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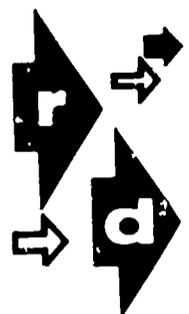
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ABSTRACT

This report describes tax revenues in fiscal year 1968 and tax legislation enacted during the calendar year 1968, for all 50 States. The amount and percent of the total for major sources of tax revenue during fiscal 1968 are listed by State as are the amount per capita and percent change in the States' total tax revenues from 1967 to 1968. Major tax legislation, tax rates, and general provisions are listed, by State, for the following tax revenue categories: (1) Sales, (2) tobacco, (3) alcoholic beverages, (4) gasoline, and (5) individual and corporate income. Summary tables rank each State on the basis of population, total personal income, total State tax revenue, tax revenue as a percent of personal income; and by general revenue, property tax revenue, and expenditure for education, per \$1,000 of personal income. Related documents are EA 002 525 and EA 002 800. (JH)

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STATE TAXES IN 1968

FOR AN ELECTION year and off year in state legislatures, the 1968 record of taxes enacted was heavy. The pressure for additional state tax revenue forced the consideration of tax legislation in nearly all of the 24 state legislatures which met in regular session during 1968. The resulting tax activity produced a variety of increased taxes with particular emphasis on general and special excise taxes. These actions are estimated to add \$1.2 billion a year to state tax revenues.

Although no new broad-based income or general sales taxes were enacted in 1968, 29 rate increases in state sales, income, and selected excise taxes (alcoholic beverages, cigarettes, and motor fuel) occurred in 14 states and the District of Columbia. Four states--Florida, Kentucky, Mississippi, and Texas--and the District of Columbia increased sales tax rates. Five states--Maryland, Mississippi, New Jersey, New York, and Rhode Island--and the District of Columbia levied higher personal or corporate income taxes. Many state legislatures did not meet in 1968. However, some important tax measures were enacted by those that did meet, and others were approved in voter referendums.

In fiscal 1968,^{1/} tax collections increased at a record rate. Total state tax collections rose from \$31.9 billion in 1967 to \$36.4 billion in 1968, an increase of 14.0 percent. This revenue increase of \$4.5 billion is more than a billion dollars higher than the increase for any previous year. In contrast, the increase in tax collections from 1966 to 1967 was \$2.5 billion, or 8.6 percent. This increase may also be examined with regard to rates of increases in the Gross National Product which rose 7.0 percent from the previous fiscal 1967 high of \$768.5 billion to \$822.6 billion in 1968, in comparison to an increase of 7.5 percent between 1966 and 1967 fiscal years. Total revenues from state taxes have more than doubled since 1960 when they produced \$18.0 billion (Table 1).

The growth rate in tax collections and in state general revenue (which had increased 13.6 percent from 1967 to 1968, but 14.2 percent from 1965 to 1966), together with an expansion in government

^{1/} Fiscal year data are for the state fiscal years ended June 30, 1968, except for three states with other closing dates (Alabama, September 30; New York, March 31; Texas, August 31).

TABLE 1.--STATE TAX REVENUE, 1958-1968^{a/}

Fiscal year	Total amount (millions)	Amount of increase over previous year (millions)	Per-capita amount	Amount per \$1,000 of personal income
1	2	3	4	5
1958	\$14,919	\$ 388	\$ 86.50	\$41.98
1959	15,848	929	90.18	41.95
1960	18,036	2,188	100.64	45.46
1961	19,057	1,021	104.60	46.19
1962	20,561	1,504	112.81	49.83
1963	22,117	1,556	117.76	50.56
1964	24,243	2,126	127.24	52.82
1965	26,127	1,884	135.36	53.52
1966	29,388	3,261	150.60	55.52
1967	31,929 ^{b/}	2,541	162.01	55.31
1968	36,414 ^{b/}	4,485	182.94 ^{c/}	58.57

Source:

U.S. Department of Commerce, Bureau of the Census. *State Tax Collections in 1962, 1964, 1966, and 1968*. Series G-SF62-No. 3, G-SF64-No. 3, GF66-No. 8, and GF68-No. 1. Washington, D.C.: U.S. Government Printing Office, 1962, 1964, 1966, and 1968.

^{a/} Amounts for the fiscal year 1958 are 48-state totals; for 1959, 49-state totals; and for 1960 through 1968, 50-state totals.

^{b/} Preliminary.

^{c/} Based on estimates of population as of July 1, 1968.

services, contributed to state expenditures exceeding revenue receipts for the second time since 1963. Expenditures consumed general state revenues and existing surpluses, resulting in an excess of \$1.3 billion in expenditures over revenue.

In 1968, general revenue receipts increased 13.6 percent to \$59.1 billion; but state general expenditures increased at almost as fast a rate, 13.3 percent over 1967 to \$60.4 billion, thereby resulting in a deficit. An expansion of state services, particularly in education and in public welfare, contributed heavily to the deficit. Property

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TABLE 2.--STATE TAX COLLECTIONS, BY TYPE OF TAX

Source	Amount (millions) ^{a/}		Percent change		Percent distribution, 1968	Amount per capita, 1968 ^{b/}	Number of states using tax, fiscal 1968
	1968	1967	1967 to 1968	1966 to 1967			
1	2	3	4	5	6	7	8
Total collections ^{c/}	\$36,414	\$31,929	14.0%	8.6%	100.0%	\$182.94	...
Sales and gross receipts....	20,976	18,575	12.9	9.0	57.6	105.38	50
General	10,440	8,923	17.0	13.3	28.7	52.45	44
Selective	10,536	9,652	9.2	5.3	28.9	52.93	50
Motor fuels	5,178	4,837	7.0	4.5	14.2	26.01	50
Alcoholic beverages	1,138	1,041	9.3	5.7	3.1	5.72	50
Tobacco products	1,886	1,615	16.8	4.7	5.2	9.47	49
Insurance	924	877	5.3	8.0	2.5	4.64	50
Public utilities	664	600	10.8	8.7	1.8	3.34	40
Other	745	682	9.3	4.6	2.0	3.74	44
Licenses	3,852	3,628	6.2	3.8	10.6	19.35	50
Motor vehicles and operators licenses	2,484	2,313	20.7	8.3	6.8	12.47	50
Corporations in general ..	575	610	-5.7	8.8	1.6	2.89	50
Alcoholic beverages	143	141	1.5	4.3	0.4	0.72	49
Other	650	563	15.4	d/	1.8	3.27	50
Income ^{e/}	8,768	7,136	22.9	12.5	24.1	44.05	41
Individual	6,249	4,909	27.3	14.1	17.2	31.40	36
Corporation	2,519	2,227	13.1	9.3	6.9	12.65	40
Property	912	862	5.9	3.4	2.5	4.58	44
Death and gift	872	795	9.6	-1.6	2.4	4.38	49
Severance	618	577	7.2	5.8	1.7	3.11	29
Other	416	357	16.6	10.5	1.1	2.09	32

Source:

U.S. Department of Commerce, Bureau of the Census. State Tax Collections in 1968. Series GF68-No. 1. Washington, D.C.: U.S. Government Printing Office, December 1968. p. 6.

a/ Data for 1968 are preliminary; data for 1967 are revised.

b/ Based on estimates of population as of July 1, 1968.

c/ Amounts may not add to totals shown because of rounding.

d/ Less than 0.05 percent increase.

e/ Individual income tax figures include corporation income tax amounts for New Mexico for both years.

tax revenue continues to carry the burden for new school revenue; the new state revenue monies exceeded those of new local revenue monies in the past year. State expenditures for education during 1968 increased 14.4 percent to \$24.3 billion; of this amount, \$13.3 billion was spent in state aid to public schools and \$9.0 billion was spent for higher education. Public welfare expenditures increased 20.3 percent to a total of \$8.6 billion.

As state and local government expenditures continue their rapid growth, legislators must take cognizance of the necessity to finance such expansion. Hence, the increasing costs force legislators to find new sources of revenue while seeking more equitable tax liabilities. States have increased tax rates, broadened tax exemptions, made liability changes, enacted tax credits, and effected measures to make property and sales taxes less regressive. One continuing trend has been to permit local governments an increasing role in imposing local nonproperty taxes.

This report deals with tax revenues in fiscal 1968 and state tax legislation enacted during the calendar year 1968. The main sources of information on legislation were the Commerce Clearing House publications, State Tax Guide, State Tax Reporter, and State Tax Review, and the Prentice-Hall publication, State and Local Taxes. Data on tax collections and government finances were from the annual reports of the Bureau of the Census.

Highlights

- All major sources of tax revenue increased during fiscal 1968 (Table 2). Individual income taxes showed the greatest gain with a 27.3 percent increase, to \$6.2 billion. Motor vehicle and operator license taxes, which totaled almost \$2.5 billion, were up 20.7 percent over the previous year.
- Close behind were the general sales taxes with a 17.0 percent increase, to \$10.4 billion. General sales taxes, which still account for more than one-fourth (28.7 percent) of total collections were also the best source of revenue for 32 states.
- Tobacco taxes rose 16.8 percent to almost \$1.9 billion; corporation income taxes, 13.1 percent to \$2.5 billion; alcoholic beverage taxes, 9.3 percent to \$1.1 billion; and motor fuel taxes, 7.0 percent to almost \$5.2 billion.
 - All states collected more tax revenue in fiscal 1968 than in fiscal 1967. The number of states which had an increase of less than 6 percent from the previous year decreased from 19 to 10. Nebraska had the greatest increase, 42.2 percent. Eight other states--California, Illinois, Maryland, Michigan, Minnesota, Nevada, Ohio, and Wyoming--had substantial increases ranging from 18.0 to 33.8 percent (Table 3).
 - For the fifth consecutive year, state tax collections exceeded local tax collections.

State revenues yielded \$36.4 billion, up 14.0 percent from the 1967 collections of \$31.9 billion, while local levies produced \$32.5 billion, a rise of 12.4 percent over the 1967 figure of \$28.9 billion. The trend of state collections surpassing the local began in 1964. The previous year (1963) the local revenues of \$22.2 billion exceeded the state collections of \$22.1 billion. The following year, the states and localities reversed positions, with state tax revenue of \$24.2 billion surpassing the local tax collections of \$23.5 billion. Thereafter, state tax collections exceeded local tax collections with the largest difference occurring in 1968 when state taxes exceeded local taxes by \$3.9 billion.

- State legislatures in 1968 followed the pattern of tapping old, established sources of revenue rather than imposing new levies. Seven states increased rates on cigarettes; 5 plus the District of Columbia, rates on corporate income; 3 plus the District of Columbia, rates on personal income; 4 plus the District of Columbia, rates on general sales; 5, rates on gasoline; and 2, rates on alcoholic beverages.
- Currently all states tax gasoline and alcoholic beverages in some form. Only North Carolina does not tax cigarettes. Six states do not tax general sales; 12, personal income; and 10, corporate income.

State Comparisons²

While state tax yields are influenced by underlying economic trends, sharp year-to-year changes in amounts for individual states generally reflect also the effect of legal changes in the base, rate, or timing of collection of particular major taxes.

Some increase in total tax revenue from the preceding fiscal year is reported by Table 3 for all the states. In 1967, 19 states showed an increase of less than 6 percent; in 1968, 10 states. The five states showing the greatest percentage rise in state tax revenue from the preceding fiscal year were as follows:

	Percent increase, 1967 to 1968
Nebraska	42.2%
California	33.8
Wyoming	24.2
Minnesota	23.5
Michigan	23.2

²/ Adapted and partially quoted from: U.S. Department of Commerce, Bureau of the Census. State Tax Collections in 1968. Series GF68-No. 1. Washington, D.C.: Government Printing Office, December 1968. p. 1-3.

TABLE 3.--STATE TAX COLLECTIONS, BY STATE AND TYPE OF TAX, 1968
(Columns 2-7 in thousands of dollars)

State	Sales and gross receipts	Income ^{a/}	Licenses	Others	Total, 1968 ^{b/}	Total, 1967	Percent change, 1967 to 1968	Amount per capita, 1968 ^{c/}
1	2	3	4	5	6	7	8	9
50 states	\$20,975,536	\$8,768,042	\$3,851,997	\$2,618,894	\$36,414,469	\$31,926,135	14.0%	\$182.94
Alabama	364,722	94,758	46,346	25,836	531,662	483,064	10.1	149.09
Alaska	16,291	26,464	11,598	6,049	60,402	58,169	3.8	218.06
Arizona	195,627	47,613	24,256	48,420	315,916	298,535	5.8	189.17
Arkansas	193,390	51,149	38,086	7,019	289,644	283,896	2.0	143.96
California	2,478,603	1,530,425	307,891	346,450	4,663,359	3,485,125	33.8	242.52
Colorado	195,341	117,762	35,407	12,741	361,251	335,715	7.6	176.39
Connecticut	340,583	79,846	41,050	38,347	499,826	468,154	6.8	168.92
Delaware	34,829	66,132	35,633	8,195	144,789	140,125	3.3	271.14
Florida	751,817	...	149,459	71,854	973,130	876,821	11.0	157.98
Georgia	502,203	182,303	42,804	9,871	737,181	667,847	10.4	160.68
Hawaii	156,057	81,508	3,218	1,872	242,655	220,111	10.2	311.90
Idaho	69,246	42,627	22,931	1,984	136,788	128,534	6.4	194.03
Illinois	1,468,099	...	215,573	46,962	1,730,634	1,450,326	19.3	157.70
Indiana	536,054	173,922	68,858	40,318	819,152	771,300	6.2	161.66
Iowa	301,956	103,638	77,965	18,894	502,453	452,762	11.0	182.84
Kansas	216,198	82,534	40,976	17,337	357,045	355,165	0.5	155.03
Kentucky	315,674	125,795	31,661	36,185	509,316	465,707	9.4	157.73
Louisiana	339,962	73,817	60,628	266,029	740,436	690,439	7.2	196.40
Maine	117,219	...	21,299	7,627	146,145	132,524	10.3	149.28
Maryland	361,394	325,847	47,981	35,146	771,368	641,433	20.3	205.31
Massachusetts	448,539	476,014 ^{d/}	67,492 ^{d/}	41,318	1,033,363	953,669	8.4	190.06
Michigan	1,136,805	303,348	247,824	197,652	1,885,629	1,530,806	23.2	215.75
Minnesota	329,003	338,512	76,219	71,388	815,122	660,112	23.5	223.57
Mississippi	251,129	28,494	25,831	17,066	322,520	307,909	4.7	137.71
Missouri	425,137	131,404	85,747	14,679	656,967	615,082	6.8	141.99
Montana	40,613	36,903	13,852	13,605	104,973	92,823	13.1	151.48
Nebraska	145,493	14,835	19,924	13,725	193,977	136,459	42.2	134.99
Nevada	83,500	...	14,005	6,023	103,528	87,236	18.7	226.54
New Hampshire	48,241	2,689	16,070	8,261	75,261	66,181	13.7	107.21
New Jersey	609,454	88,536	178,872	77,092	953,954	833,964	14.4	134.78
New Mexico	122,636	19,433	28,816	46,252	217,137	205,765	5.5	213.93
New York	1,561,816	2,200,207	327,783	357,359	4,447,165	4,056,275	9.6	245.52
North Carolina	461,866	313,437	88,570	36,277	900,150	840,712	7.1	175.30
North Dakota	61,073	16,945	18,002	436	101,456	86,628	17.1	162.33
Ohio	1,045,904	...	249,520	74,792	1,370,216	1,157,817	18.0	129.38
Oklahoma	232,310	65,602	70,393	59,197	427,502	401,030	6.6	169.78
Oregon	82,477	175,544	55,088	11,688	324,797	322,742	0.7	161.75
Pennsylvania	1,361,332	270,932	265,257	106,059	2,003,580	1,769,332	13.2	171.07
Rhode Island	126,153	17,132	16,494	6,814	166,653	143,447	16.2	182.53
South Carolina	273,854	104,814	26,415	7,315	412,358	395,793	4.2	153.19
South Dakota	71,396	586	14,161	1,730	87,873	83,640	5.1	133.75
Tennessee	396,971	60,144	104,528	15,677	577,320	514,422	12.2	145.20
Texas	876,971	...	233,613	327,387	1,437,971	1,335,847	7.6	131.06
Utah	99,124	53,002	13,847	17,537	183,510	175,438	4.6	177.48
Vermont	35,898	35,239	13,591	3,444	88,172	78,675	12.1	208.94
Virginia	360,814	271,515	68,770	30,575	731,674	634,946	15.2	159.16
Washington	711,483	...	60,437	106,724	878,644	775,641	13.3	268.21
West Virginia	251,003	31,416	31,305	6,852	320,576	281,657	13.8	177.60
Wisconsin	325,908	504,158	81,886	78,596	990,548	921,051	7.5	235.12
Wyoming	43,368	...	14,065	11,238	68,671	55,284	24.2	218.00

Sources:

U.S. Department of Commerce, Bureau of the Census. State Tax Collections in 1968. Series GF68-No. 1. Washington, D.C.: U.S. Government Printing Office, December 1968. p. 6-7. State Government Finances in 1967. Series GF67-No. 1. Washington, D.C.: U.S. Government Printing Office, June 1968.

a/ Combined individual and corporation net income.
b/ Data for 1968 are preliminary; 1967 data are revised.
c/ Based on estimates of population as of July 1, 1968.
d/ Portion of corporation excise taxes and surtaxes measured by corporate excess included in amount for corporation net income; included in amount for licenses for prior years.

TABLE 4.--MAJOR STATE TAX COLLECTIONS IN 1968
(As percent of total tax revenue)

State	Sales and gross receipts							Income			Licenses		
	Total sales and gross receipts	General sales or gross receipts	Motor fuels	Tobacco products	Alcoholic beverages	Insurance	Others	Total income	Individual income	Corporation net income	Total license	Motor vehicles and operators	Others ^{a/}
1	2	3	4	5	6	7	8	9	10	11	12	13	14
50 states	57.6%	28.7%	14.2%	5.2%	3.1%	2.5%	3.9%	24.1%	17.2%	6.9%	10.6%	6.8%	7.7%
Alabama	68.6	33.9	19.3	5.7	5.6	2.6	1.6	17.8	11.7	6.1	8.7	4.5	4.9
Alaska	27.0	...	12.9	4.2	6.2	3.2	0.5	43.8	37.4	6.4	19.2	7.8	10.0
Arizona	61.9	33.9	16.7	4.6	2.2	2.0	2.6	15.1	10.4	4.7	7.7	5.6	15.3 ^{b/}
Arkansas	66.8	32.0	22.6	5.3	2.9	2.5	1.4	17.7	10.9	6.8	13.1	10.3	2.4
California	53.2	29.8	12.5	4.5	2.0	2.5	1.9	32.8	20.4	12.4	6.6	5.2	7.4
Colorado	54.1	29.8	14.7	3.3	2.6	2.8	1.0	32.6	25.2	7.4	9.8	5.9	3.5
Connecticut	68.1	31.8	15.4	6.5	3.7	4.4	6.4	16.0	...	16.0	8.2	6.3	7.7
Delaware	24.1	...	11.3	4.0	1.7	2.4	4.6	45.7	37.7	8.0	24.6 ^{c/}	6.3	5.7
Florida	77.3	36.8	19.6	3.2	9.0	2.4	6.3	...	...	...	15.4	10.0	7.4
Georgia	68.1	36.8	17.8	5.1	6.1	2.4	...	24.7	15.7	9.0	5.8	4.3	1.3
Hawaii	64.3	47.1	6.1	2.0	2.6	2.1	4.3	33.6	29.0	4.6	1.3	d/	0.8
Idaho	50.6	25.7	15.9	3.4	2.5	2.8	0.4	31.2	25.3	5.9	16.8	10.4	1.5
Illinois	84.8	49.8	13.1	7.2	3.0	2.5	9.3	...	...	...	12.5	10.0	2.7
Indiana	65.4	39.3	16.7	4.7	2.3	2.4	d/	21.2	19.7	1.5	8.4	6.5	4.9
Iowa	60.1	31.8	17.9	5.8	1.7	2.7	0.1	20.6	16.8	3.8	15.5	13.9	3.8
Kansas	60.6	35.2	15.2	4.9	2.5	2.7	0.1	23.1	17.6	5.5	11.5	9.0	4.9
Kentucky	62.0	31.1	18.0	2.1	3.6	2.6	4.5	24.7	17.6	7.1	6.2	..7	7.1
Louisiana	45.9	20.6	11.5	4.4	3.8	2.5	3.1	10.0	5.3	4.6	8.2	3.1	35.9 ^{e/}
Maine	80.2	42.6	20.2	8.5	2.8	2.6	3.5	...	...	...	14.6	9.5	5.2
Maryland	46.9	18.9	12.6	3.3	1.8	2.3	7.8	42.4	37.6	4.8	6.2	5.1	4.6
Massachusetts ...	43.4	14.0	11.3	6.6	4.3	2.8	3.8	46.1	29.9	16.2	6.5	3.7	4.0
Michigan	60.3	38.6	11.4	4.2	3.2	2.0	0.9	16.1	14.0	2.1	13.1	6.0	10.5
Minnesota	40.4	13.9	13.3	4.0	3.2	2.1	3.9	41.5	33.4	8.1	9.4	7.6	8.8
Mississippi	77.9	42.2	21.6	5.8	3.0	3.2	2.2	8.8	3.4	5.5	8.0	3.6	5.3
Missouri	64.7	40.9	15.4	3.5	1.7	3.1	d/	20.0	16.4	3.6	13.1	9.5	2.2
Montana	38.7	...	23.6	5.9	4.5	2.8	1.9	35.2	28.2	7.0	13.2	6.8	13.0 ^{f/}
Nebraska	75.6	33.6	27.5	6.1	3.0	3.2	1.6	7.6	6.9	0.7	10.3	6.4	7.1
Nevada	80.7	33.4	16.3	5.5	3.6	2.2	19.9 ^{g/}	...	...	...	13.5	8.7	5.8
New Hampshire ...	64.1	...	26.1	16.5	2.6	4.2	14.7 ^{h/}	3.6	3.6	...	21.4 ^{i/}	15.8	11.0
New Jersey	63.9	25.0	16.4	10.4	3.5	3.4	5.2	9.3	1.4	7.9	18.6 ^{j/}	10.5	8.1
New Mexico	56.5	33.0	13.5	3.6	1.8	2.3	2.4	8.9	7.0	2.0	13.3	10.4	21.3 ^{k/}
New York	35.1	14.2	6.7	5.1	1.6	2.2	5.5	49.5	40.2	9.3	7.4	4.9	8.0
North Carolina ..	51.3	24.0	16.3	...	3.1	2.6	5.2	34.8	24.1	10.8	9.9	5.4	4.0
North Dakota	60.2	32.8	15.4	4.8	3.9	2.7	0.6	16.7	13.0	3.7	17.7	13.8	5.4
Ohio	76.3	37.1	20.8	6.5	3.1	3.3	5.5	...	...	...	18.2	10.4	5.5
Oklahoma	54.3	18.6	18.9	5.8	3.7	3.9	3.4	15.3	9.7	5.7	16.5	13.4	13.8 ^{k/}
Oregon	25.4	...	18.3	2.9	0.6	2.8	0.8	54.0	44.4	9.6	17.0	12.4	3.6
Pennsylvania	67.9	36.7	14.5	7.6	3.7	2.3	3.1	13.5	...	13.5	13.2	5.6	5.3
Rhode Island	75.7	40.4	13.2	6.0	2.5	2.5	11.2	10.3	...	10.3	9.9	7.3	4.1
South Carolina ..	66.4	29.8	18.3	3.3	8.3	2.7	3.9	25.4	17.3	8.1	6.4	3.5	1.8
South Dakota	81.2	37.3	22.3	3.9	4.6	3.6	7.5	0.7	...	0.7	16.1	11.4	2.0
Tennessee	68.8	35.6	19.6	5.8	3.8	3.1	0.9	10.4	1.8	8.7	18.1	10.0	2.7 ^{l/}
Texas	61.0	19.4	18.4	9.4	3.6	3.2	7.0	...	...	...	16.2	10.4	22.8 ^{m/}
Utah	54.0	31.8	15.5	2.8	1.1	2.2	0.5	28.9	23.6	5.3	7.5	5.1	9.6 ^{n/}
Vermont	40.7	...	13.7	5.9	8.5	2.2	10.5	40.0	34.1	5.9	15.4	12.6	3.9
Virginia	49.3	15.8	17.8	1.8	4.3	2.9	6.6	37.1	30.4	6.7	9.4	7.2	4.2
Washington	81.0	53.9	14.3	4.1	3.7	1.6	3.4	...	...	...	6.9	4.3	12.1 ^{n/}
West Virginia ...	78.3	45.1	13.8	4.6	4.8	2.3	7.2	9.8	8.8	1.0	9.8	7.9	2.1
Wisconsin	32.9	10.8	11.6	4.6	2.2	1.6	2.0	50.9	41.2	9.7	8.3	6.5	7.9
Wyoming	63.2	35.2	20.6	4.5	0.5	2.2	d/	...	...	...	20.5	13.1	16.4 ^{o/}

Source:

U.S. Department of Commerce, Bureau of the Census. State Tax Collections in 1968. Series GF68-No. 1. Washington D.C.: Government Printing Office, December 1968. 40 p.

a/ "Others" category comprises the following: property tax, death and gift tax, severance tax, poll tax, document and stock transfer, and "other" or miscellaneous taxes which may vary from state to state.

b/ Property tax collections are 14.6 percent of total.

c/ Corporation license tax collections are 14.8 percent of total.

d/ Less than one-tenth of 1 percent.

e/ Severance tax collections are 32.3 percent of total.

f/ Property tax collections are 7.3 percent of total.

g/ Amusement tax collections are 19.9 percent of total.

h/ Pari-mutuel tax collections are 19.9 percent of total.

i/ Corporation license tax collections are 5.0 percent of total.

j/ Severance tax collections are 14.9 percent of total.

k/ Severance tax collections are 10.7 percent of total.

l/ Severance tax collections are 16.9 percent of total.

m/ Property tax collections are 6.8 percent of total.

n/ Property tax collections are 9.5 percent of total.

o/ Property tax collections are 15.3 percent of total.

TABLE 5.--MAJOR STATE TAX COLLECTIONS, 1968
(in thousands of dollars)

State	Sales and gross receipts													
	Income										Licenses			
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	Total gross receipts	General sales or gross receipts	Motor fuels	Tobacco products	Alcoholic beverages	Insurance	Other sales ^a	Total income	Individual income	Corporation net income	Total license	Motor vehicles and operators	Other taxes ^b	
50 states	\$20,975,536	\$10,439,829	\$5,178,219	\$1,886,014	\$1,137,986	\$924,195	\$1,409,293	\$8,768,042	\$6,249,446	\$2,518,596	\$3,851,997	\$2,483,838	\$2,816,894	
Alabama	364,722	180,358	102,674	30,226	29,574	13,586	8,304	94,758	62,316	32,442	46,346	23,930	25,836	
Alaska	16,291	...	7,806	2,522	3,741	1,947	275	26,334	22,599	3,835	11,598	4,717	6,049	
Arizona	195,627	107,152	52,670	14,518	6,839	6,170	8,278	47,613	32,890	14,723	24,256	17,540	48,420	
Arkansas	193,390	92,783	62,547	15,311	8,432	7,237	4,080	51,149	31,522	19,627	38,086	29,796	7,019	
California	2,478,603	1,390,954	589,675	209,719	93,370	116,080	87,805	1,530,425	951,613	578,812	307,891	240,562	346,450	
Colorado	195,341	107,473	53,136	11,735	9,474	10,044	3,475	117,762	91,043	26,719	35,407	21,258	12,741	
Connecticut	340,583	158,826	76,877	32,536	18,290	21,984	34,070	79,846	54,554	79,846	41,050	31,493	38,347	
Delaware	34,829	...	16,429	5,834	2,529	3,428	6,609	66,132	54,554	11,578	35,633	9,127	8,195	
Florida	751,817	357,683	190,460	30,884	87,523	23,776	61,491	182,303	115,950	66,353	149,459	97,036	71,854	
Georgia	502,203	271,227	131,336	37,576	44,717	17,353	10,545	81,508	70,312	11,196	42,804	31,337	9,871	
Hawaii	156,057	114,360	4,741	4,973	6,291	5,147	10,545	81,508	70,312	11,196	42,804	31,337	9,871	
Idaho	69,246	35,127	21,714	4,606	3,402	3,790	607	42,627	34,619	8,008	22,931	14,197	1,872	
Illinois	1,468,099	861,716	226,380	124,819	52,053	42,797	160,334	326,847	290,135	36,712	215,573	170,802	46,962	
Indiana	536,054	322,301	137,052	35,538	18,448	19,694	21	173,922	161,459	12,463	68,858	53,628	40,318	
Iowa	301,956	159,875	90,091	29,390	8,469	13,478	653	103,638	84,556	19,082	77,965	69,778	18,894	
Kansas	216,198	125,558	54,435	17,532	8,823	9,562	288	82,534	62,823	19,711	40,976	32,224	17,337	
Kentucky	315,674	158,610	10,739	18,340	8,823	13,038	23,092	125,796	89,421	36,375	31,661	18,930	36,185	
Louisiana	339,962	152,229	85,269	32,870	28,624	18,216	22,754	73,817	39,512	34,305	60,628	22,863	266,029	
Maine	117,219	62,304	29,457	12,424	4,163	3,729	5,142	326,847	290,135	36,712	21,299	13,858	8,261	
Maryland	361,394	145,847	97,212	25,578	14,103	18,118	60,536	476,014	308,956	167,058 ^c	47,981	79,070	35,146	
Massachusetts	448,539	145,112	121,767	68,342	44,754	29,446	39,118	476,014	308,956	167,058 ^c	67,492	37,987	41,318	
Michigan	1,136,805	727,495	215,589	79,812	59,990	36,985	16,934	303,348	263,362	39,986	247,426	112,452	197,652	
Minnesota	329,003	113,078	108,115	32,526	26,196	16,974	32,114	338,512	272,620	65,892	76,219	61,963	71,388	
Mississippi	251,129	135,957	69,513	18,792	9,655	10,219	6,993	28,494	10,828	17,666	25,831	11,704	17,066	
Missouri	425,137	268,689	101,126	23,247	11,145	20,649	281	36,903	29,574	7,329	13,852	62,483	14,679	
Montana	40,613	...	24,731	6,172	4,731	2,980	1,949	36,903	29,574	7,329	13,852	7,155	13,605	
Nebraska	145,493	65,269	53,255	11,922	5,884	6,151	3,011	14,835	15,461	1,374	19,924	12,374	13,725	
Nevada	83,500	34,527	16,829	5,665	3,682	2,233	20,564	...	...	...	14,065	9,044	6,023
New Hampshire	46,241	...	16,671	2,418	1,935	3,131	11,086	2,689	2,689	...	16,070	11,897	8,261	
New Jersey	609,454	238,292	156,073	99,571	33,583	32,474	49,457	88,536	12,954	75,582	178,872	100,471	77,092	
New Mexico	122,636	71,647	29,288	7,710	3,255	4,922	5,214	19,433	15,103	4,330	28,816	22,608	46,252	
New York	1,561,816	630,912	291,848	226,312	71,665	95,680	245,393	1,200,207	1,787,897	412,310	327,783	219,179	357,359	
North Carolina	461,866	216,174	147,147	47,147	28,315	23,455	46,775	313,437	216,549	96,888	88,570	48,707	36,277	
North Dakota	61,073	...	15,575	4,879	3,990	2,707	624	16,945	13,158	3,787	18,002	14,028	5,436	
Ohio	1,045,904	508,598	285,170	88,653	42,301	45,523	75,659	65,602	41,373	24,229	249,520	141,866	74,792	
Oklahoma	232,310	79,541	80,729	24,962	15,852	16,750	14,476	175,544	144,209	31,335	70,393	57,473	59,197	
Oregon	82,477	...	59,279	152,645	73,650	45,973	62,247	270,932	...	270,932	265,257	112,525	106,059	
Pennsylvania	1,361,332	735,767	291,050	9,925	4,106	4,240	18,627	270,932	...	17,132	16,494	12,186	6,814	
Rhode Island	125,153	67,267	21,988	13,732	34,189	11,283	16,025	104,814	71,293	33,521	26,415	14,392	7,315	
South Carolina	273,854	123,040	75,585	13,732	34,189	11,283	16,025	104,814	71,293	33,521	26,415	14,392	7,315	
South Dakota	71,396	32,743	19,560	5,211	4,059	3,193	6,627	586	...	586	14,161	10,054	1,730	
Tennessee	396,971	205,325	113,185	33,265	22,176	17,968	5,048	60,144	10,187	49,957	104,528	57,465	15,677	
Texas	876,971	279,659	264,331	135,831	51,657	45,335	100,238	313,437	216,549	96,888	233,613	149,594	327,387	
Utah	99,124	58,386	28,514	5,136	2,041	4,048	999	53,002	43,301	9,701	13,847	9,380	17,537	
Vermont	35,898	...	12,066	5,183	7,462	1,915	9,272	35,239	30,080	5,159	13,591	11,077	3,444	
Virginia	360,814	115,950	130,573	13,204	31,263	21,493	48,331	271,515	222,678	48,837	68,776	55,078	30,575	
Washington	711,483	473,184	125,980	35,602	32,784	13,788	30,145	31,416	28,195	3,221	60,437	39,216	106,724	
West Virginia	251,003	144,522	44,330	14,847	15,276	8,967	23,067	31,416	28,195	3,221	31,305	25,419	6,852	
Wisconsin	325,908	106,816	115,396	45,532	22,197	15,809	20,158	504,158	408,055	96,103	81,886	64,520	78,596	
Wyoming	43,368	24,198	14,172	3,123	353	1,515	7	...	...	...	14,065	8,980	11,238

Source:

U.S. Department of Commerce, Bureau of the Census. State Tax Collections in 1968. Series GF68-No. 1. Washington, D.C.: U.S. Government Printing Office, December 1968. P. 7-9.

^a Includes public utilities, parimutuels, amusements, and "other" miscellaneous taxes which may vary from state to state.

^b Includes property tax, death and gift tax, severance tax, poll tax, document and stock transfer, and "other" or miscellaneous taxes which may vary from state to state.

^c Portion of corporation excise taxes and surtaxes measured by corporate excess included in amount for corporation net income; included in amount for licenses for prior years.

Nearly one-half of all state tax revenue was collected by seven major states, with amounts as follows (in millions):

California	\$4,663
New York	4,447
Pennsylvania	2,004
Michigan	1,886
Illinois	1,731
Texas	1,438
Ohio	1,370

A considerable interstate range appears in the average per-capita amount of state tax revenue, as indicated by the following distribution of the 50 states, based on Table 3:

Per-capita state tax revenue, 1968	Number of states
\$200 or more	14
\$180 to \$199	6
\$160 to \$179	11
\$140 to \$159	12
\$120 to \$139	6
Less than \$120	1

Caution must be used in comparing tax amounts for individual state governments. There are marked interstate differences in the scope and intensity of public services, in economic resources, and in the pattern of distribution of responsibility for particular public functions between the state and local levels. Some state governments directly administer certain activities which elsewhere are undertaken by local governments, with or without state fiscal aid.

Tax Collections in 1968

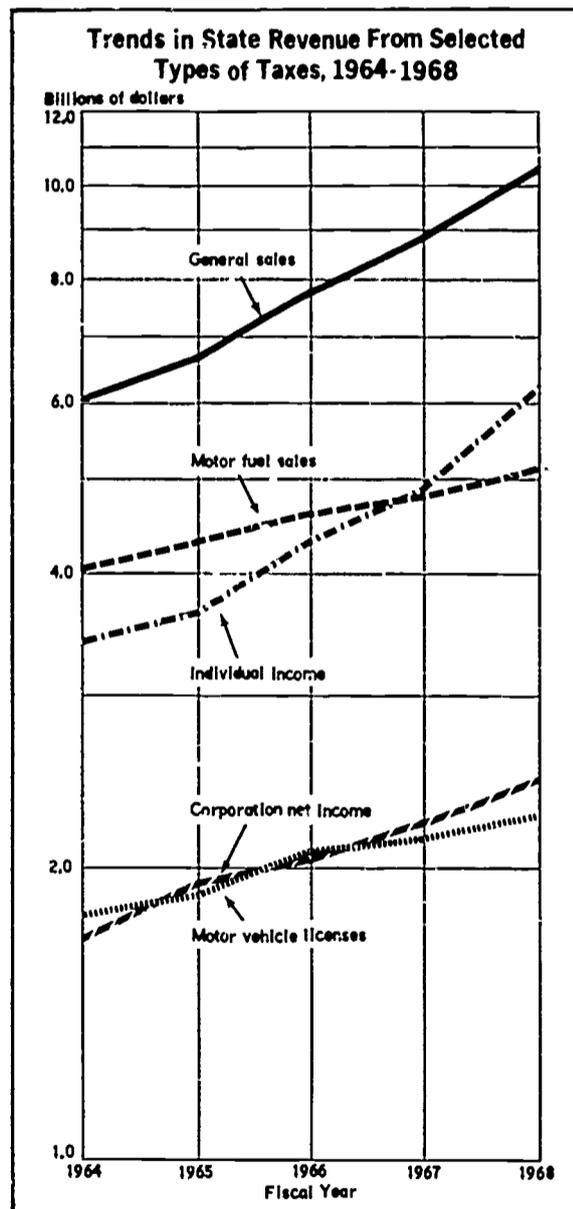
State tax collections in fiscal 1968 rose \$4.5 billion, or 14.0 percent, to \$36.4 billion, reflecting in part the heavy legislation of the previous year when 47 legislatures met in regular session. In 1967, tax collections rose \$2.5 billion, or 8.6 percent, to \$31.9 billion. The year 1966 had been a record one for tax collection, increasing \$3.3 billion, or 12.5 percent, over the collections of 1965 to \$29.4 billion. In 1965, collections had been lighter, rising 7.8 percent, or \$1.9 billion, to a total of \$26.1 billion. From 1963 to 1968, yields from state taxes have risen from \$22.1 billion to a high of \$36.4 billion, an increase of 64.6 percent. The graph shows the trends in collections for the five major sources of state revenue.

For 1968, there was a higher rate of increase in tax collections over the previous year as well as an increase in per-capita state tax revenue from fiscal 1967 to 1968 (Table 2). An increase of 12.9 percent in per-capita state tax revenue for 1968 definitely continued the strong upward trend of the past decade. Per-capita state revenue collection climbed from \$162.01 in 1967, to \$182.94 in 1968.

With nationwide prosperity continuing in fiscal 1968, all 50 states were able to collect more tax revenue than during the fiscal year 1967. The slower gains in revenue in 1967, however, can be

attributed to a slackened economic activity and fewer tax boosts last year. Prospects are much the same for next year, especially with the continuation of the federal 10 percent surtax and a lower ceiling on federal expenditures. Inasmuch as they restrict inflation, these actions by the federal government will assist state and local governments. On the other hand, these same actions may limit consumer spending and, therefore, reduce increases in state tax revenue, especially that portion responsive to consumer spending.

Tax collections for all states combined are given in Table 2 by major type of tax, in total and in per-capita amounts. Tax collections for each state for sales and gross receipts, income, licenses, and all other collections by major type of tax appear in Table 3, and as percents of total tax revenue, in Table 4.



Source:

U.S. Department of Commerce, Bureau of the Census. State Tax Collections in 1968. Series GF-No. 1. Washington, D.C.: Government Printing Office, 1968. p. 1.

General and Selective Sales Taxes

Combined collections from state taxes levied on various types of general and selective sales and gross receipts accounted for 57.6 percent of tax collections, almost three times as much as any other single state tax in fiscal 1968. The tax yielded over \$20.9 billion, a 12.9 percent increase over 1967 (Table 5). Of these sales and gross receipts taxes, the general sales and gross receipts are of primary importance; providing more than one-fourth (28.7 percent) of all state tax revenues in 1968, the general sales collections rose to \$10.4 billion, a 17.0 percent rise over 1967. Only individual income revenues which increased 27.3 percent showed a greater percentage increase.

The prominence of the sales tax is substantiated by the fact that 32 states continue to find it their best source of revenue. Moreover, of the seven states which together account for almost one-half of the nationwide state tax revenue, six--California, Illinois, Michigan, Ohio, Pennsylvania, and Texas--drew the most revenue from their sales tax. (The income tax yielded more in New York.) California alone collected \$1.39 billion from the general sales tax, and Illinois, Michigan, New York, Ohio, and Pennsylvania each collected more than \$500 million. Twenty-six of the remaining sales tax states each collected more than \$100 million from the tax.

Revenues from selective sales and gross receipts (motor fuels, alcoholic beverages, tobacco products, insurance, utilities, pari-mutuels, and several others) rose from \$9.6 billion in 1967 to \$10.5 billion in 1968, an increase of 9.2 percent. Of the selective sales tax levies, revenues from the motor fuels were the largest, yielding \$5.1 billion, up 7.0 percent from a year ago. The next largest yield was derived from tobacco products; tobacco collections for 49 states totaled \$1.8 billion, a rise of 16.8 percent (as contrasted to the lower 4.7 percent in tobacco revenues from fiscal 1966 to 1967.) A rise of 9.3 percent, from \$1.0 billion to \$1.1 billion was reported from the tax on alcoholic beverages as collected by the 50 states. Taxes on pari-mutuels continued to increase in importance and totaled \$442 million (representing a 4.5 percent increase from a year ago.) The tax on pari-mutuels is one of the more concentrated state taxes. It is a revenue source in 28 states, with five states receiving nearly 70 percent of the total; New York alone accounts for 32.3 percent of the pari-mutuel collections. California, Florida, Illinois, and New Jersey are the other four states in order of magnitude. Another case of concentration is Nevada, accounting for over 58.5 percent of the amusement taxes levied in the 28 states.

Net Income Taxes

Individual income taxpayers paid over \$6.2 billion in such taxes to state governments in 1968, a 27.3 percent increase over the fiscal 1967 collections. No other revenue source registered a larger gain. Collections of corporate net income taxes increased 13.1 percent from the previous year; this

increase contrasts to the lower 9.3 percent increase from 1966 to 1967. Forty-one states utilized this source in 1968, deriving \$2.5 billion from the tax. The corporate income tax has come of age since 1962, with a 92.9 percent increase in the six-year period. With six states enacting increases in corporate income tax rates in their 1968 legislatures, the prospect for even larger increases in corporate tax revenues is indeed good. As a combined source of revenue, corporate and individual income taxes accounted for nearly 25 percent of all state tax collections. The produced revenues totaling \$8.7 billion, a gain of 22.9 percent over last year.

Best Sources of State Tax Revenue

In fiscal 1968 the sales tax retained its prominent position as the greatest state tax revenue source. The sales tax was the best source of revenue for 32 states. Although three states--California, Iowa, and Nebraska--exhibited a change to a new best source of revenue during the past year, the number of states finding the sales tax their best source increased by one over the 1967 figure of 31. California exhibited a change from the sales tax as a best source to the income tax; Iowa, a change from the income tax to the sales tax; and Nebraska from the motor fuel tax to the sales tax. The income tax was the best source of tax revenue in 15 states, the gasoline taxes in New Hampshire and Oklahoma, and the severance tax in Louisiana. The best sources of state tax revenue in 1968 are shown for each state in the map reproduced with permission of Commerce Clearing House.

State Tax Legislation

Tax legislation was unusually heavy in 1968, an off-legislative year. The 24 state legislatures that met in regular session during 1968 raised the rates of existing taxes or made other changes in their revenue systems (Table 6).

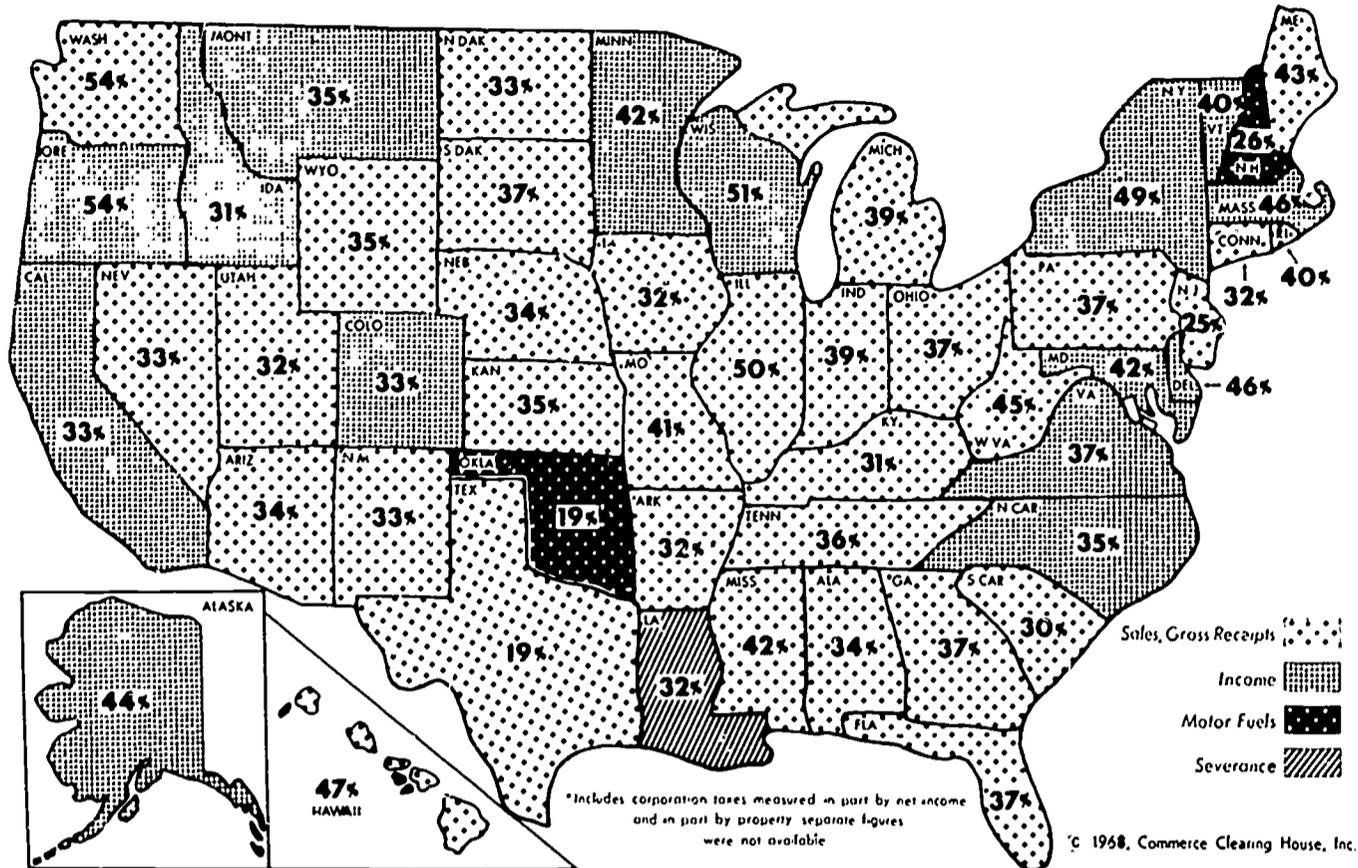
With no new tax adoptions, the number of states with general sales taxes remains the same as in 1967, 44; the number with personal income taxes, 36 (plus two states which tax only interest and dividends); and the number levying corporate income taxes, 40.

Nearly 29 tax increases occurred in at least 14 states and the District of Columbia. Legislation to raise rates on both personal and corporate incomes passed in the District of Columbia, Mississippi, and New York. New Jersey, Maryland, and Rhode Island increased corporate income rates. Sales and use tax rates were increased in four states, and in the District of Columbia, but none exceed the high rate of 6 percent approved in Pennsylvania in 1967.

General Sales and Use Taxes

In 1968, nearly one-half of the states passed some type of legislation affecting the sales tax. Four states and the District of Columbia adopted rate increases in state sales and use taxes.

Best Sources of State Revenue in 1968



Reflecting the new rate changes, the state sales and use tax rates (Table 7) now in effect range from 2.0 percent in five states to 6.0 percent in Pennsylvania. Although the 3 percent rate occurs in 25 states, 14 states levy a higher rate. The current distribution of rates among the states is:

Percent rate	Number of states
2.0	5
3.0	25
3.5	1
4.0	6
4.25	1
4.5	2
5.0	3
6.0	1
Total	44

The new sales tax imposed in Nebraska which became effective June 1, 1967, was imposed at 2.5 percent but decreased to 2 percent on January 1, 1969. Medicine is exempt.

Included among the states increasing their sales and use tax rates were the District of Columbia, Florida, Kentucky, Mississippi, and Texas. The District of Columbia rate of general sales and use tax increased from 3 percent to 4 percent. The tax was amended to include sales of or charges for local telephone service; the effective date of the new rate was September 1, 1968. The Florida legislation increased the sales and use tax rate, the tax on commissions, and the tax on rentals of transient accommodations from 3 percent to 4 percent for the period April 1, 1968, through June 30, 1969. In Kentucky, the sales and use tax rate as well as the motor vehicle usage tax rate were increased from 3 percent to 5 percent, both effective April 1, 1968.

The Mississippi occupational sales tax and use (compensating) tax rates were increased from 3.5 percent to 5 percent on retail sales of tangible personal property as well as on specified operating and miscellaneous businesses. Mississippi broadened the sales tax base to tax additional designated materials and services at rates ranging from 1 percent to 5 percent. Also, for persons engaging in the business of contracting, the tax is increased from 2 percent to 2.5 percent; the tax rate on retail sales of aircraft, automobiles, trucks, and truck-tractors was increased from 2 percent to 3 percent; and the tax rate on wholesale sales of meat for human consumption was increased from 1/8 of 1 percent to 1/2 of 1 percent. The new Mississippi rates became effective August 1, 1968.

The rates on sales and use taxes in Texas increased from 2 percent to 3 percent, effective October 2, 1968. Because the existing local enabling authority remained unchanged, the total effective rate is 4 percent in cities and towns levying a 1 percent sales and use tax.

Illinois increased its service occupation and use tax rate from 3.5 percent to 4.25 percent, effective September 1, 1968. A provision that would have reduced the tax rate from 4.25 percent to 2.5 percent after June 30, 1969, was deleted. In Illinois, counties were authorized to levy a service occupation tax at a rate not to exceed 3/4 of 1 percent (formerly 1/2 of 1 percent) of the cost price of all tangible personal property transferred by servicemen, effective August 6, 1968. In Maryland, the sales and use tax on manufacturing machinery and equipment sold to manufacturers, including that used in the generation of electricity or in research and development was reduced from 3 percent to 2 percent, effective July 1, 1968. The New York

legislature amended the local sales and use tax enabling act to specify that local taxes may be imposed ranging from 1/2 percent to 3 percent, effective September 1, 1968. In California the 4 percent sales tax rate was extended indefinitely as a result of voter approval of state funds for local property tax relief. When added to the 1 percent local tax, the combined state and local sales tax remains at 5 percent.

Several states which did not increase the rate of tax did extend the sales tax rate to transactions not previously covered. The Arkansas manufacturing and processing exemption (sales and use tax) was revised February 15, 1968, to provide that tangible personal property used for repair of machinery is no longer exempt. Mississippi broadened its sales tax base extensively with new taxes ranging from 1 percent to 5 percent on specified sales and services. Also, exemptions have been eliminated for sales of tangible personal property to contractors purchasing in the performance of contracts with Mississippi, its counties, and municipalities. Other exemptions include gross income of hospitals, and sales of sea foods on which the tax has been paid by the seller under the Sea Food Act. Oklahoma repealed the exemption for the trade-in allowance granted on farm machinery that has been traded in and resold by the retailer.

Although no states decreased their existing sales tax rates during 1968, several did enact new exemptions or provide for new credits on the tax paid. Arkansas exempted machinery used for mining, quarrying, refining, and extracting oil and gas, effective February 15, 1968. California exempted meals served to elderly and hospital and mental patients, effective August 14, 1968. Exemptions were allowed for pollution control equipment in Arkansas and Missouri.

Georgia added exemptions of the sales and use tax for sales of food to private, nonprofit, accredited elementary schools, for property and services purchased by nonprofit hospitals, and for Holy Bibles. In addition, farm tractors, attachments, and harvesting equipment used by persons engaged primarily in producing farm crops for sale are exempt in Georgia and Kentucky. Georgia also exempted sales in operation of transit facilities.

In Hawaii, fees received by cooperative housing corporations in reimbursement of funds paid for lease rental, real property taxes, and other costs of operating, maintaining, and improving the cooperative land are exempt from the general excise tax. Illinois granted an exemption from the service occupation and use tax of the sale, lease, or transfer of tangible personal property to inter-

TABLE 6.--STATES ADOPTING CHANGES OR ACTION IN SELECTED STATE TAXES IN 1968

State	Income		General sales	Tobacco	Alcoholic beverages	Gasoline	State	Income		General sales	Tobacco	Alcoholic beverages	Gasoline
	Personal	Corporate rate						Personal	Corporate rate				
1	2	3	4	5	6	7	1	2	3	4	5	6	7
Alabama ..	...	...	...	...	...	...	Montana ..	...	...	...	...	...	...
Alaska ..	X	...	...	...	...	X	Nebraska .	...	...	...	...	...	...
Arizona ..	X	...	...	...	...	X	Nevada ...	...	...	...	...	...	...
Arkansas .	X	...	...	...	...	X	N. H. ....	...	...	...	...	...	...
Calif. ...	X	X	X	X	...	X	N. J.	X	X	...	X	...	X
Colorado .	X	...	...	...	...	...	N. Mex. ..	X	...	X	X	X	...
Conn. ....	...	...	...	...	...	...	New York .	X	X	X	X	X	X
Delaware .	X	X	...	...	...	...	N. C. ....	...	...	...	...	...	...
Florida ..	...	...	X	X	X	...	N. D. ....	...	...	...	...	...	...
Georgia ..	X	...	...	...	...	X	Ohio .....	...	...	X	...	...	...
Hawaii ...	X	...	...	...	...	...	Oklahoma .	X	...	X	X	...	X
Idaho	X	...	...	...	...	...	Oregon ...	...	...	...	...	...	...
Illinois .	...	...	...	...	...	...	Pa. ....	...	X	X	...	...	...
Indiana ..	...	...	...	...	...	...	R. I.	X	X	X	X	...	X
Iowa .....	...	...	...	...	...	...	S. C.	X	...	X	X	X	X
Kansas ...	X	...	...	...	...	X	S. D. ....	...	...	X	...	...	...
Ky.	X	...	...	...	...	...	Tenn.	X	...	X	...	X	X
La. ....	...	X	...	...	...	X	Texas ....	...	...	X	...	...	...
Maine ....	...	...	...	...	...	...	Utah .....	...	...	...	...	...	...
Maryland .	X	X	...	...	...	X	Vermont ..	X	...	...	...	...	X
Mass.	X	...	...	...	...	X	Virginia .	X	X	X	...	X	...
Michigan .	X	X	...	...	...	...	Wash. ....	...	...	...	...	...	...
Minn. ....	...	...	...	...	...	...	W. Va. ...	X	X	...	X	...	...
Miss.	X	X	...	...	...	...	Wis. ....	...	X	...	...	...	...
Missouri .	X	...	...	...	...	...	Wyoming ..	...	...	...	...	...	...

Note: X indicates change in existing tax.

state carriers for hire for use as rolling stock. Maryland exempted sales of fish or other materials used as crab bait. Massachusetts exempted sales of the United States flag, sales of vessels used in commercial fishing, machinery, equipment, and replacement parts for such vessels, and sales of feed for fur-bearing animals whose pelts are sold in an operative business. In addition, the Massachusetts use tax exemptions were revised to stipulate that the use tax will not apply to sales on which the Massachusetts sales tax has been collected rather than sales upon which the sales tax is imposed. Also, the exemption for sales upon which a tax was paid to another state or U.S. territory is limited to specific situations. Mississippi and Missouri added many new sales tax exemptions. New York exempted student meals at a cafeteria or restaurant located on school premises. Homes for the aged are exempt in Ohio as well as goods sold to an out-of-state retailer and removed by the latter in his own vehicle from Ohio. Materials used in construction contracts for Pennsylvania entered into prior to January 1, 1968, are exempted from the 1 percent sales tax increase. Tobacco products were exempted in Rhode Island. South Carolina declared machinery used in the production of poultry, and gross receipts from sales of books to public libraries exempt from the sales and use tax.

South Dakota allowed a use tax credit for manufacturing equipment brought into the state for manufacturing or processing business only if the other state involved allows a reciprocal credit. Services at coin-operated laundry, dry-cleaning, and car wash facilities in Tennessee are exempt from sales and use tax.

Tabacco Taxes

In 1967, the last major legislative year, the cigarette tax was the object of rate increases in 11 states. Although 1968 was an off year in state legislatures, seven states raised their cigarette tax rates in the 1967 legislative sessions in contrast to rate increases in two states during 1966. West Virginia repealed its cigarette use tax in 1967, but reimposed it in 1968. South Carolina took action to tax tobacco products based on "manufacturer's price" instead of weight. Rhode Island levied a new tobacco products tax.

Rate increases in the cigarette tax were enacted in Florida, New Jersey, New Mexico, New York, Oklahoma, Rhode Island, and West Virginia. Florida increased its tax from \$.08 to \$.15, the highest state rate. The discount rate of up to 2,000,000 stamps purchased during a fiscal year was reduced from 5 percent to 2.9 percent; in excess of 2,000,000, 3.5 percent to 2 percent. New Jersey raised its cigarette tax from \$.11 to \$.14 per pack, and lowered its discount rate on tax stamps from 2.5 percent to 1.97 percent on sales of 1,000 or more stamps.

New Mexico increased the sales tax rate on cigarettes from \$.08 to \$.12 per pack. A graduated discount ranging from 4 percent to 2 percent is allowed on stamps purchased in excess of a \$60,000 sale of stamps. New York increased the cigarette

TABLE 7.--GENERAL STATE SALES TAX RATES AND PROVISIONS

State	Per- cent rate ^{a/}	State tax law	Exemptions of major items		
			Food	Medi- cine	Cloth- ing
1	2	3	4	5	6
Ala.	4%	Gross receipts (sales)			
Ariz. ...	3	Occupational gross income		X	
Ark.	3	Gross receipts (sales)			
Calif. ..	4 ^{b/}	Sales	X	X	
Colo. ...	3	Retail sales		X	
Conn. ...	3.5	Sales	X	X	X ^{c/}
Fla.	4	Sales	X	X	
Ga.	3	Sales			
Hawaii ..	4	General excise (gross income)			
Idaho ...	3	Sales		X	
Ill.	4.25	Occupational retail sales			
Ind.	2	Sales		X	
Iowa	3	Retail sales			
Kans. ...	3	Sales			
Ky.	5	Sales			
La.	2	Sales			
Maine ...	4.5	Sales	X	X	
Md.	3	Retail sales	X	X	
Mass. ...	3	Sales	X	X	X ^{d/}
Mich. ...	4	Occupational retail sales			
Minn. ...	3 ^{b/}	Sales	X	X	X
Miss. ...	5 ^{b/}	Occupational retail sales			
Mo.	3	Retail sales			
Nebr. ...	2	Sales		X	
Nev.	3	Sales			
N. J. ...	3 ^{b/}	Sales	X	X	X
N. Mex. .	3 ^{b/}	Gross receipts (sales)			
N. Y. ...	2 ^{b/}	Sales	X	X	
N. C. ...	3	Sales		X	
N. D. ...	3	Retail sales		X	
Ohio	4 ^{b/}	Retail sales	X	X	
Okla. ...	2 ^{b/}	Retail sales			
Pa.	6 ^{e/}	Sales	X	X	X
R. I. ...	5	Sales	X	X	
S. C. ...	3	Retail sales			
S. D. ...	3	Occupational retail sales			
Tenn. ...	3 ^{b/}	Sales			
Texas ...	3 ^{b/}	Sales	X	X	
Utah	3 ^{b/}	Sales			
Va.	3 ^{b/}	Retail sales		X	
Wash. ...	4.5	Retail sales			
W. Va. ..	3	Retail sales			
Wis.	3	Selective sales	X	X	X
Wyo.	3	Retail sales			

Source:

Commerce Clearing House. State Tax Guide. New York: the House. Data as of January 1, 1969.

a/ Sales taxes are supplemented with use taxes levied at the same rate. Rates are applicable to the retail sale of tangible personal property.

b/ Ten states collect combined state and local sales taxes in local jurisdictions which impose supplemental local sales taxes under state enabling legislation authorizing maximum local percentage rates--California, 1.0; Illinois, 0.75; Mississippi, 1.0; New Mexico, 1.0; New York, 3.0; Oklahoma, 1.0; Tennessee, 1.0 (1.5 effective 6/1/68); Texas, 1.0; Utah, 0.5; and Virginia, 1.0.

c/ Children's clothing only.

d/ Exemption or clothing extends up to a sales price of \$175 only.

e/ Rate decreases to 5 percent effective July 1, 1969.

TABLE 8.--STATE CIGARETTE AND TOBACCO TAX RATES

State	Cigarettes (per pack of 20)	Cigars (per 1,000)	Smoking tobacco	Discount on stamps (percent of face value)
Alabama	10 ^c / _a	\$1.50 to \$20.25	2¢ to 11¢ per pack ^b	7.5%
Alaska	8			1.0
Arizona	10	1.00 to 10.00	1¢ per ounce	1.5
Arkansas	8			6.0
California	10			0.85
Colorado	5			6.0
Connecticut	8			2.25
Delaware	7 ^a / _a			3.5
Florida	15 ^a / _a	1.50 to 20.00		2.9 ^e / _e
Georgia	8 ^a / _a			2.0 to 8.0 ^d / _d
Hawaii	(	40% of wholesale price		...
Idaho	7			5.0
Illinois	9			2-6/7 to 1-1/7 ^e / _e
Indiana	6 ^a / _a			4.0
Iowa	10 ^a / _a	(	10% of wholesale price	5.0
Kansas	8			3.75
Kentucky	2.5			6.0 ^f / _f
Louisiana	8			9.0
Maine	10	1.20 to 40.00	1¢ to 4¢ per pack ^e / _e	2.25
Maryland	6			5.0
Massachusetts	10			0.625 to 2.5 ^h / _h
Michigan	7 ^a / _a			1.0 ⁱ / _i
Minnesota	8 ^a / _a	(	10% of wholesale price	3.25 ^j / _j
Mississippi	9	1.80 to 25.20	1-1/8¢ of each 5¢ of retail price	8.0
Missouri	4			3.0
Montana	8¢			
Nebraska	8			
Nevada	7			
New Hampshire	(	30% of retail price		
New Jersey	14			
New Mexico	12			
New York	12 ^a / _a			
North Dakota	8 ^a / _a	(	11% of wholesale price	
Ohio	7			
Oklahoma	13	\$6.50 to \$30.00	40% of factory list price	
Oregon	4			
Pennsylvania	13			
Rhode Island	13	(	25% of wholesale price	
South Carolina	5 ^a / _a	(	30% of manufacturer's sales price	
South Dakota	8 ^a / _a			
Tennessee	8	1.00 to 13.50	6% of wholesale price	
Texas	11	1.00 to 15.00	25% of factory list price	
Utah	8 ^a / _a			
Vermont	10	(	25% of manufacturer's sales price	
Virginia	2.5	(	20% of wholesale price	
Washington	11	(	30% of wholesale price	
West Virginia	7 ^a / _a			
Wisconsin	10 ^a / _a			
Wyoming	8			

Source:

Commerce Clearing House. State Tax Guide. New York: the House. Data as of January 1, 1969.

^a/ The tax rate shown applies to cigarettes of standard length and weight. Foot-note ^a/ designates those states with varying tax rates on cigarettes depending on length and/or weight.

^b/ Rates continue to increase at 3 cents for each additional ounce or fraction thereof over 4 ounces.

^c/ The discount rate in excess of 2 million stamps purchased in any one fiscal year is 2 percent of par value.

^d/ Depending on volume of cigarettes sold. Present limitation is 3.5 cents per package.

^e/ Depending on volume sold.

^f/ For each \$3.00 worth of stamps purchased, the purchaser receives an additional 18 cents worth of stamps.

^g/ Plus \$1.33 cents for each additional 5 cents of retail price above 15 cents per package.

^h/ Licensees other than retailers are allowed a discount at the following rates: chain store operators, 5.8 of 1 percent; vending machine operators, 1-1/4 percent; and wholesalers, 2-1/2 percent. No deduction is allowed on sales less than \$100.

ⁱ/ Allowed to wholesalers.

^j/ A discount of 2.5 percent is allowed on stamp purchases in excess of \$150,000, other 3 cents of the tax is veterans' bonus levy.

^k/ A graduated discount is now in effect, ranging from 4 percent of stamp purchases down to 2 percent. No discount is allowed on any sale under \$1,000.

^l/ The discount rate is 1.22 percent of par value of stamp purchases in excess of \$600,000 per year.

^m/ Five percent on first \$100,000 of stamps purchased; 4 percent on the excess.

ⁿ/ Discount rate is applicable to 6/7 of tax value regardless of amount of sales.

^o/ The 3.2 percent discount rate applies to cigarette stamps only; a discount of 2 percent is allowed on other tobacco products.

^p/ Discount applies to cigarette stamps only at rate of 2.0 percent on first 8 cents of tax per pack, 1 percent on next 2 cents of tax; 1/2 of 1 percent on last 1 cent tax.

TABLE 9.--STATE ALCOHOLIC BEVERAGES TAX RATES

State	Distilled spirits (per gallon)		Wines (per gallon)		Malt beverages (per draught gallon)	
	1	2	3	4	1	2
Alabama		(<u> </u> —30% of selling price ^{a/} —)				
Alaska		\$4.00				\$.426
Arizona		1.44 ^{b/}				.25
Arkansas		2.50 ^{b/}				.08
California		2.00				.20 ^{c/}
						.04
Colorado		1.80				.06
Connecticut		2.00				.066
Delaware		.90, 1.15				.063
Florida		3.75, 7.50				.32
Georgia		3.75, 5.25 ^{e/}				.31
Hawaii		(<u> </u> —20% of wholesale price—)				
Idaho		(<u> </u> —10% of surcharge—)				.15
Illinois		1.52				.06
Indiana		2.08				.088
Iowa		(<u> </u> —15% of established price—)				.12
Kansas ^{f/}		1.50				.12
Kentucky ^{g/}		1.28				.08
Louisiana		1.68				.317
Maine		a/				.25 ^{e/}
Maryland		1.50				.03
Massachusetts		2.95				.076
Michigan		8% of retail price ^{a/}				.203
Minnesota		2.875 ^{h/}				.05, .10
Mississippi		2.50				.427
Missouri		1.20				.03
Montana		(<u> </u> —16% of retail price ^{a/} —)				
Nebraska		\$1.60				\$.048
Nevada		1.40				.08
New Hampshire		a/				.06
New Jersey		1.80				.12
						.033
New Mexico		1.50, 2.40				.08
New York		.666, 2.25				.04-4/9
North Carolina		12% of retail price				.338
North Dakota		2.50, 4.05				.08, .16 ^{i/}
Ohio		a/				.079
Oklahoma		2.40				.32
Oregon		a/				.042
Pennsylvania		(<u> </u> —18% of net selling price ^{a/} —)				.08
Rhode Island		2.00				.04
South Carolina		2.72				.64
South Dakota ^{j/}		1.25, 2.50				.13, .26
Tennessee ^{k/}		4.00				.11
Texas		1.68				.138, .165
Utah		(<u> </u> —8% of retail selling price ^{a/} —)				.035, .129
Vermont		5.10 ^{a/}				.20
Virginia		(<u> </u> —10% of sales price ^{a/} —)				.193
Washington		a/				.032, .048 ^{l/}
West Virginia		a/				.17
Wisconsin		2.25				.032
Wyoming		.80 ^{a/}				.02

Source:

Commerce Clearing House. State Tax Guide. New York: the House. Data are as of January 1, 1969.

Note: The tax rates on beer are usually reduced from a per-barrel rate to a per-gallon rate. When not otherwise specified in the law, one barrel = 31.5 gallons. License taxes are not included in this table.

a/ Monopoly state. Tax rates are in addition to any state price markup.

b/ In addition to the state sales tax, a 3 percent tax is levied on the retail sales price.

c/ An additional tax of \$5.00 per barrel of 32 gallons is imposed upon all beer sold or offered for sale.

d/ There is a division of rates of specified alcoholic content where more than one tax rate is given. The alcoholic content so specified varies among the states. The usual critical percentages are:

- distilled spirits, 50% with the exception of Delaware and New York, which are near 25%; wines, 14% and under, 14-21%, and over 21%; beer, 3.2-4.0%.
- Discriminatory tax rates in favor of local products are used. Tax rates given are not on local products.
- In lieu of the state sales tax, an enforcement tax on retail sales of 4.0 percent of gross receipts is levied.
- Additional taxes are imposed on the liquor industry, mainly manufacturers.
- Includes a surtax of 15 percent levied until June 30, 1969.
- The tax on beer sold in bulk containers is \$.08 per gallon; in bottles and cans, \$.16 per gallon.
- In lieu of the sales tax, an additional tax of 10% is imposed upon gross receipts of intoxicating liquor except high point beer.
- Taxes on wholesale price of beer and alcohol are also imposed.
- Higher rate on canned and bottled beer.

tax rate from \$.10 to \$.12 per pack. Oklahoma tobacco products tax rates increased from \$.08 to \$.13 per pack on cigarettes, from 4 to 6-1/2 mills each on little cigars, from \$20.00 to \$30.00 on each 1,000 cigars, from 25 percent to 40 percent of the factory list price on smoking tobacco, and from 20 percent to 30 percent on chewing tobacco. The Rhode Island cigarette tax increase was from \$.08 to \$.13 per pack. Rhode Island decreased its discount rate on tax stamps from 3 percent to 2 percent and increased the redemption percent on unused or unsalable stamps from 96 percent to 98 percent of face value. Also, Rhode Island levied a new tobacco products tax at the rate of 25 percent of the wholesale price, effective July 1, 1968.

South Carolina changed the basis of taxing tobacco products from weight to "manufacturer's price." The tax on snuff and chewing tobacco is 5 percent of the manufacturer's price; on smoking tobacco, 30 percent. West Virginia increased its cigarette tax rate from \$.06 to \$.07 per pack.

The 8-cent per pack tax on cigarettes is still the most popular rate. With the new legislation, 21 states now impose a higher rate; others levy taxes ranging from \$.025 to \$.07 per pack. In 1967, 18 states imposed the \$.08 rate and 16 states imposed a higher rate. The current distribution of rates among the states is:

<u>Rate</u>	<u>Number of states</u>
\$.025	2
.040	2
.050	2
.060	2
.070	6
.080	14
.090	2
.100	8
.110	2
.120	2
.130	3
.140	1
.150	1
40% of wholesale price	1
30% of retail price	<u>1</u>
Total	49

Table 8 presents the cigarette and tobacco tax rates currently in effect.

Alcoholic Beverage Taxes

Two states, Florida and South Carolina, increased their alcohol tax rates in 1968, as compared to 1967, when seven states enacted an increase. Virginia imposed an additional tax on beverages bought for resale by the drink.

Florida raised its tax imposed on each gallon of spiritous liquors containing from 14 percent to 48 percent alcohol by weight from \$1.53 to \$2.76; containing more than 48 percent alcohol from \$3.06 to \$5.52. The discount allowed on tax stamps purchased was reduced: For each dollar's worth purchased, distributors may buy stamps at \$.986, for-

merly \$.98. Florida also increased the tax on malt beverages from \$.28 to \$.32 a gallon; and distributors are allowed a 3 percent credit.

South Carolina increased the beer tax 1/2¢ per ounce. This new tax supercedes the prior rates based on beer packaged in bulk containers, bottles, and cans.

Virginia levied an additional tax on every bottle of alcoholic beverages bought for resale by the drink at the rate of 50¢ a quart on distilled spirits, and 10¢ a bottle on wine with more than 14 percent alcohol by volume. Also in Virginia, additional license taxes were levied on specified sellers of mixed beverages.

New Mexico provided wholesalers a credit for taxes paid on alcoholic liquor destroyed, damaged, or found to be unfit for sale or consumption, and on draught beer returned to breweries because of spoilage. New York repealed the brand label use permits and fees required of manufacturers and wholesalers of liquor, wine, or beer on the number of gallons sold. In effect, no actual rate change ensued, as the excise tax was increased in amounts equal to the fees repealed. Tennessee provided an optional tax payment plan for licensed wholesalers of wine and spirits in lieu of purchasing tax stamps under qualifying stipulations. Tennessee also provided beer wholesalers a tax reduction for shortage, damage, or breakage losses not to exceed 1/2 of 1 percent of his total monthly purchases (exception in cases of major losses).

Details of state alcoholic beverage tax rates appear in Table 9.

Gasoline Tax Rates

During 1968, gasoline taxes were increased in five states--Louisiana, New Jersey, New York, Rhode Island, and Vermont. Alaska increased the tax on aviation fuel, and New York and Georgia enacted new motor carrier road taxes.

Louisiana raised the rate on gasoline and special fuels from 7¢ to 8¢ per gallon, effective after January 6, 1969. New Jersey increased its motor fuel tax from 6¢ to 7¢ per gallon. New York increased the tax on gasoline from 6¢ to 7¢, and authorized distributors to deduct from the tax 4/7 of 1 percent (formerly 2/3 of 1 percent) to cover expenses and collection costs. Rhode Island increased its gasoline tax from 7¢ to 8¢ per gallon. Vermont raised the motor fuel tax rate from 6-1/2¢ to 8¢ a gallon. Alaska raised the aviation gasoline tax from 3¢ to 4¢ a gallon, and increased the tax on other aviation fuel from 1-1/2¢ to 2-1/2¢. New York imposed an additional motor carrier road tax beginning July 1, 1968, and ending June 30, 1970. This road tax is equivalent to the state tax on motor or diesel motor fuel and is based on the amount of fuel used by a carrier operating a vehicular unit on public highways in the state.

Arkansas changed the motor fuel tax rate on interstate users from 7-1/2¢ to 11-1/2¢ a gallon and provided licensing of them. Also, a new method of

computing special motor fuel tax in Arkansas was enacted. Arizona imposed limitations on motor vehicle and aircraft fuel tax refunds. California allowed additional exemptions on motor fuel and use fuel taxes. Watercraft gasoline tax refunds in Maryland are allowed only to watercraft used entirely for commercial purposes. Oklahoma provided credit for tax paid per gallon on gasoline and special fuel used outside the state. South Carolina repealed the gasoline tax refund for watercraft and increased the maximum amount that an oil company may deduct for gasoline tax liability from \$75 to \$100. Tennessee expanded the motor fuel tax exemption under "governmental purposes" to include independent contractors operating a local transit service.

The current gasoline tax rates range from 5¢ to 9¢ per gallon. The most frequently used rate is 7¢ per gallon; six states and the counties of Hawaii have higher rates. The highest rates are found in Washington at 9¢, in Alaska, Rhode Island, and Vermont at 8¢, and in Arkansas and Nebraska at 7-1/2¢. The county rates in Hawaii range from 8-1/2¢ to 11¢ per gallon. Rates for all states are shown in Table 10.

The current distribution of rates among the states (excluding the Hawaiian counties) is as follows:

<u>Rates (cents per gallon)</u>	<u>Number of states</u>
5.0	4
6.0	8
6.5	3
6.58	1
7.0	28
7.5	2
8.0	3
9.0	1
Total	50

Individual Income Taxes

In 1968, there were no new enactments of personal income taxes. Twelve states have no personal income tax: Connecticut, Florida, Illinois, Maine, Nevada, Ohio, Pennsylvania, Rhode Island, South Dakota, Texas, Washington, and Wyoming. In New Hampshire and Tennessee, however, the tax applies only to interest income and dividends. In New Jersey, the tax is limited to income derived within its borders by New York residents and from New York sources by New Jersey residents; New Jersey residents are allowed a credit for income taxes paid to New York.

The Advisory Commission on Intergovernmental Relations has recommended that the states which have no personal income tax might do well to adopt such a tax and that those who have the tax should utilize it more effectively. "The personal income tax," according to the Commission, "represents the last under-utilized major revenue source for many states. One-third of the states, including some in the most industrialized high-income sections of the country, do not tax personal incomes at all and

TABLE 10.--STATE GASOLINE TAX RATES^{a/}

State	Rate per gallon
1	2
Alabama	7 ¢
Alaska	8
Arizona	7
Arkansas	7.5
California	7
Colorado	6
Connecticut	7
Delaware	7
Florida	7
Georgia	6.5
Hawaii	5 ^{b/}
Idaho	7 ^{c/}
Illinois	6
Indiana	6
Iowa	7
Kansas	5
Kentucky	7
Louisiana	7 ^{d/}
Maine	7
Maryland	7
Massachusetts	6.5
Michigan	7
Minnesota	7
Mississippi	7
Missouri	5
Montana	6.5
Nebraska	7.5
Nevada	6
New Hampshire	7
New Jersey	7
New Mexico	7
New York	7
North Carolina	7
North Dakota	6
Ohio	7
Oklahoma	6.58
Oregon	7
Pennsylvania	7
Rhode Island	8
South Carolina	7
South Dakota	6
Tennessee	7
Texas	5
Utah	6
Vermont	8
Virginia	7
Washington	9
West Virginia	7
Wisconsin	7
Wyoming	6

Source:

Commerce Clearing House. State Tax Guide. New York: the House. Data as of January 1, 1969.

a/ Rates of general state application exclusive of municipal taxes.

b/ State tax rate except in Hawaii County where state rate is 8 cents.

c/ Rate increased to 7 cents per gallon from January 1, 1968, through December 31, 1969; thereafter the tax reverts to the 6 cent rate.

d/ Rate increases to 8 cents after January 6, 1969.

TABLE 11.--STATE INDIVIDUAL INCOME TAX RATES

State	Range of rates (percent of taxable income)	Minimum rate on taxable income of:	Maximum rate on taxable income over:	State	Range of rates (percent of taxable income)	Minimum rate on taxable income of:	Maximum rate on taxable income over:
1	2	3	4	1	2	3	4
Ala.	1.5%-5.0%	\$1,000	\$5,000	Miss.	3.0%-4.0%	\$5,000	\$5,000
Alaska	(-16.0% of federal income tax ^a /-)			Mo.	1.0-4.0 ^e /	1,000	9,000
Ariz.	2.0-8.0	1,000	6,000	Mont. ^f /	2.0-10.0	1,000	25,000
Ark.	1.0-5.0	3,000	25,000	Nebr.	(-10.0% of federal income tax-)		
Calif.	1.0-10.0 ^c	2,000	14,000	N. H.	4.25% interest and dividends only		
Colo.	3.0-8.0 ^b /	1,000	10,000	N. J. ^g /	2.0-14.0	1,000	23,000
Del.	1.5-11.0	1,000	100,000	N. Mex.	1.5-6.0	10,000	100,000
Ga.	1.0-6.0	1,000	10,000	N. Y.	2.0-14.0 ^h /	1,000	23,000
Hawaii	2.25-11.0	500	30,000	N. C.	3.0-7.0	2,000	10,000
Idaho	2.5-9.0 ^e /	1,000	5,000	N. D.	1.0-11.0	3,000	15,000
Ind.	(-2.0% of adjusted gross income-)			Okla.	1.0-6.0	1,500	7,500
Iowa	0.75-5.25	1,000	9,000	Oreg.	3.0-9.5	500	8,000
Kans.	2.0-6.5	2,000	7,000	S. C.	2.0-7.0	2,000	10,000
Ky.	2.0-6.0	3,000	8,000	Tenn.	6.0% interest and dividends only		
La.	2.0-6.0	10,000	50,000	Utah	2.0-6.5	1,000	5,000
Md.	2.0-5.0	1,000	3,000	Vt.	(-25.0% of federal income tax-)		
Mass.	(-4.0% of adjusted gross income ^d /)			Va.	2.0-5.0	3,000	5,000
Mich.	(-2.6% of adjusted gross income-)			W. Va.	1.2-5.5	2,000	200,000 ⁱ /
Minn.	1.5-12.0	500	20,000	Wis.	2.7-10.0	1,000	14,000

Source:

Commerce Clearing House. State Tax Guide. New York: the House. Data as of January 1, 1969.

a/ Percent of federal rates effective on December 31, 1963.

b/ A surtax of 2 percent on intangible income over \$5,000.

c/ Filing fee of \$10 required per return.

d/ Tax is 4 percent on earnings from employment, profession, trade, or business; 2 percent on income from annuities; 3 percent on interest and dividends income; 3 percent on capital gains on intangibles.

e/ Less tax credits in each bracket, except the first, from \$5 to \$135.

f/ After computing tax, taxpayers may subtract 5 percent of the tax due.

g/ The tax is applicable only to income derived from New Jersey sources by New York residents and from New York sources by New Jersey residents. New Jersey residents are allowed a credit for income tax paid to New York.

h/ Unincorporated businesses are taxed at a permanent rate of 5.5 percent.

i/ The same progression of rates applies to brackets twice as large in the case of a joint return or a return of a surviving spouse.

another third tax them at relatively low effective rates."^{3/}

In state legislative actions during 1968, three states and the District of Columbia increased personal income tax rates. Mississippi increased the individual income tax rates from 2 percent to 3 percent on the first \$5,000 of taxable income and from 3 percent to 4 percent on the remaining taxable income. New Jersey raised the commuters' income tax rates on individuals with taxable income derived from New Jersey sources in excess of \$17,000 (formerly \$15,000). New York added new personal income brackets for taxable income over \$17,000 as follows: over \$17,000 but not over \$19,000, 11 percent; over \$19,000 but not over \$21,000, 12 percent; over

\$21,000 but not over \$23,000, 13 percent; and over \$23,000, 14 percent. The District of Columbia raised its personal income tax to 2 percent on the first \$1,000 of taxable income, 3 percent on the next \$2,000, 4 percent on the next \$2,000, 5 percent on the next \$5,000, and 6 percent on taxable income over \$10,000. Formerly, the rates ranged from 2.5 percent on the first \$2,000 of taxable income to 5 percent on that exceeding \$10,000. New Mexico eliminated its deduction for federal income taxes. Hawaii, Massachusetts, Oklahoma, and Wisconsin provided credit for taxes paid in other states for income earned in another state.

A few states enacted specific federal provisions. Arkansas adopted the federal law regarding the deduction of medical expenses as in effect on January 1, 1967. California made personal income tax annuity provisions conform to federal law. For Kansas income tax purposes, terms used are defined identically as when used in the Internal Revenue Code as in effect on January 1, 1968. In Missouri,

^{3/} Advisory Commission on Intergovernmental Relations. 1967 State Legislative Program. M-33. Washington, D.C.: the Commission, September 1966, p. 6.

TABLE 12.--STATE INDIVIDUAL INCOME TAX PROVISIONS

State	Personal exemptions and credits			Additional exemptions		Tax is withheld	Federal income tax deductible	Federal income used as state tax base
	Single	Married	Dependents	Aged	Blind			
1	2	3	4	5	6	7	8	9
Alabama	\$1,500	\$3,000	\$300	...	...	X	X	...
Alaska	600	1,200	600	\$600	\$600	X	...	X
Arizona	1,000	2,000	600	1,000	500	X	X	...
Arkansas ^{a/}	17.50	35	6	...	...	X ^{c/}	...	...
California ^{a/}	25	50	8	20 ^{b/}	8	X ^{c/}	...	...
Colorado	750	1,500	750	750	750	X	X ^{d/}	X
Delaware	600	1,200	600	600	600	X	X ^{d/}	...
Georgia	1,500	3,000	600	600	600	X	...	...
Hawaii	600	1,200	600	...	5,000	X	...	X
Idaho ^{e/}	600	1,200	600	600	600	X	X	X
Indiana	1,000	2,000 ^{f/}	500	500	500	X	...	X
Iowa ^{a/}	15	30	10	15	15	X	X	X
Kansas	600	1,200	600	600	600	X	X	X
Kentucky ^{a/}	20	40	20	20	20	X	X	X
Louisiana	2,500	5,000	400	...	1,000	X	X	...
Maryland	800	1,600	800	800	800	X	...	X
Massachusetts ^{g/} ..	2,000	2,600 ^{k/}	600	600	2,000	X	X ^{i/}	...
Michigan	1,200	2,400	1,200	1,200	1,200	X	...	X
Minnesota ^{a/}	19	38	19	20	20 ^{l/}	X	X	X
Mississippi	4,000	6,000	...	...	...	X	...	...
Missouri	1,200	2,400	400	...	...	X	X	X
Montana	600	1,200	600	600	600	X	X	X
Nebraska	600	1,200	600	600	600	X	X	X
New Hampshire ^{k/} ..	600	600	...	...	...	...	...	...
New Jersey ^{l/}	600	1,200	600	600	600	X ^{c/}	...	X
New Mexico	600 ^{m/}	1,200 ^{m/}	600	600	600	X	...	X
New York ^{n/}	600	1,200	600	600	600	X	...	X
North Carolina ...	1,000	2,000	600	...	1,000	X	...	...
North Dakota	600	1,500	600	600	600	X ^{c/}	X	X
Oklahoma	1,000	2,000	500	...	...	X	X	...
Oregon	600	1,200	600	12 ^{o/}	600 ^{a/}	X	X ^{d/}	...
South Carolina ...	800	1,600	800	800	800	X	X ^{d/}	...
Utah	600	1,200	500	200 ^{p/}	1,200	X	X	...
Vermont	600	1,200	600	600	600	X	...	X
Virginia	1,000	2,000	300	600	600	X	...	...
West Virginia ^{q/} ..	600	1,200	600	600	600	X	...	X
Wisconsin	10	20	10	15	...	X	...	X

Source:

Commerce Clearing House. State Tax Guide. New York: the House. Data as of January 1, 1969.

^{a/} Personal exemptions and credits for dependents are allowed in the form of credit against the tax.

^{b/} Maximum credit allowed retired persons; although no age is specified, retired persons may receive a tax credit equal to the tax on retirement income up to \$2,000.

^{c/} Withholding is for nonresidents only.

^{d/} Deductions limited.

^{e/} Idaho also provides for a credit against the tax of \$10 per exemption.

^{f/} Applicable when each spouse earns at least a \$1,000 and a joint return is filed; otherwise, \$1,500.

^{g/} An additional exemption of up to \$2,000 of income from dividends, interest, annuities, and capital gains on intangibles if taxpayer's total income does not exceed \$2,000 or spouses' combined income does not exceed \$2,500.

^{h/} Minimum allowance; if both spouses earn income exceeding \$2,000, personal exemption is \$4,000; for spouse earning less than \$2,000 but more than \$600, personal exemption is the amount of income plus \$2,000 for other spouse.

^{i/} Limited to taxes paid on income taxed by Massachusetts.

^{j/} Rate for single blind persons \$20; \$25 for married blind persons.

^{k/} A \$600 exemption is allowed on each income taxable. New Hampshire has a tax on dividends and interest only.

^{l/} See Table 11, footnote ^{g/} for taxpayers required to file return. Tax credits are also allowed.

^{m/} No tax on income for married taxpayer filing a joint return or individual taxpayer with dependent if net income is \$1,500 or less.

^{n/} Single taxpayer is granted tax credit of \$10; joint return, head of household, or surviving spouse is allowed \$25 tax credit.

^{o/} Tax credits allowed: \$18 for blind taxpayer or spouse and \$12 for taxpayer or spouse if 65 or older.

^{p/} This additional exemption for taxpayers over age 65 will increase to \$400 in 1969 and \$600 thereafter.

^{q/} A credit is allowed for liability of taxpayer under the business and occupation tax and for the transportation privilege tax.

voters approved the provision that income tax may be based on federal income tax law. In West Virginia, amendments to federal laws made prior to January 1, 1968 (instead of November 27, 1964), will be given effect in determining the tax imposed beginning January 1, 1968, and thereafter under the state personal income tax law.

Among the states making revisions in personal income tax provisions was Arkansas which revised requirements for credit for dependents. The \$6 credit is allowed for each individual, other than husband or wife, whose income was less than \$1,750, has not filed a joint return with a spouse, and is dependent upon the taxpayer. California adoption expenses are deductible to the extent that expenses exceed 3 percent of the taxpayer's adjusted gross income. Also, in California, the optional standard deductions were increased; for individual income taxpayers, from \$500 to \$1,000; for heads of households or married couples filing jointly, from \$1,000 to \$2,000. Delaware granted an additional income tax exemption of \$300 per taxable year for head of household. Idaho broadened the \$10 income tax credit for sales tax paid to include a \$10 credit for each personal exemption claimed on the federal income tax return. In Massachusetts, persons 65 or over get full additional \$600 exemption from business income if filing a joint return with spouse. Mississippi decreased the amount of personal exemption for single individuals, from \$5,000 to \$4,000; for married individuals and heads of households, from \$7,000 to \$6,000. Educational expenses in South Carolina are now deductible from gross income for income tax purposes.

Other legislative amendments to state income tax laws in 1968 dealt with reporting requirements, time of payment, and exemptions. The chief provisions of individual income tax laws are given by state in Tables 11 and 12.

Corporation Net Income Taxes

Corporation taxes are now imposed by 40 states. During 1968, no states enacted new corporate income taxes. However, five states and the District of Columbia increased their corporate income tax rates. Rhode Island and Virginia enacted provisions requiring declaration of estimated tax by corporations, and Maryland imposed a new 7 percent franchise tax on financial institutions.

The District of Columbia corporate income tax was increased from 5 percent to 6 percent on foreign and domestic corporations for income derived from sources within the District. The corporation income tax rate in Maryland was increased from 5-1/2 percent to 7 percent, effective January 1, 1968, with proration for fiscal years beginning with 1967 and ending in 1968. Mississippi increased the corporate income tax from 2 percent to 3 percent on the first \$5,000 of a taxable income and from 3 percent to 4 percent on the remaining taxable income with proration for fiscal years beginning in the calendar year 1967. New Jersey raised the corporate net income tax rate from 3-1/4 percent to 4-1/4 percent. Proration will apply if the privilege period covers any period prior to January 1, 1968. The corporation franchise tax rate for New York was increased from 5-1/2 percent to 7 percent and the minimum tax

payment from \$25 to \$100. This tax may be prorated for the fiscal years beginning in 1967 and ending in 1968. Rhode Island repealed the manufacturer's 10 percent business corporation surtax that was to become effective June 30, 1968, but raised the business corporation tax from 6 percent to 7 percent, effective July 1, 1968.

In other legislative actions relating to corporate income taxes, Alaska provided a 10-year tax credit to anyone who establishes, owns, or proposes to establish or own an industrial business. New York revised the business corporation income tax allocation formula to include all sales of tangible personal property shipped to points within the state. Louisiana enacted legislation to tax domestic corporations only on net income from sources within Louisiana, instead of on all net income, effective after December 31, 1968. In 1967, the Tennessee legislature postponed a 7 percent tax on the net income of building and loan associations from July 1, 1970, to July 1, 1971. This postponement still remains valid. Until that time the tax will be based on gross income and levied at a 3 percent rate. As provided by the legislation, the alternate tax methods for the intervening years will be revised as follows: 7 percent of net income or 74 percent (previously 65 percent) of the 3 percent gross income tax for the tax imposed July 1, 1967; 7 percent of net income or 67 percent (previously 56.5 percent) of the gross income tax for the tax imposed July 1, 1968; and 7 percent of net income or 61 percent (previously 50 percent) of the gross income tax for the tax imposed July 1, 1969. The tax to be levied on July 1, 1970, will be imposed at 7 percent of net income or 50 percent of the gross income tax.

Of the 40 states taxing corporate income, only 13 allow the deduction of federal income tax payments, including three which allow such a deduction on a limited basis. Thirty-two states impose the corporate income taxes at a flat rate. Graduated rates, at a range of at least two steps, are in effect in eight states. In seven of the eight states taxing corporations at graduated rates, the highest bracket begins at or below the \$25,000 level; however, in the remaining state (Iowa) the lowest bracket begins at \$25,000 or below and the highest at \$100,000 down to the \$75,000 level. Details of the corporate income tax rates and provisions appear in Table 13.

Local Sales and Income Taxes

The term "piggy-back" tax has frequently been used to denote a supplementary tax which states have permitted cities or counties to levy in addition to the tax levied by the state. Increasingly, the tax has been a broad-based local sales tax or a local income tax. Although not common until the 1950's, the local sales tax had been authorized by 10 states by 1963.^{4/} Local sales taxes are now

^{4/} For further discussion and detail see CEF Report No. 14, State Taxes in 1966, May 1967; and, Colman, William G. "Local Taxation." Address given at the National Conference on Local Government Fiscal Policy, Washington, D.C., November 16-19, 1966. Municipal Finance 39: 99-103; February 1967.

TABLE 13.--STATE CORPORATION NET INCOME TAX PROVISIONS

State	Range of rates	Minimum rate on net income up to:	Maximum rate on net income over:	U.S. income tax deductible	Federal income used as tax base
1	2	3	4	5	6
Alabama	5.0%	All income	...	X	...
Alaska	18.0% of federal income tax ^{a/}	...	...	...	X
Arizona	2.0-8.0	\$1,000	\$6,000	X	...
Arkansas	1.0-5.0	3,000	25,000	...	...
California	7.0 ^{b/}	All income	...	...	...
Colorado	5.0	All income	...	...	X
Connecticut	5.25 ^{c/}	All income	...	...	X
Delaware	5.0	All income	...	...	X
Georgia	5.0	All income	...	...	...
Hawaii	5.85-6.435	25,000	25,000	...	X
Idaho	6.0 ^{d/}	All income	...	...	X
Indiana	2.0	All income	...	...	X
Iowa	4.0-8.0	25,000	100,000	xe/	X
Kansas	4.5	All income	...	xe/	X
Kentucky	5.0-7.0	25,000	25,000	X	X
Louisiana	4.0	All income	...	X	...
Maryland	7.0 ^{f/}	All income	...	...	X
Massachusetts	7.5 ^{g/}	All income	...	...	X
Michigan	5.6	All income	...	...	X
Minnesota	11.33	All income	...	X	...
Mississippi	3.0-4.0	5,000	5,000	...	...
Missouri	2.0	All income	...	X	...
Montana	5.5 ^{h/}	All income	...	...	X
Nebraska	2.0	All income	...	...	X
New Jersey	4.25	All income	...	...	X
New Mexico	3.0	All income	...	X	X
New York	7.0 ^{i/}	All income	...	...	X
North Carolina	6.0	All income	...	...	X
North Dakota	3.0-6.0	3,000	15,000	X	X
Oklahoma	4.0	All income	...	X	...
Oregon	6.0 ^{j/}	All income	...	...	...
Pennsylvania	7.5	All income	...	...	X
Rhode Island	7.0 ^{k/}	All income	...	...	X
South Carolina	5.0	All income	...	...	...
Tennessee	5.0	All income	...	...	...
Utah	6.0 ^{l/}	All income	...	...	...
Vermont	5.0 ^{m/}	All income	...	X	...
Virginia	5.0	All income	...	...	X
West Virginia	6.0	All income	...	...	...
Wisconsin	2.0-7.0	1,000	6,000	xe/	...

Source:

Commerce Clearing House. State Tax Guide. New York: the House. Data as of January 1, 1969.

a/ Percent of federal rate in effect December 31, 1963. Tax rate amounts to 5.4 percent on income under \$25,000 and 9.36 percent on income over \$25,000.

b/ Minimum tax is \$100.

c/ When tax yield would be greater, tax is 2-5/8 mills per dollar of capital stock, surplus, and indebtedness. Minimum tax is \$30.

d/ Additional \$10 tax for each corporation filing return.

e/ Deductions limited.

f/ Domestic corporations are allowed credit for franchise tax payments in excess of \$25.

g/ Corporations are required to pay a tax equal to the greater of the following: (1) \$7.00 per \$1,000 per value of tangible property not taxed locally or net worth allocated to Massachusetts, plus 7.50 percent of net income; or (2) minimum of \$100, whichever is greater.

h/ Minimum tax is \$10.

i/ Or a tax on three alternative bases whichever produces the greatest tax: (1) 1 mill per dollar of capital allocated to New York; except 1/4 mill per dollar for cooperative housing corporations and limited-profit housing corporations and limited-profit housing companies; (2) a formula used on a stated portion (5-1/2 percent of 30 percent) of net income plus compensation of officers and stockholders with a certain percentage of stock; or (3) \$100. There is an additional tax of 1/2 mill per dollar of subsidiary capital.

j/ Financial institutions are taxed at 8 percent. Minimum tax is \$10.

k/ Or 40 cents on each \$100 of corporate excess if tax yield is greater.

l/ Or a tax of not less than 1/20 of 1 percent of the fair value of tangible property in the state, whichever is greater. Minimum tax is \$10.

m/ Subject to reduction if there is sufficient surplus in the General Fund. Minimum tax is \$25.

TABLE 14.--RANKING OF POPULATION, INCOME, AND TAX REVENUE

State	Total population ^{a/}		Personal income, 1967 ^{b/}			Total state tax revenue, 1968			Total state tax revenue, 1968, as a percent of personal income, 1967	
	July 1, 1968 ^{c/} (millions)	Ranking	Amount (millions)	Per capita	Ranking (per capita)	Amount ^{d/} (millions)	Per capita ^{e/}	Ranking (per capita)	Percent	Ranking
1	2	3	4	5	6	7	8	9	10	11
50 states	199,052 ^{e/}	...	\$621,732	\$3,155	...	\$36,414	\$182.94	...	5.9%	...
Alabama	3,566	21	7,656	2,163	48	532	149.09	40	6.9	17
Alaska	277	50	1,017	3,738	4	60	218.06	9	5.9	29
Arizona	1,670	34	4,444	2,720	33	316	189.17	18	7.1	15
Arkansas	2,012	31	4,130	2,099	49	290	143.96	42	7.0	16
California ...	19,221	1	70,204	3,665	6	4,663	242.62	5	6.6	19
Colorado	2,048	30	6,191	3,135	19	361	176.39	23	5.8	31
Connecticut ..	2,959	24	11,609	3,969	1	500	168.92	27	4.3	46
Delaware	534	46	1,905	3,642	7	145	271.14	2	7.6	5
Florida	6,160	9	17,101	2,853	28	973	157.98	33	5.7	33
Georgia	4,588	15	11,458	2,541	39	737	160.68	31	6.4	25
Hawaii	778	40	2,415	3,331	13	243	311.90	1	10.1	1
Idaho	705	41	1,800	2,575	38	137	194.03	16	7.6	5
Illinois	10,974	4	40,850	3,750	3	1,731	157.70	35	4.2	47
Indiana	5,067	12	15,980	3,196	16	819	161.66	30	5.1	40
Iowa	2,748	25	8,558	3,109	21	502	182.84	19	5.9	29
Kansas	2,303	29	6,961	3,060	24	357	155.03	36	5.1	40
Kentucky	3,229	23	7,737	2,426	44	509	157.73	34	6.6	19
Louisiana	3,732	19	8,995	2,456	42	740	198.40	15	8.2	3
Maine	979	38	2,585	2,657	34	146	149.28	39	5.7	33
Maryland	3,757	18	12,595	3,421	11	771	205.31	14	6.1	28
Massachusetts.	5,437	10	19,197	3,541	9	1,033	190.06	17	5.4	36
Michigan	8,740	7	29,151	3,396	12	1,886	215.75	11	6.5	21
Minnesota	3,646	20	11,162	3,116	20	815	223.57	8	7.3	10
Mississippi ..	2,342	28	4,453	1,896	50	323	137.71	44	7.2	13
Missouri	4,627	13	13,775	2,993	27	657	141.99	43	4.8	43
Montana	693	43	1,939	2,765	31	105	151.48	38	5.4	36
Nebraska	1,437	35	4,422	3,081	22	194	134.99	45	4.4	45
Nevada	453	47	1,591	3,583	8	104	228.54	7	6.5	21
New Hampshire.	702	42	2,094	3,053	25	75	107.21	50	3.6	50
New Jersey ...	7,078	8	25,686	3,668	5	954	134.78	46	3.7	49
New Mexico ...	1,015	37	2,484	2,477	41	217	213.93	12	8.7	2
New York	18,113	2	68,916	3,759	2	4,447	245.52	4	6.5	21
North Carolina	5,135	11	12,267	2,439	43	900	175.30	24	7.3	10
North Dakota .	625	45	1,589	2,487	40	101	162.33	28	6.4	25
Ohio	10,591	6	33,605	3,213	15	1,370	129.38	49	4.1	48
Oklahoma	2,518	27	6,594	2,643	35	428	169.78	26	6.5	21
Oregon	2,008	32	6,122	3,063	23	325	161.75	29	5.3	39
Pennsylvania .	11,712	3	37,065	3,187	17	2,004	171.07	25	5.4	36
Rhode Island .	913	39	2,995	3,328	14	167	182.53	20	5.6	35
South Carolina	2,692	26	5,752	2,213	47	412	153.19	37	7.2	13
South Dakota .	657	44	1,745	2,590	37	88	133.75	47	5.0	42
Tennessee	3,976	17	9,316	2,394	45	577	145.20	41	6.2	27
Texas	10,972	5	29,822	2,744	32	1,438	131.06	48	4.8	43
Utah	1,034	36	2,667	2,604	36	184	177.48	22	6.9	17
Vermont	422	48	1,178	2,825	29	88	208.94	13	7.5	8
Virginia	4,597	14	12,719	2,804	30	732	159.16	32	5.8	31
Washington ...	3,276	22	10,871	3,521	10	879	268.21	3	8.1	4
West Virginia.	1,805	33	4,197	2,334	46	321	177.60	21	7.6	5
Wisconsin	4,213	16	13,220	3,156	18	991	235.12	6	7.5	8
Wyoming	315	49	946	3,002	26	69	218.00	10	7.3	10

Sources:

U.S. Department of Commerce, Bureau of the Census. State Tax Collections in 1968. Series GF68-No. 1. Washington, D.C.: U.S. Government Printing Office, December 1968. p. 6, 10. Current Population Reports. Series P-25, No. 403. Washington, D.C.: U.S. Government Printing Office, September 19, 1968. U.S. Department of Commerce, Office of Business Economics. Survey of Current Business. August 1968.

a/ Excluding armed forces overseas.

b/ Personal income is for the calendar year.

c/ Based on estimates of population as of July 1, 1968.

d/ Data for 1968 are preliminary.

e/ Figure excludes District of Columbia which has a population of 809,000.

TABLE 15.--RELATION OF SELECTED ITEMS OF STATE AND LOCAL GOVERNMENT FINANCE
TO PERSONAL INCOME, BY STATE: 1957

State	General revenue from own sources			General expenditure on local education			Property tax revenue		
	Amount per \$1,000 of income	Effort rela- tive ^a /	Rank	Amount per \$1,000 of income	Expendi- ture rela- tive ^a /	Rank	Amount per \$1,000 of income	Effort rela- tive ^a /	Rank
1	2	3	4	5	6	7	8	9	10
50 states and D.C.	\$131.13	100	...	\$48.35	100	...	\$45.27	100	...
Alabama	126.01	96	34	51.50	107	18	15.65	37	51
Alaska	153.85	117	11	72.54	150	2	25.64	56	46
Arizona	161.69	123	4	59.95	124	8	57.46	126	9
Arkansas	126.77	97	31	46.23	96	37	25.65	56	45
California	149.21	114	15	53.01	110	14	63.53	140	4
Colorado	155.61	119	10	54.07	112	12	55.92	123	10
Connecticut	107.76	82	48	39.72	82	47	47.10	104	21
Delaware	135.54	103	26	44.17	91	41	19.47	43	50
District of Columbia ..	98.82	75	51	36.66	76	51	29.23	64	38
Florida	142.51	109	23	47.91	99	33	44.02	97	27
Georgia	126.59	97	33	49.21	102	29	29.33	65	37
Hawaii	161.66	123	5	55.11	114	11	27.43	60	41
Idaho	157.44	120	6	51.76	107	15	44.26	97	26
Illinois	102.16	78	50	36.83	76	50	41.62	92	31
Indiana	125.80	96	35	50.15	104	21	51.34	113	18
Iowa	136.96	104	25	48.71	101	31	54.29	119	13
Kansas	137.80	105	24	49.07	101	30	55.11	121	11
Kentucky	127.19	97	30	44.92	93	39	25.56	56	47
Louisiana	155.66	119	9	58.33	121	9	23.35	51	48
Maine	128.48	98	28	47.20	98	35	52.35	115	15
Maryland	125.42	96	36	50.00	103	23	43.56	96	28
Massachusetts	128.94	98	27	39.13	81	49	58.44	129	7
Michigan	126.69	97	32	50.42	104	19	44.89	99	23
Minnesota	156.84	120	7	62.17	129	6	62.16	137	6
Mississippi	150.39	115	13	50.11	104	22	30.73	68	36
Missouri	115.90	88	42	44.88	93	40	37.38	82	32
Montana	146.69	112	17	53.24	110	13	63.61	140	3
Nebraska	122.48	93	38	42.56	88	43	67.17	148	2
Nevada	149.60	114	14	48.01	99	32	44.69	98	24
New Hampshire	112.52	89	46	42.85	89	42	57.97	128	8
New Jersey	110.78	84	47	40.46	84	46	52.85	116	14
New Mexico	168.41	128	3	77.17	160	1	27.20	60	42
New York	156.81	120	8	50.33	104	20	51.68	114	17
North Carolina	123.66	94	37	49.98	103	24	26.04	57	44
North Dakota	180.55	138	2	67.19	139	5	54.77	120	12
Ohio	105.47	80	49	42.21	87	44	42.46	93	29
Oklahoma	142.93	109	21	49.80	103	25	36.07	79	33
Oregon	145.33	111	18	58.01	120	10	51.75	114	16
Pennsylvania	113.22	86	45	47.26	98	34	32.64	72	35
Rhode Island	114.64	87	44	39.92	83	47	44.45	98	25
South Carolina	122.33	93	39	49.59	103	26	20.69	46	49
South Dakota	152.59	116	12	62.14	129	7	63.35	139	5
Tennessee	121.76	93	40	46.66	97	36	28.46	63	40
Texas	120.02	92	41	51.64	107	16	41.74	92	30
Utah	149.12	114	16	71.53	148	3	47.13	104	20
Vermont	142.78	109	22	41.67	86	45	45.50	100	22
Virginia	115.43	88	43	49.41	102	27	28.91	64	39
Washington	144.89	110	19	49.39	102	28	34.71	76	34
West Virginia	127.91	98	29	51.54	107	17	27.16	60	43
Wisconsin	143.80	110	20	46.08	95	38	48.43	107	9
Wyoming	181.68	139	1	70.97	147	4	74.54	164	1

Source:

U.S. Department of Commerce, Bureau of the Census.
Governmental Finances in 1966-67. Series GF67-No. 3.
Washington, D.C.: U.S. Government Printing Office,

November 1968. p. 50.

a/ Effort relative computed by dividing a
state's revenue or expenditures per \$1,000 of
income by the national average.

permitted in 19 states; in 13 of the 19 states, the taxes are the piggy-back taxes administered by the state. Some states, however, have in the past permitted the localities to administer the local sales tax themselves, or to choose state administration.

The Advisory Commission on Intergovernmental Relations, according to its Executive Director, William G. Colman, has advised that states be cautious about extending nonproperty taxing powers to localities. The primary reasons, as stated by Colman, are that (a) nonproperty taxes may be unsuitable for small communities which may lack the facilities needed for their administration; (b) such taxes may have yields insufficient to provide a suitable ratio between labor and other administrative costs as related to yield; and (c) the local taxes "may adversely affect the community's economic position relative to its neighbors, particularly when it is one or many small interdependent units clustered within a large urban complex."^{5/} Consequently, only large taxing areas may be capable of effectively administering the taxes and thus able to justify their adoptions, according to the Advisory Commission on Intergovernmental Relations.

In spite of the factors that inhibit local sales and income tax adoptions, however, the expansion of such taxes continued in 1968 as it had in 1967. County transient rooms taxes were authorized in Kentucky for counties containing cities, effective June 13, 1968. This tax is not to exceed 3 percent of the rent charged for rooms by motor courts, hotels, motels, and similar accommodations. Missouri authorized counties of the first class having a charter form of government to levy

a license tax not to exceed 5 percent on gross receipts of public utilities, from business within unincorporated areas of the country; to levy license taxes on motor vehicles owned by persons residing in areas outside incorporated cities; and to impose a cigarette tax not to exceed 5¢ per pack. New Mexico authorized the board of county commissioners to levy a county sales tax not to exceed 1/4 of 1 percent of gross receipts of all retail businesses and services within the county in addition to the gross receipts tax already in effect. Any ordinance imposing the tax must be submitted to voters of the county for approval. The tax may not be levied for more than five years from the effective date of the imposing ordinance.

Virginia authorized cities and counties to levy 1 percent use taxes. Local use taxes were not imposed before July 1, 1968. This 1 percent use tax is in addition to the 3 percent local sales tax.

In other legislative actions during 1968, rates of existing local taxes were increased in several instances or the coverage was changed. In Louisiana, the sales and use tax that municipalities are authorized to impose cannot be in excess of 1 percent, and must conform to all proceedings and elections required. Tennessee authorized an increase in the local sales tax rates for counties and incorporated cities and towns, effective June 1, 1968. These sales and use taxes are to be levied on the same privileges as the state tax at rates not to exceed one-half (formerly one-third) of the prescribed state rates, provided that the tax levied may not exceed \$5 per single article if the tax does not exceed one-third of the state rates, or \$7.50 if the tax exceeds one-third of the state rates. Wyoming voters repealed a \$2 poll tax on November 5, 1968, which had been used for county school purposes.

^{5/} Colman, William, G., op. cit., p. 102.

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