519
Special Funds							
Motor License Fund†	100,029	133,016‡	115,327	117,811	137,063	142,810	154,654
Fish Fund	850	918	844	849	939	1,397	2,107
Game Fund	2,194	2,498	2,494	2,371	2,586	2,964	3,936
Banking Fund	1,144	1,334	1,497	1,414	1,400	1,525	1,556
State Farm Show ..	.....	82	117	109	129	165	216
Milk Control Fund .	.....	.....	.....	66	215	335	363
Forests and Waters .	.....	.....	.....	.....	221	285	396
	\$263,664	\$337,943	\$308,945	\$306,074	\$484,835	\$531,638	\$556,746
1 Amount of Federal Grants and other Receipts for Special Purposes Not Included Above	1927- 1929	1929- 1931	1931- 1933	1933- 1935	1935- 1937	1937- 1939	1939- 1941
a	\$1,977	\$1,284	\$1,446	\$5,444	\$17,733	\$40,123	\$58,821
b	3,748	9,926	15,153	5,288	4,746	12,931	14,946

See notes below.

TABLE C-XXVII
SUMMARY GENERAL FUND DISBURSEMENTS "APPLICABLE TO THE BIENNIUM"
AND SPECIAL "OPERATING" FUND DISBURSEMENTS
(\$000)

	1927- 1929	1929- 1931	1931- 1933	1933- 1935	1935- 1937	1937- 1939	1939- 1941†
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
General Fund*	\$142,586	\$188,833	\$208,008	\$229,218	\$330,584	\$409,533	\$395,024
Special Funds							
Motor License Fund†	97,135	160,019‡	115,926	112,254	102,933	152,078	145,917
Fish Fund	678	841	937	842	876	968	1,754
Game Fund	1,869	2,383	2,374	2,213	2,424	2,959	3,362
Banking Fund	1,164	1,337	1,508	1,343	1,367	1,386	1,502
State Farm Show ..	.....	59	111	124	132	143	185
Milk Control Fund .	.....	.....	.....	58	214	241	320
Forests and Waters .	.....	.....	.....	.....	116	331	375
	\$243,433	\$353,473	\$328,864	\$346,053	\$438,647	\$567,639	\$548,439
1 Amount of Federal Grants and other Receipts for Special Purposes not Included Above	1927- 1929	1929- 1931	1931- 1933	1933- 1935	1935- 1937	1937- 1939	1939- 1941
a	\$1,977	\$1,284	\$1,446	\$5,444	\$17,733	\$40,123	\$58,821
b	3,748	9,926	15,153	5,288	4,746	12,931	14,946

* Does not include Receipts for Special Purposes, Borrowing from Special Funds or Sale of Tax Anticipation Notes.

† Does not include Federal Aid to Highway or P.W.A. Funds.

‡ Includes return on \$5,000,000 loan to Liquor Control Board and a \$5,000,000 increase in estimated revenue as per budget message, 2/3/41.

§ Includes \$5,000,000 loan to Liquor Control Board and a deduction of estimated additional lapses of \$3,000,000 as per budget message, 2/3/41.

¶ Does not include a General Fund Appropriation of \$2,905,340 for North Office Building.

2 Other Special Funds Not Included as "Operating" Funds
 These Funds receive their money either from General Fund, Federal Grants, or Interest alone.

a—Trust Acct. National Industrial Recovery Highway Fund.

b—Bureau of Employment Fund.

c—Federal Unemployment Relief Fund.

d—State Stores Fund (Liquor Store Profits included in General Fund).

e—Veteran's Compensation.

f—Federal Social Security Fund.

g—Flood Control Fund.

3 All Custodial Funds Are Excluded.

IS	RATE	EXEMPTIONS	1928	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938	1939	1940	1941	
	(1) \$25-4 years.	(1) None.	C. (1) 74,075	134,700	45,200	117,475	20,050	114,500	18,950	125,750	30,650	124,250	32,225	27,530	42,425	C. (1)	
1937 P. L. 1960.	(1) Reasonable fee made in each case. (2) \$5 per application.	(1) None. (2) Cities of the First Class.	D. (1) .....	.....	664	3,130	2,945	8,660	2,928	14,078	12,137	12,088	12,116	12,118	12,406	D. (1)
			E. (1) .....	.....	894	280	366	77	17	157	261	20	35	.....	19	E. (1)
unitary Water	(1) \$10 application, \$10 Yearly renewal. (2) \$10 first year, \$3 Yearly renewal. (3) Board to fix fees.	(1) None. (2) None. (3) None.	(1) .....	.....	.....	.....	1,600	10,915	9,975	6,555	6,225	6,300	7,545	6,400	7,365	(1)
			(2) .....	.....	.....	.....	.....	.....	.....	.....	1,420	1,397	1,257	1,770	.....	(2)
			(3) .....	.....	.....	.....	.....	.....	.....	.....	.....	.....	510	2,675	2,260	(3)
935 P. L. 1924. 933 P. L. 96 and	(4) 3¢ fee on each death, birth or still birth transcript sent to Fed. Gov't. (5) Fixed by board. (6) \$1 for certified copy.	(4) None. (5) None. (6) None.	(4) .....	.....	7,193	9,389	9,134	8,450	5,790	7,115	7,156	8,319	8,438	7,977	8,975	(4)
			(5)	19,647	11,103	12,284	10,420	9,589	10,247	12,413	22,754	21,458	25,270	25,233	24,430	26,222	(5)
			(6)	43,069	40,821	35,380	32,605	59,108	61,464	63,308	80,384	80,560	79,916	94,183	(6)
1937 P. L. 936. 1937 P. L. 936. 1937 P. L. 936. 1937 P. L. 936. 1937 P. L. 936. 1937 P. L. 936. 1937 P. L. 936. 1937 P. L. 936. 1937 P. L. 936.	(1) Domestic 50¢-Foreign \$2. (2) Individual \$10-Corporation \$25. (3) \$1 and \$2. (4) \$2. (5) The Expense of Examination. (6) \$20 and \$25. (7) \$100. (8) \$100. (9) \$100. (10) 1¢ per \$1000-Minimum \$10.	(1) None. (2) None. (3) None. (4) None. (5) None. (6) None. (7) None. (8) None. (9) None. (10) None.	F. (1) 225,554 (2) Included (3)	454,617 Included In In Above Above Figure	227,088 72,713 8,198 8,226 78,488 19,471 2,908 3,300 2,052 38,324	237,846 71,915 7,070 5,869 86,841 18,892 2,974 3,650 2,503 49,278	231,687 69,005 5,901 5,082 62,662 17,472 2,064 3,700 3,006 1,502	218,542 67,644 5,417 5,284 100,102 10,548 1,196 3,400 3,660 86,234	169,531 69,434 5,987 5,135 31,307 16,951 778 2,400 2,221 460	224,107 69,434 5,519 4,950 77,134 16,959 2,534 2,400 2,221 39,803	218,535 71,493 7,412 5,568 163,822 16,784 2,200 1,072 39,224	223,807 76,706 5,862 5,787 30,867 16,454 10 2,277 562 460	224,499 77,056 6,451 5,787 79,128 18,309 2,468 836 39,740	234,265 81,588 8,399 6,116 158,548 18,404 2,200 636 41,213	236,979 81,396 8,808 5,541 103,202 17,920 1,700 830 41,845	F. (1)
33 P. L. 100. 31 P. L. 97. 1939 P. L. 865.	(1) Scale of fees 25¢ to \$10. (2) \$10 plus 1/2 mill per dollar of issue. (3) \$5 for 3 years.	(1) None. (2) None. (3) None.	G. (1) .....	.....	2,211	1,640	913	816	1,113	813	778	1,273	891	1,065	703	G. (1)
			(2) .....	.....	.....	.....	.....	141	18,049	17,764	22,150	19,541	16,378	23,292	10,568	(2)
			(3) .....	.....	.....	.....	.....	.....	25,325	7,910	3,475	19,885	7,935	5,955	16,950	(3)
Board fixes own	(1) On appealed taxes due state comm. 5% of 1st \$10,000 recovered. Court sets comm. above \$10,000. (2) Application fee \$1-Filing fee \$10.	(1) None. (2) No filing fee in capital cases.	H. (1) .....	.....	1,244	8,074	35,446	35,180	29,679	22,300	4,393	6,299	5,543	13,304	7,287	H. (1)
			(2) .....	.....	.....	763	4,201	4,092	9,596	10,485	12,831	11,119	9,686	13,044	11,311	(2)
1937 P. L. 926.	(1) Fee \$25 annual renewal \$1-Stamps \$10-per M. (2) Inspection \$2-\$5. (3) Fee not to exceed \$25. (4) Certificate \$1; Inspection \$3 and \$12; Inspector's Fee \$10; Renewal \$2. (5) \$5 to \$10. (6) Class "A"- \$100; Class "B"- \$100; Class "C" \$200. (7) \$2.50 to \$25 according to quantity. (8) Employer original \$200; renewal \$50, \$100 or \$200; contractor \$25. (9) \$2 examination fee; License \$1 or \$5; Apprentice \$3; Apprentice Renewal \$1. (10) 1% on net prem. of insur. carriers writing W. C. Insurance until fund equals 5% of loss reserves.	(1) None. (2) None. (3) None. (4) None. (5) Repairs for less than 1/2 original. (6) None. (7) None. (8) None. (9) None. (10) None.	I. (1) .....	.....	54,322	50,754	46,431	38,687	43,392	40,599	49,067	68,050	52,126	57,380	73,250	I. (1)
1933 P. L. 997. 1937 P. L. 277. 1933 P. L. 999.			(2)	40,110	48,140	42,876	46,710	51,087	44,189	42,452	46,475	39,237	45,622	55,541	56,901	90,547	(2)
			(3) .....	.....	.....	.....	.....	22,013	23,799	.....	4,066	6,317	9,535	8,834	11,528	(3)
			(4)	7,032	7,870	9,408	.....	24,332	24,265	23,408	20,968	27,182	34,188	54,940	57,119	(4)
			(5) .....	.....	.....	.....	.....	720	1,082	907	1,363	2,893	3,245	3,935	.....	(5)
			(6)	18,600	18,050	32,020	25,905	18,700	13,800	14,005	13,600	13,700	16,205	22,100	20,600	23,400	(6)
			(7)	7,175	9,593	9,615	(7)
			(8) .....	.....	.....	.....	.....	.....	.....	.....	.....	.....	25,025	11,475	8,325	(8)
1933 P. L. 896.	(9) \$2 examination fee; License \$1 or \$5; Apprentice \$3; Apprentice Renewal \$1. (10) 1% on net prem. of insur. carriers writing W. C. Insurance until fund equals 5% of loss reserves.	(9) None. (10) None.	(9)	11,989	14,471	12,924	(9)
			(10) .....	.....	.....	.....	.....	.....	11,551	11,581	11,634	12,758	11,989	14,471	12,924	(10)
1933 P. L. 551 and P. L. 860.	(1) Licenses in cities first class \$100 to \$250; 2nd Class \$100; 3rd Class & Others \$25; Other Fees \$10 to \$40.	(1) Amateur exhibitions.	J. (1) 23,638	27,510	30,475	18,395	18,619	20,439	18,842	19,787	17,595	19,030	.....	.....	.....	J. (1)
			K. (1) .....	.....	.....	.....	.....	.....	.....	.....	.....	.....	116,908	15,217	12,897	(1)
			(2) .....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	12,026	2,346	(2)
1937 P. L. 2479.	(3) \$2 exam-\$3 certificate.	(3) None.	(3) 2,529	4,306	4,247	7,845	3,745	3,337	1,475	5,529	1,189	7,928	4,512	13,000	5,349	(3)	
ded 1937 P. L. 1811. ded 1937 P. L. 1811.	(1) Annual fee \$100. (2) \$2,500 on 500,000 gal. \$100 for each addit. 100,000 gal.	(1) None. (2) Alcohol denatured in Pa. except when used in rectification or blending.	L. (1) .....	.....	.....	.....	.....	.....	800	2,400	2,825	2,900	2,701	2,420	2,455	(1)
			(2) .....	.....	.....	.....	.....	111,350	141,875	152,500	163,155	106,980	115,090	114,390	.....	(2)
act 402-1939.	(a) \$25; renewal \$10 Yearly.	(a) Persons working for public utility in interstate commerce-U. S. Employees-and personal plans.	M. (1) 2,125	2,465	2,445	1,770	1,225	1,340	5,317	6,035	5,389	6,145	5,717	6,718	7,565	M. (1)	
1935 P. L. 1581 and	(b) Established \$2-Teachers \$5. (c) Owners \$5; Student \$1; School Operator \$2 \$50. (d) Fixed by department of Public Instruction. (e) Fixed by department of Public Instruction. (f) Registration Nurses \$10; Attendant \$5-renewals \$1. (g) Examination \$25; Annual Fee \$5; Branches \$2. (h) Osteo. \$50; Surgery \$100; Renewals \$10.	(b) None. (c) None. (d) None. (e) None. (f) None. (g) Licensed physicians or surgeons. Vendors of eye-glasses not practicing optometry. (h) None.	(b) .....	.....	.....	.....	49,987	52,420	51,184	48,013	46,110	46,237	33,165	42,700	46,674	(b)
			(c) .....	.....	.....	.....	.....	.....	68,658	93,497	90,875	107,812	112,267	126,437	132,258	(c)
1 1937 P. L. 554. 1 1937 P. L. 725. 1 1935 P. L. 83.			(d)	18,344	18,822	13,728	13,728	14,651	14,738	14,766	13,456	13,734	12,121	13,570	12,872	13,293	(d)
			(e)	24,551	24,265	28,362	28,362	30,340	30,848	34,906	32,412	34,897	39,969	39,472	37,744	40,417	(e)
			(f)	31,922	33,932	42,191	46,812	47,649	47,969	53,102	51,717	51,228	50,479	47,296	62,825	61,765	(f)
1 1937 P. L. 795.			(g)	9,052	8,419	9,214	8,936	8,937	8,816	9,024	9,067	9,443	9,278	10,137	10,080	9,548	(g)
1937 P. L. 1649.			(h)	4,394	3,627	3,039	3,106	2,653	2,892	2,910	2,826	3,664	3,645	4,071	4,581	5,163	(h)

TAX	CITATIONS	RATE	EXEMPTIONS	1928	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938	1939	1940	1941		
1. Malt Liquor	1. 1933 P. L. 284 amended 1937 P. L. 527.	1. 3/4¢ per pint or \$1.24 per hbl.	1. None.																
2. Distilled Spirits	2. 1933 (special) P. L. 38 amended 1933 P. L. 91.	2. \$1 per proof gal.—proportionate tax for fractions.	2. 3. & 4. When sold to the State or the United States or any governmental agency or school or college for research, or hospital, or holders of sacramental wine permit, or to pharmacist, or chemist, or manufacturer denatured alcohol or preparations unit for beverage purposes.						444,232	5,189,671	6,071,130	6,748,954	7,406,610	7,433,528	6,843,170	7,163,636		1.	
3. Rectified Spirits	3. 1933 (special) P. L. 38 amended 1933 P. L. 91.	3. 30¢ proof gal. of rectified spirits.																	2.
4. Wines	4. 1933 (special) P. L. 38 amended 1933 P. L. 91.	4. 1/2¢ per unit of proof per wine gal.								5,181	4,076	8,707	6,035	6,920	6,583	6,929		3.	
F. Beverage License Law (e)	F. 1933 P. L. 252 amended 1937 P. L. 1827. (Receipts go to State Stores Fund except retail licenses which go to Liquor License Fund).	F. Mfg. \$1000 ea. place; Distributor \$400; Retailer \$180 to \$300 on population; Importer \$900; Public Service \$10 per car Max. operated any one day; Boats \$50; special permits \$25; Filing Fee \$10.	F. None.							100,330	156,470	1,160,034	1,053,927	1,456,281	1,359,482	1,404,551		4.	
G. Liquor Control Act (e)	G. 1933 P. L. 15 amended 1937 P. L. 1762. (License Fees go to Liquor Control Fund, Application and transfer Fees go to State Stores Fund).	G. Retail \$150 to \$600 based on population; Clubs \$50; Public Service \$20 per car for Max. operated any one day; Boats \$100; Filing fee \$20; Sacramental Wine \$100; Filing fee \$10; Importers \$100; Filing fee \$10; additional warehouse \$25.	G. (The holder of a license under this Act is entitled to engage in business under the Beverage License Law.)							2,280,187	3,762,550	3,873,051	4,679,883	5,338,908	5,696,825	5,938,278		F.	
H. Liquor Sales (10%) (e)	H. 1936 P. L. 13 amended 1939 P. L. 46.	H. 10% on sales price till June 1, 1941.	H. None.																G.
I. Liquid Fuel Tax	I. 1931 P. L. 149 amended 1939 P. L. 55.	I. 1/4¢ per gallon permanent tax.	I. 2. & 3. Fuel delivered to U. S. Gov't and those fuels not within the taxing power of the state under commerce clause of constitution of United States.																H.
1. Liquid Fuel Tax Fund (n) (s)	1. 1933 P. L. 412 amended 1939 P. L. 55.	1. 1/4¢ per gallon emergency tax to May 31, 1941.		3,695,406	4,075,820	4,580,189	5,072,827	5,451,298	5,115,010	5,286,971	5,476,723	5,921,438	6,698,210	7,023,450	7,068,787	7,125,926		1.	
2. General Fund (e) (s)	2. 1933 P. L. 412 amended 1939 P. L. 55.	2. 1/4¢ per gallon permanent tax.		18,806,586	19,932,787	29,266,409	27,633,028	27,402,284	25,672,712	26,473,182	27,416,128	29,622,064	33,511,596	34,789,345	35,123,040	35,636,693		2.	
3. Motor Fund (n) (s)	3. 1931 P. L. 149 last amended 1939 P. L. 55.	3. 2 1/2¢ per gallon permanent tax.																	3.
J. Cigarette Tax (e)	J. 1935 P. L. 341 amended 1939 P. L. 57.	J. 1¢ per ten cigarettes until May 31, 1941; Permits \$1.	J. Sales not in taxing powers of commonwealth under the Commerce Clause of the Constitution of U. S.									8,701,805	10,805,779	11,291,132	11,158,876	11,982,658		J.	
K. Boxing & Wrestling Amusements (e)	K. 1923 P. L. 710 amended 1937 P. L. 1988.	K. 5% Gross receipts exclusive of Federal Taxes.	K. Amateur exhibitions or matches. Religious, educational, charitable, etc. (not schools or wrestling); military organizations; mutual societies; Agricultural fairs.	79,629	86,363	95,442	78,118	53,789	40,551	29,879	34,045	32,827	47,590	42,201	38,453	45,937			L.
L. Amusements (e)	L. 1935 P. L. 429 Effective two years, not re-enacted.	L. Annual Fee \$1; 1¢ per each 25¢ or fraction of admission.										2,682,794	4,140,696	965,807	-0-				K.
M. Distillers Tax (e)	M. 1936 P. L. 92.	M. 4% of purchase payable therefor by the board August 15, 1936 to May 31, 1937.											1,379,798	223,991	-0-				M.
N. Liquor Floor Tax	N. 1933 P. L. 5.	N. \$2 each proof gallon, or wine gallon, when below proof—proportionate tax on fractional parts.											787,273	2,904,481	3,165,376	158,621	2,192		N.
III. MERCANTILE LICENSE TAX																			
A. Retail	A. 1899 P. L. 184 amended 1933 P. L. 1151.	A. \$2 Plus 1 mill on each dollar gross business.	A. Drugs dispensed on physicians' prescriptions.	3,280,364	2,928,538	3,319,929	2,978,434	2,729,957	2,473,660	2,170,477	2,351,607	2,657,459	2,353,773	2,607,830	2,559,889	2,553,572			III.
B. Wholesale	B. 1899 P. L. 184 amended 1933 P. L. 1151.	B. \$3 Plus 1/2 mill on each dollar gross business.	B. Farmers selling own produce. Meat processors—Dealers in Malt or brewed beverages.	988,522	851,597	647,651	768,488	566,482	630,131	511,750	590,394	607,234	740,771	710,019	628,386	638,179			A.
C. Board of Trade	C. 1899 P. L. 184 amended 1933 P. L. 1151.	C. Vendor and Dealers—25¢ on each \$1000 gross sold.	C. None.																B.
D. Restaurants	D. 1907 P. L. 117.	D. \$2 annual fee plus 1 mill on each dollar gross business.	D. Social clubs.																C.
E. Billiards, etc.	E. 1907 P. L. 244 amended 1939 P. L. 675.	E. \$20 for 1st game, \$10 each additional Bowling Alleys \$10 for 1st game \$5 for each additional alley; summer resorts \$25.	E. Social Clubs, Hospitals, Asylums, Institutions.	183,802	165,131	144,131	164,738	154,175	141,491	147,007	162,132	169,172	255,803	257,957	238,907	211,854			D.
F. Brokers	F. 1907 P. L. 175.	F. On gross annual commissions or earnings—up to \$5,000—\$10; \$5,000 to \$10,000—\$25; \$10,000 to \$20,000—\$50; over \$20,000—\$100.	F. National Banks exercising powers conferred by U. S. Government.	214,904	192,016	179,787	184,449	140,389	109,377	92,536	95,114	97,053	125,009	164,162	175,706	298,560			E.
G. Auctioneers	G. 1873 P. L. 332 amended 1921, P. L. 406.	G. Same as brokers except Phila. minimum \$500.	G. Auctioneering of live stock and farm implements.	218,356	181,202	141,251	164,410	108,968	123,140	105,568	109,185	108,894	120,638	143,734	123,338	146,181			F.
H. Peddlers	H. 1830 P. L. 147 amended 1937 P. L. 1191.	H. On foot \$8. One horse \$18. Two horses \$25. Within a county; State wide one horse \$40. 2 horses \$50. Tin and japanned ware and clocks \$30 each county.	H. Goods of own manufacture, by himself or through agent, disabled soldiers secure license without cost to sell own goods.	19,571	17,816	14,162	17,227	21,034	17,502	14,237	17,372	16,161	17,057	41,363	29,520	40,804			G.
I. Appraisers	I. 1919 P. L. 159 Sec. 1.	I. Allegheny Co. only 50¢ fee except for brokers and auctioneers 75¢ fee.	I. None.	14,292	14,366	14,261	18,849	13,429	11,154	11,095	12,378	2,000	12,342	12,470	12,587	13,121			H.
J. Amusement	J. 1913 P. L. 229.	J. Cities 1st class \$100; 2nd class, over 1000 chairs \$400, less than 1000 chairs but over 400, \$75, less than 400 chairs \$200. Boroughs, \$30. Moving picture houses \$25. Itinerant circuses \$50 to \$1000 depending on number of cars.	J. Repealed as to liquor license 1937 P. L. 1827.									42,818	74,810	58,347	44,626	69,809			I.
IV. PERSONAL TAXES																			
A. Property (e)	A. 1913 P. L. 507 amended 1939 P. L. 413; also 1935 P. L. 414 amended 1937 P. L. 633; 1939 P. L. 76.	A. (4 mills county permanent) 4 mills, State for calendar years 1939, 1940, 1941, on intangible personal property (cars, judgment notes and other evidence of indebtedness) by individuals and trustees.	A. Interest-bearing accounts in banks or trust companies and securities of corporations subject to Pa. capital stock or franchise tax corporate loan tax; Domestic or foreign corporations paying a capital stock or franchise tax and bank or trust co's. paying a tax on shares, make no return. Property held by resident in trust for non-resident, when created by non-resident. Building and Loan Associations; saving, life and fire associations having no capital stock; other trusts, beneficial or secret or-									518,787	17,794,517	11,919,750	12,098,284	11,556,479			IV.

PENNSYLVANIA TAX AND REVENUE SOURCES, CITATIONS, RATES, EXEMPTIONS AND RECEIPTS BY YEAR

THE FISCAL YEARS ENDING 1928 TO 1940. (UNEMPLOYMENT COMPENSATION CONTRIBUTION TAX EXCLUDED) ENDING MAY 31ST

TAX	CITATIONS	RATE	EXEMPTIONS	1928	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938	1939	1940	1941
I. CORPORATION TAXES																	
A. Bonus on Charter																	
1. Domestic	1. 1927 P. L. 322 amended 1939 P. L. 609 also 1901 P. L. 150.	1/5 of 1% of par value of capital stock authorized and increases therein or of stated capital and increases therein (no par).	1. & 2. B. & L. Assns. Corps. with no capital stock; credit unions.	\$ 143,205	\$ 156,772	\$ 230,772	\$ 425,867	\$ 190,942	\$ 143,643	\$ 154,238	\$ 131,960	\$ 206,911	\$ 438,177	\$ 337,096	\$ 108,390	\$ 96,607	
2. Foreign	2. 1927 P. L. 322 amended 1939 P. L. 609 also 1901 P. L. 150.	1/3 of 1% of value of capital employed in state and subsequent increases therein.		.....	.....	417,678	584,664	414,285	192,794	206,835	189,235	143,285	497,918	426,283	294,198	144,675	
B. Capital Stock																	
1. Domestic																	
1. 1889 P. L. 420 amended 1935 P. L. 184, amended 1937 P. L. 239.	1. 1889 P. L. 420 amended 1935 P. L. 184, amended 1937 P. L. 239.	5 mills per dollar value capital stock allocated on ratio of taxable assets in Pa. to total assets, wholesale distilling cos. 10 mills.	1. & 2. Corporations First-Class; Non-profit corps.; B. & L's; Agriculture co-ops; Securities of other corporations owned outright; Bank, Trust, Title & Savings Companies; Foreign Insurance Co's.	20,427,853	17,999,192	14,982,571	26,300,960	22,785,428	15,851,113	15,414,698	16,084,300	17,197,933	35,854,996	21,733,412	20,203,344	21,034,418	
2. Foreign (franchise)																	
2. 1889 P. L. 420 amended 1935 P. L. 184, amended 1937 P. L. 239.	2. 1889 P. L. 420 amended 1935 P. L. 184, amended 1937 P. L. 239.	5 mills per dollar value capital stock allocated on ratio of tangible assets, payrolls and gross receipts; wholesale distilling 10 mills.		.....	.....	1,143,448	1,155,846	1,099,663	836,948	989,112	1,040,652	1,524,823	10,492,734	7,792,338	7,732,136	6,837,095	
C. Shares																	
1. Bank & Trust Co. (n)																	
1. 1897 P. L. 292 amended 1939 P. L. 53 (banks), 1907 P. L. 640 amended 1939 P. L. 48 (trust co's.)	1. 1897 P. L. 292 amended 1939 P. L. 53 (banks), 1907 P. L. 640 amended 1939 P. L. 48 (trust co's.)	(n) Banks—4 mills regular of actual value. Trust Cos.—5 mills regular of actual value.	1. & 2. If shareholders pay amount of tax (8 mills) then shares and so much of capital not invested in real estate shall be exempt from other taxation under laws of the commonwealth.	2,314,444	4,716,133	4,099,656	5,100,487	3,623,821	2,627,020	1,692,389	3,120,295	1,659,812	2,606,852	5,370,174	3,376,539	3,506,992	
2. Bank & Trust Co. (e)																	
2. 1897 P. L. 292 amended 1939 P. L. 53 (banks), 1907 P. L. 640 amended 1939 P. L. 48 (trust co's.)	2. 1897 P. L. 292 amended 1939 P. L. 53 (banks), 1907 P. L. 640 amended 1939 P. L. 48 (trust co's.)	(e) Banks—4 mills extra—calendar yrs. 1936 to 1940. Trust Cos.—3 mills extra—calendar yrs. 1936 to 1940.		.....	.....	.....	.....	.....	.....	.....	.....	.....	261,178	3,134,606	2,681,736	2,811,823	
D. Stock																	
1. Bldg. & Loan (matured)																	
1. 1897 P. L. 178 repealed 1937 P. L. 62.	1. 1897 P. L. 178 repealed 1937 P. L. 62.	Equal to tax on money at interest.	1. Stock not matured or matured and in process of payment.	246,930	226,038	128,741	251,803	124,347	428,708	177,184	285,506	373,512	537,648	96,840	31,948	5,501	
E. Net Income																	
1. Corporate (e)																	
1. 1935 P. L. 208 amended 1939 P. L. 64. This tax in addition to all taxes now imposed.	1. 1935 P. L. 208 amended 1939 P. L. 64. This tax in addition to all taxes now imposed.	7% on each dollar of net income received or accrued from all business done in State, for calendar or fiscal year 1929 & 1940 as determined by Federal returns. If part business done outside State, then on net as allocated for foreign corporations franchise tax.	1. Building & Loan Assns.; Beneficial and Limited Life Insurance Cos.; Banks & Trust Cos.; Mutual Fire, Casualty & Life Ins. Cos.; Foreign Life, Fire & Casualty Ins.; Surety & Trust Cos.	.....	.....	.....	.....	.....	.....	.....	.....	12,969,652	29,879,875	28,183,735	16,349,477	23,647,248	
F. Gross Receipts Tax																	
1. Utilities																	
a. Transportation, power, and Transmission (n) (e)																	
a. 1889 P. L. 420 amended 1939 P. L. 51.	a. 1889 P. L. 420 amended 1939 P. L. 51.	On gross receipts derived from business within state (n) 8 mills per \$1 (e) 12 mills June 30, 1939 to December 31, 1940.	a. Municipally owned and operated Public Utilities for service inside its corporate limits.	4,329,842	4,222,222	3,582,561	3,390,379	3,246,476	4,268,654	2,930,468	3,253,163	2,678,612	3,270,631	3,304,964	2,718,092	3,121,945	
b. Motor Carriers (Motor Fund) (s)																	
b. 1931 P. L. 694.	b. 1931 P. L. 694.	8 mills per \$1 on gross, in ratio miles of operation in State bears to total.	b. Deductions: City excise tax for use of highway and 50% of registration fee.	.....	.....	.....	.....	.....	2,052	3,166	3,266	5,902	6,050	11,621	10,559	6,085	
2. Insurance																	
a. Domestic																	
(1) Casualty																	
(1) 1889 P. L. 420 amended 1933 P. L. 1033, amended 1939 P. L. 212.	(1) 1889 P. L. 420 amended 1933 P. L. 1033, amended 1939 P. L. 212.	8 mills per dollar on gross premiums.	(1) (2) (3) Life ins. cos. and mutual cos. without capital stock and beneficial assns. Deductions: policies cancelled or returned; reinsurance premiums received.	293,354	314,863	266,818	197,153	41,026	3,720	.....	3,606	.....	.....	.....	.....	.....	.....
(2) 1889 P. L. 420 amended 1933 P. L. 1033, amended 1939 P. L. 212.	(2) 1889 P. L. 420 amended 1933 P. L. 1033, amended 1939 P. L. 212.	8 mills per dollar on gross premiums.		In Above	In Above	In Above	In Above	113,104	92,230	99,968	83,042	72,128	65,878	74,749	106,955	92,125	
(3) 1889 P. L. 420 amended 1933 P. L. 1033, amended 1939 P. L. 212.	(3) 1889 P. L. 420 amended 1933 P. L. 1033, amended 1939 P. L. 212.	8 mills per dollar on gross premiums.		Figure	Figure	Figure	Figure	.....	.....	.....	.....	.....	6,590	9,351	5,107	25,396	
(4) 1927 P. L. 998 amended 1929 P. L. 442.	(4) 1927 P. L. 998 amended 1929 P. L. 442.	5% on proportion of average annual underwriters profit.	(4) None.	.....	.....	.....	.....	7,798	1,103	1,042	1,169	1,048	77	28	231	1,983	
(2) Life																	
(1) 1921 P. L. 682 amended 1933 P. L. 1004, amended 1939 P. L. 213.	(1) 1921 P. L. 682 amended 1933 P. L. 1004, amended 1939 P. L. 213.	2% on gross premiums minimum. Greater on reciprocal basis depending on parent State.	(1) (2) & (3) Premiums on policies cancelled or not taken; re-insurance premiums received; dividends declared and used in payment of renewals in life insurance co's; advanced premiums returned to members of mutuals.	5,332,068	5,700,596	4,812,572	5,065,710	5,149,780	4,902,683	4,652,007	4,831,804	4,866,255	5,228,111	5,394,930	5,368,400	5,383,134	
(2) 1921 P. L. 682 amended 1933 P. L. 1004, amended 1939 P. L. 213.	(2) 1921 P. L. 682 amended 1933 P. L. 1004, amended 1939 P. L. 213.	2% on gross premiums minimum. Greater on reciprocal basis depending on parent State.		Included	Included	1,134,678	1,111,664	973,506	845,319	808,716	920,054	831,284	1,086,254	1,160,144	1,257,343	1,156,442	
(3) 1921 P. L. 682 amended 1933 P. L. 1004, amended 1939 P. L. 213.	(3) 1921 P. L. 682 amended 1933 P. L. 1004, amended 1939 P. L. 213.	2% on gross premiums minimum. Greater on reciprocal basis depending on parent State.		In	In	66,931	36,296	39,730	45,466	50,311	64,153	18,702	17,356	41,579	25,365	15,725	
(4) 1927 P. L. 998 amended 1929 P. L. 442.	(4) 1927 P. L. 998 amended 1929 P. L. 442.	5% on proportion at average annual underwriters profit.	(4) None.	Above	Above	1,381	2,066	2,642	1,947	3,468	3,000	2,310	1,990	808	1,610	1,456	
(5) 1921 P. L. 739 amended 1929 P. L. 441 and 1929 P. L. 1186.	(5) 1921 P. L. 739 amended 1929 P. L. 441 and 1929 P. L. 1186.	3% on Gross Premiums.	(5) Marine Ins. on vessels and property engaged in interstate or foreign commerce.	Figure	Figure	2,710	3,344	2,784	15,541	1,177	3,324	1,808	994	995	963	960	
(3) Excess fire																	
(c) 1895 P. L. 408 amended 1935 P. L. 122. (Ea-fire net amt. returned to Municipalities or Local Volunteer Fire Co.)	(c) 1895 P. L. 408 amended 1935 P. L. 122. (Ea-fire net amt. returned to Municipalities or Local Volunteer Fire Co.)	2% on Gross premiums or greater on reciprocal basis.	(c) None.	1,084,043	1,006,409	1,055,139	935,129	887,039	682,354	692,659	742,036	747,571	776,765	1,003,423	824,329	920,471	
G. Emergency Profits																	
G. 1923 P. L. 876.	G. 1923 P. L. 876.	1/2% net income of corporations for calendar years 1923 and 1924.	G. B. & L's; Corps. paying tax on gross premiums.	29,060	20,755	2,968	1,039	1,587	1,279	682	175	331	50	-0-	279	20	
II. BUSINESS TAXES																	
A. Anthracite Coal																	
A. 1921 P. L. 479 repealed 1929 P. L. 1806.	A. 1921 P. L. 479 repealed 1929 P. L. 1806.	1 1/4% of value ready for mkt. until May 31, 1929; 1% until May 31, 1930; 3/4% until May 31, 1931.	A. None.	10,309,239	9,016,554	3,745,805	3,732,337	2,839,490	11,898	12,130	1,247	5,351	-0-	-0-	1,002	.....
B. Private Bankers (gross receipts)																	
B. 1861 P. L. 708 amended 1929 P. L. 679.	B. 1861 P. L. 708 amended 1929 P. L. 679.	1% on gross receipts.	B. None.	16,953	20,996	17,814	6,715	9,155	48,556	21,285	46,195	39,576	20,785	89,771	105,481	7,668	
C. Savings Fund Societies																	
C. 1879 P. L. 112.	C. 1879 P. L. 112.	3% of net annual earnings.	C. None.	116,501	165,103	123	131,017	127,262	36,372	92,841	71,378	24,609	314,582	174,153	71,173	130,006	
D. General Sales Tax (emergency relief)																	
D. 1932 P. L. 92 (6 months only, to Feb. 28, 1933).	D. 1932 P. L. 92 (6 months only, to Feb. 28, 1933).	1% on gross income from sales.	D. Sales to U. S. Gov't and sales not subject to taxation under Commerce Clause of the U. S. Constitution.	.....	.....	.....	.....	.....	9,121,946	441,984	240,581	64,959	60,807	4,375	.....	.....
E. Alcohol Tax																	

TAX	CITATIONS	RATE	EXEMPTIONS	1928	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938	1939	1940	1941
(l) Pharmacy	(1) 1917 P. L. 208 amended 1937 P. L. 2668 and P. L. 2679.	(1) Exam. \$5; Certif. \$20; Ass't \$10; Foreign States \$50.	(1) None.	23,419	26,612	28,902	25,687	26,222	23,624	20,566	20,321	18,004	16,276	29,838	39,535	30,394	(1)
(j) Pre-Professional	(j) 1925 P. L. 111.	(j) Certificate \$2; Exam. for those required \$2.	(j) None.	4,812	5,471	5,410	6,907	6,040	5,046	5,362	9,252	18,109	14,010	15,976	15,922	17,475	(j)
(k) Prof. Engineers	(k) 1927 P. L. 820.	(k) \$20; renewals \$1 yearly.	(k) None.	2,955	2,710	2,995	3,542	3,085	2,453	2,586	3,029	4,277	5,674	6,127	7,286	8,460	(k)
(l) Public Act's	(l) 1925 P. L. 111.	(l) Application fee \$25.	(l) None.	2,955	2,710	2,995	3,542	3,085	2,453	2,586	3,029	4,277	5,674	6,127	7,286	8,460	(l)
(m) Real Estate Bro. & Salesmen	(m) 1929 P. L. 1216 amended 1937 P. L. 2811.	(m) Broker \$10; renewals \$5; Salesman \$5; renewal \$2.50.	(m) Attorneys and Justice of Peace.	3,928	1,640	1,459	1,412	1,254	1,358	1,304	1,374	1,442	1,480	1,302	1,870	1,874	(m)
(n) Veterinary	(n) 1925 P. L. 111.	(n) Fee \$10.	(n) None.	139,230	152,356	127,630	125,684	121,056	124,971	130,187	135,768	149,071	158,288	166,882	153,317	158,288	(n)
2) Motion Picture Censors	(2) 1915 P. L. 534 amended 1919 P. L. 475.	(2) \$2 each film.	(2) None.	417	417	417	329	278	181	105	157	124	113	89	124	194	(2)
3) State Library & Museum	(3) 1929 P. L. 177 Art. XIII.	(3) Dept. of Pub. Inst. to make reasonable charge for use of slides or films.	(3) None.	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	(3)
1) Sunday Concert	(4) 1933 P. L. 1423.	(4) Permit \$5.	(4) None.	.....	.....	.....	.....	.....	.....	65	115	65	75	55	35	65	(4)
PUBLIC UTILITY COMMISSION	(1) 1913 P. L. 1374 amended 1933 P. L. 1526.	(1) 2¢ to \$10.	(1) None.	.....	.....	.....	16,065	12,800	10,960	17,730	46,582	39,098	88,003	78,539	192,073	73,365	N.
1) Filing and Copy Fees	(2) 1915 P. L. 534 amended 1919 P. L. 475.	(2) Proportional Shares of Expense of Commission not to exceed 1% gross revenue.	(2) Municipal corporations.	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	(1)
2) General Assessment	(3) 1929 P. L. 1053.	(3) Commission expense of special investigation.	(3) None.	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	(2)
3) Special Assessment	(4) 1923 P. L. 1053.	(4) \$3 to \$50.	(4) None.	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	(3)
1) Standardization Testing	(1) 1935 P. L. 429 (expired 1937)	(1) \$1 annually each place.	(1) None.	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	O.
2) Standardization Testing	(2) 1923 P. L. 968, 1937 P. L. 1053.	(2) Promoters, etc. 1st. Class Cities—2,000 seats, \$100.00 to \$250; 2nd. Class Cities \$100; Others \$25; Physicians \$25. Referees \$25. Judges \$15. Timekeepers \$10. Prof. Boxers \$5. Prof. Wrestlers \$10. Mgrs. \$25. Seconds \$10. Announcers \$15. Matchmakers \$25.	(2) Physicians & Referees at Amateur exhibitions when no compensation received.	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	(1)
DEPT. OF REVENUE	(3) 1935 P. L. 429 (expired 1937)	(3) \$1 annually each place.	(3) None.	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	O.
1) Amusement Permit (e)	(1) 1923 P. L. 710 amended 1937 P. L. 1698 and 1937 P. L. 1865.	(1) Fee ranging from 25¢ to \$35.	(1) None.	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	(1)
2) Boxing and Wrestling	(2) 1923 P. L. 710 amended 1937 P. L. 1698 and 1937 P. L. 1865.	(2) \$10 for commissions of Public officers.	(2) None.	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	(2)
1) Certificate and Copy	(3) (Note: Cert. & Copy covers a variety of certificates issued, fees for which are collected by dept. of Revenue.)	(3) Varies according to type of certificate.	(3) None.	.....	.....	1,524	1,764	1,775	1,579	1,612	1,936	1,819	2,020	2,150	3,241	2,820	(3)
1) Cigarette Permit	(4) 1935 P. L. 341 amended 1939 P. L. 57.	(4) \$1.	(4) None.	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	(4)
2) Dog License	(5) 1921 P. L. 522 amended 1929 P. L. 456.	(5) Male \$1. Kennel \$10.—Female \$2.—Kennel \$20.	(5) None.	378,550	647,652	620,371	599,595	.....	.....	.....	.....	155,254	89,038	86,052	88,960	81,056	(5)
3) Liquid Fuel Pumps	(6) 1937 P. L. 1193 Repealed 1939 P. L. 229.	(6) Fee \$1 each pump.	(6) None.	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	(6)
4) Store and Theatre	(7) 1937 P. L. 1656 (Unconstitutional)	(7) \$1 to \$500—depending on number of units.	(7) None.	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	(7)
DEPARTMENT OF STATE	(1) 1923 P. L. 685 amended 1933 P. L. 800.	(1) Fee ranging from 25¢ to \$35.	(1) None.	.....	.....	216,692	201,897	182,904	172,707	297,178	202,654	178,030	202,016	185,445	195,599	199,789	(1)
1) Corporations Comm. & Filing	(2) 1930 P. L. 272.	(2) \$10 for commissions of Public officers.	(2) None.	.....	.....	19,979	3,989	20,309	4,023	16,024	3,624	16,581	6,005	14,222	5,807	15,037	(2)
2) Recorder of Deeds	(1) 1925 P. L. 234 amended 1933 P. L. 95.	(1) \$5.	(1) None.	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	Q.
DEPARTMENT OF WELFARE	(2) 1929 P. L. 1591 amended 1933 P. L. 106.	(2) \$15.	(2) None.	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	(1)
1) Infants Boarding House	(3) 1931 P. L. 510 amended 1933 P. L. 1075.	(3) \$15.	(3) None.	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	(2)
2) Maternity Hospital	(4) 1925 P. L. 644 amended 1935 P. L. 358.	(4) \$10.	(4) None.	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	(3)
3) Private Homes and Hospitals	(1) 1925 P. L. 448 Sec. 220 amended 1937 P. L. 2643.	(1) Residents \$1.50 fee; Non-residents fee same as home state, Min. \$2.50; Tourist Fee \$1.50.	(1) None.	356,974	432,717	433,645	410,048	396,417	374,995	382,871	407,532	386,016	491,350	571,600	790,080	574,210	(1)
4) Solicitation Fees	(2) 1931 P. L. 202 amended 1937 P. L. 1984.	(2) Gasoline \$1 per cylinder. Electric \$2.	(2) None.	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	(2)
FISH COMMISSIONS	(1) 1937 P. L. 1225.	(1) Resident \$2; Non-resident \$15.	(1) President of U. S., Governor and Game Conservation Officials.	1,025,399	1,001,240	1,038,565	1,166,645	1,290,894	1,170,406	1,135,007	1,240,612	1,351,994	1,186,654	1,442,757	1,434,349	1,389,873	(1)
1) Fishing License	(1) 1934 (1933-34) P. L. 174 Superseded by 1937 P. L. 417 Sec. 401.	(1) Annual fee \$1 to \$5,000 based on average daily pounds received.	(1) Dealer of less than 1500 lbs. per month and in markets of less than 1000 pop., for local consumption. Stores selling milk, all purchased from licensed dealer.	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	T.
2) Motor Boat	(2) 1937 P. L. 417 Sec. 601.	(2) \$5.	(2) None.	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	(1)
3) Game COMMISSIONS	(3) 1937 P. L. 417 Sec. 601.	(3) \$3.	(3) None.	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	(2)
4) Hunting License	(4) 1937 P. L. 417 Sec. 601.	(4) \$3.	(4) None.	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	(3)
MILK CONTROL FUND	(5) 1937 P. L. 417 Sec. 601.	(5) \$3.	(5) None.	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	(4)
1) Dealers License	(1) 1934 (1933-34) P. L. 174 Superseded by 1937 P. L. 417 Sec. 401.	(1) Annual fee \$1 to \$5,000 based on average daily pounds received.	(1) Dealer of less than 1500 lbs. per month and in markets of less than 1000 pop., for local consumption. Stores selling milk, all purchased from licensed dealer.	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	(1)
2) Weighing Permit Fees	(2) 1937 P. L. 417 Sec. 601.	(2) \$5.	(2) None.	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	(2)
3) Milk Testers Cert. Fees	(3) 1937 P. L. 417 Sec. 601.	(3) \$3.	(3) None.	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	(3)
4) Milk Weighers Cert. Fees	(4) 1937 P. L. 417 Sec. 601.	(4) \$3.	(4) None.	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	(4)
5) Milk Test & Weigh. Exam.	(5) 1937 P. L. 417 Sec. 601.	(5) \$3.	(5) None.	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	(5)

includes increases in domestic taxes of \$1,423,000 for 1936 and \$4,498,000 for 1937 because of temporary removal of exemptions on laundering, meat processing, and manufacturing. Increases in taxes for 1937 were result of change in the law making the tax self-assessing causing date of payment to be advanced. Increases in revenues from this source insignificant.

taxes in foreign corporations due to this cause and also to new formula of computation started in 1936. Temporary removal of exemptions were made permanent beginning in 1938. Unusual increase in tax