

## PUBLIC REVENUE AND EXPENDITURES IN THE UNITED STATES

There are no exact compilations showing the aggregate taxes levied or expenditures for public purposes in the United States. The federal census reports are the most complete, but the figures are not exact. And as they are compiled primarily from an accounting standpoint, the aggregate totals do not show correctly the tax burden.

The latest census report is for the year 1913 and gives the aggregate of "governmental cost payments" for that year as \$2,966,970,493. The census figures for these payments by the national, state, and local governments, and the per capita amounts, are given herewith as table 1.

TABLE I  
Aggregate of governmental cost payments, 1913.

		per capita
National government.....	\$ 952,600,857.....	\$ 9.81
State governments.....	382,551,199.....	3.95
Counties .....	385,181,760.....	4.49
Incorporated places (2,500 pop. and over)	1,246,636,677.....	27.29
Total .....	\$2,966,970,493.....	\$30.56

The totals in this table are misleading in several respects. They include some \$78,000,000 of subventions, which are taxes collected by one governmental division and given over to and paid out by another. They include \$332,000,000 expenses for public service enterprises, which are not a burden upon the taxpayers. They include also receipts from bond issues. On the other hand, however, the total given for local governments includes only those of 2,500 population and over, while the omitted smaller political divisions contain more than one-half the total population. On the basis of the census estimates of 1902, and the 1913 reports of *ad valorem* taxes, the total revenue of these omitted minor subdivisions is probably \$300,000,000. This sum will largely offset the deductions which should be made from the totals, and therefore the figures given in table 1 are sufficiently correct to show the approximate cost of government.

Table II is based upon the census returns and shows the public revenues for 1913, excluding the money received from bond issues, deducting subven-

tions and grants, and including only the profits from public service enterprises. The latter are mainly, the post office for the national government, and water works and lighting plants for municipalities. It is the common practice to include all of the receipts from these enterprises as revenues and their cost as expenses. Obviously, the cost is paid by the consumer of the particular service and is not a burden on the general body of taxpayers; therefore only the profits should be classed as revenue.

TABLE II  
Public Revenues, 1913.

National government.....	\$ 682,892,706
State governments.....	367,139,779
County governments.....	346,585,940
Localities, 2,500 and over.....	932,032,708
Localities, under 2,500 (est.).....	300,000,000
Total.....	<u>\$2,628,651,133</u>

#### SOURCES OF PUBLIC REVENUE

Until recent years, the receipts of the federal government were chiefly from customs duties and the internal taxes on liquor and tobacco. In 1909, an income tax on corporations was enacted, and, after the ratification of the income tax constitutional amendment, it was extended in 1913 to apply to individuals. In order, therefore, to show the present incidence of federal taxation, table III gives the federal receipts for 1915, as given in the *Statistical Abstract* issued by the Department of Commerce.

TABLE III  
Receipts of the Federal Government for fiscal year ending June 30, 1915,  
excluding postal revenues.

<sup>1</sup> Customs revenue (duties on imports).....	\$209,786,672
Liquor taxes (domestic).....	217,922,673
Tobacco taxes (domestic).....	77,470,757
<sup>2</sup> Stamp tax (on documents).....	23,455,965
Special taxes (on occupations).....	14,281,074
Income tax.....	80,201,759
Tax on national banks.....	3,908,607
Taxes, District of Columbia.....	8,748,522
Miscellaneous receipts.....	51,110,063
Total.....	<u>\$686,886,092</u>

<sup>1</sup>For the ten years 1905-1914 (prior to the European war), the customs revenues averaged \$295,000,000 annually.

<sup>2</sup>Enacted October 22, 1913; repealed September 9, 1916.

The new revenue act of 1916, effective September 9, increased the "normal" income tax rates from 1 to 2 per cent. and the surtax rates on incomes over \$20,000. The changes are expected to yield \$110,000,000 additional revenue annually.

The act also established a federal inheritance tax on estates over \$50,000, graded from 1 to 10 per cent. This tax is expected to yield \$50,000,000 annually.<sup>1</sup>

A franchise tax on corporations for the privilege of doing business, of 50 cents per \$1,000 of capital over \$99,000, was also enacted. On the basis of the income tax returns, this new tax will probably yield \$30,000,000 to \$40,000,000.

In table II the totals of public revenues have been shown separately for states, counties, and local governments. It is impracticable, however, to separate these totals to show the various classes of taxes received by each of these governmental divisions. The laws of the forty-eight States vary largely; in many States the State and county revenue is raised almost altogether from the same classes of property that contribute to local revenue. Some States have a complete separation policy, by which the State revenues come from sources that do not contribute locally, and vice versa.

Table IV therefore shows only the aggregate of both State and local revenues derived from various kinds of taxes, as given in the census.

TABLE IV

## State and Local Revenues, 1913.

<sup>2</sup> Real estate taxes.....	\$1,012,380,776
<sup>2</sup> Personal property taxes.....	337,460,262
Special assessments for benefits.....	113,218,693
Liquor licenses.....	79,517,989
Business taxes, including gross earnings.....	61,802,510
Special property taxes, (corporations, securities, etc.)	57,490,566
Taxes on inheritances.....	26,470,964
Taxes on insurance.....	17,554,971
Highway privileges.....	13,693,161
Poll taxes.....	13,412,527
Profits from public service enterprises.....	55,985,109
Miscellaneous.....	156,770,899
Total.....	\$1,945,758,427

<sup>1</sup>The rates were increased 50%, to range from 1½ to 15 percent., by act of March 3rd, 1917, which also imposed a tax of 8 percent. on all profits of corporations above 8 percent. on capital invested.

In May, 1917, Congress authorized the issue of \$5,000,000,000 bonds for war expenses, and \$2,000,000,000 short term notes in anticipation of taxes. It is impossible of course to deal here with the extraordinary war expenditures or the taxes that may be levied to meet them.

<sup>2</sup>The census does not show separately the receipts from real estate and personal property taxes. They are apportioned here on the basis of the census totals of the assessed valuations of these two classes of property.

The main item of revenue is the tax on real estate. As many States do not separate land and improvements in the assessment, figures for the relative burden on land and buildings cannot be given. It is probable, however, that of the one billion dollars of real estate taxes, between six and seven hundred million dollars come from land values. The special assessments for benefits are in the nature of a real estate tax, being the charge for public improvements which is levied directly against the owners of adjacent land.

The next largest item in the table is for personal property taxes, this heading covering the ordinary *ad valorem* assessment. This total, however, includes a large revenue from public service corporations. Some states assess all the property of such corporations (including real estate) as "personal property;" some States assess their franchises (or the value in excess of the tangible property) as personal property. On the other hand, the items of business taxes, special property taxes, and taxes on insurance, include many special taxes which are levied in lieu of the ordinary personal property tax.

About 80 per cent. of county and local taxes are levied *ad valorem* on real and personal property (the general property tax). The larger part of the other forms of taxes go to the state governments. School taxes levied *ad valorem* aggregate \$486,000,000.

There is no compilation of the total taxes on public service corporations. The steam railroads report to the Interstate Commerce Commission a total tax payment of \$136,000,000.

#### PUBLIC DEBT

The census report shows a net increase of State and local indebtedness in 1913 of \$264,392,937. The total public indebtedness is given as follows:

TABLE V.

#### Public Debt, Less Sinking Funds, 1913.

National government.....	\$1,028,564,055
States, funded debt.....	326,512,349
States, floating debt.....	19,429,956
Local, including county, funded debt.....	3,005,802,821
Local, floating debt.....	470,151,532
<b>Total.....</b>	<b>\$4,850,460,713</b>
Net funded debt.....	\$4,360,879,225
Per capita.....	45

The item of floating debt is chiefly money borrowed on short time notes in anticipation of the collection of taxes for the current year.

The net funded debt of the City of New York for 1913 was \$792,519,705.

being more than one-fourth the total local debt reported. In 1915 this had increased to \$945,000,000, of which about \$300,000,000 is self sustaining, being invested in revenue producing property, water supply, docks and rapid transit.

The total investment of all localities in public service enterprises is reported as \$1,507,133,398, of which probably the larger part is revenue producing. Probably also most of these enterprises have been paid for by bond issues, which to the extent of the earnings are not a burden on general revenues. The profit reported from local public service enterprises (table IV), \$55,985,109, is less than 4% on the investment. But owing to the wide divergence in local accounting, and the absence of information as to the portion of the investment represented by bonds, no analysis can be made of these figures.—A. C. P.