

The news in this publication is released for the press on receipt.

THE UNIVERSITY OF NORTH CAROLINA NEWS LETTER

Published Weekly by the
University of North Carolina
for the University Extension Division.

JULY 8, 1925

CHAPEL HILL, N. C.
THE UNIVERSITY OF NORTH CAROLINA PRESS

VOL. XI, NO. 34

Editorial Board: E. C. Branson, S. H. Hobbs, Jr., L. R. Wilson, E. W. Knight, D. D. Carroll, J. B. Bullitt, H. W. Odum. Entered as second-class matter November 14, 1914, at the Postoffice at Chapel Hill, N. C., under the act of August 24, 1912.

PROGRAM FOR TAX STUDY CLUBS

II. KINDS OF TAXES

A. Outline

A-1. Direct Taxes:

Those which are actually borne by the person upon whom they are imposed. Taxes on buildings, lands, incomes, etc.

2. Indirect Taxes:

Those which can be shifted from the person who pays them to other persons, and are therefore indirectly paid by the people generally. Excises and customs are indirect taxes. Excises are taxes on commodities produced in the United States, such as the stamp tax on tobacco, playing cards, drugs, chewing gum, etc. Customs, or tariff duties, are taxes on commodities imported from foreign countries.

3. Proportional Taxes:

When the tax is collected on a fixed percentage basis, regardless of the total value of the property or income.

4. Progressive or Graduated Taxes:

When the percentage rate increases in accordance with the value of the property, or amount of the income.

B-1. State Taxes:

Income Tax, schedule D.
Inheritance Tax, schedule A.
Business Taxes, schedule B.
Franchise and License Taxes, schedule C.
Motor Car License Tax, tax on gasoline, and other sources of revenue.

2. County Taxes:

General Property Tax.
Poll Tax.
Dog Tax.
Business Taxes, schedule B.
Franchise and License Taxes, schedule C.

3. Additional County Revenues:

Fees, fines and forfeitures.
Allotment from State Equalization Fund, in most counties.

4. Additional Revenues of Municipalities:

Sale of franchises.
Water rents.
Earnings of public utilities.
Permits.
Special assessments.
Fines and forfeitures.

B. Explanation

For the most part the above tax club study outline is self-explanatory. The federal, state, and local governments must all raise revenue without tapping the same sources too much, without putting too great a burden on any one class of taxpayers, and without exciting undue opposition. It might be desirable if each could have its own sources, and exclusive use thereof. This hardly seems possible for the present, however. The federal government and some state governments depend on the income tax as the largest single source of revenue. There is a strong feeling that the federal government ought to relinquish the inheritance tax and leave that source exclusively to the states. Three states—North Carolina, California, and Pennsylvania—have, temporarily at least, ceded exclusive use of the general property tax to the local governments.

Taxes may be classified as direct or indirect, depending on the manner of payment. The indirect tax is a tax in disguise, or a means by which to "pluck the goose (taxpayer) with the least amount of squawking." The federal government collects both customs duties and excise duties in this manner. In the case of a customs duty it is paid by the importer who charges the wholesaler enough extra to reimburse himself, and the wholesaler and retailer do likewise, so that the ultimate consumer pays the tax. In the case of an excise the manufacturer pays the government and he passes it on in the same way. Indirect taxes cause less remonstrance than direct taxes but are usually more burdensome in the end.

Direct taxes may be either proportional or graduated. The property tax is a proportional tax because the tax bears a direct ratio to the value of the property. That is, a man who lists \$10,000 worth of property will pay twice as much tax as a man who lists \$5,000. A proportional tax, at first thought, seems just, but it is not strictly in accordance with "ability to pay." It is

not alone what one pays that determines the burdensomeness of a tax but what he has left. It is a greater hardship for a man with an income of \$1,000 to pay a tax of 2 percent than for a man with an income of \$100,000 to pay 20 percent. The purpose of a graduated tax is to raise a given amount of revenue with the least amount of hardship; consequently a heavy tax is put on luxuries, a lighter one on comforts, and still less on the necessities of life. Of course, it is possible to put the rate so high that it destroys the source of income or, in other words, to "kill the goose that lays the golden eggs."

A subsequent outline will be devoted to State taxes so it is only necessary to list them here.

As the county is the main subject of our study, county taxes will claim our attention for the next eight weeks. They are listed here simply to distinguish them from State taxes.

If this outline is being used for a study of municipal taxation, it will be necessary to give attention to several sources of revenue that a county does not have. The outline calls attention to some of them.

C. Questions

Which is more easily borne, a direct tax or an indirect tax?

Which costs the taxpayer more for the amount of revenue yielded?

Which is fairer, a proportional or a progressive tax?

How high should the largest incomes be taxed?

Suppose for every income of \$100,000 there are 100 incomes of \$2,000 each. If \$36,000 has to be raised by taxation, which would be fairer—to tax the one large income 32 percent and the others 2 percent or to tax all alike at 12 percent?

When, if ever, should inheritances be exempt from taxation?

Should inheritances be subject to both a state and a federal tax?

Is the protective tariff an economic source of revenue?

What is meant by the "single tax"?

What is meant by a "progressive land tax"?

What do you think of the general property tax?

Should all property be taxed alike?

Can you suggest any satisfactory substitute for the general property tax?

Can you suggest any new sources of taxation for the State? the County? the City?

Does your county get an allotment from the State Equalization Fund? If so, how much? Why that much?

What is a "pauper county"?

What privilege or license taxes does your county levy?

Should everyone pay taxes? Does everyone?

Should anyone be permitted to vote that has not paid his taxes?

D. Sources of Information

Hughes, Community Civics. Allyn and Bacon, Boston, 1917. pp. 290-291; 300-302. (Any good Civics textbook may be substituted.)

Magruder, American Government. Allyn and Bacon, Boston, 1917. pp. 387-392.

North Carolina Revenue and Machinery Act, 1925.

North Carolina Public Laws, 1921. Chap. 2, sections 28-32.

The last report of the State Commissioner of Revenue.—Paul W. Wager.

STUDY TAX PROBLEMS

During the last two years the most popular subject for club programs throughout the state has been North Carolina history. This fact is a source of gratification to those who are watching the trend of club women's thought, signifying, as it does, not only the interest of club women in the history and traditions of their state, but a wholesome desire on their part to base their services to the state on an intelligent and a sympathetic understanding of her past.

With this knowledge of our state's history as a background, I believe it would be a splendid thing to follow up these programs with a study of present-day issues.

Anticipating our needs, as is its custom, the University Extension Division is planning a series of articles on

AMERICA

Before people had any heart-filling sense that America was beautiful, she was recognized under many other aspects. For the Spanish explorers she was El Dorado, rich in gold, jewels, and spices. She was Christ's Kingdom for the Pilgrims. For the Adamases, for Washington, she was Republican Rome restored, and stocked with Plutarchian heroes. For English and French Revolutionists at the end of the eighteenth century, she was Utopia, Arcady, and the Garden of Eden. For one chorus she is the land of the free and the home of the brave. For another, she is the land of slaves and yokels and Babbitts. America refuses to be put; she is constantly being discovered and lost again.—Stuart P. Sherman, panegyrist of American traditions.

taxation. These articles are appearing in the University News Letter, and I sincerely trust that all club women will give them earnest study.

No question is of more vital importance nor of such general interest as that of taxes, both state and local. The uninformed taxpayer pays most grudgingly and at the same time makes the most demands on his government, while the citizen who has a patriotic interest in his duty as a taxpayer develops a high regard for his government's interests.

Let us take advantage of this opportunity of informing ourselves on a subject that so vitally concerns the welfare of our government and ourselves.—Mrs. E. L. McKee, President North Carolina Federation of Women's Clubs.

I. INTRODUCTION

Beginning with the next issue, the News Letter will print a series of brief articles on how electric power may be made to serve the rural community and individual rural home. The use of electricity on the farm has not been adopted in rural areas in North Carolina to anything like the extent it has in middle and far western states. It is hoped that this series of articles will point out to rural inhabitants of this state practical methods whereby the great benefits of electric power so generally available to city dwellers may be equally serviceable to them.

The articles will begin by describing how electricity is generated either by falling water or by steam, and the different economic conditions underlying generation and transmission of electricity by the larger power companies as compared with small community or individual generating plants. The various factors of stream flow, dam site, fall, storage, and character of use of power as affecting small power plants will be described in non-technical language. The different kinds of small water power developments suitable for use in this state will be described and some ideas of cost given. The methods of storing power by storage batteries, and the possibilities of auxiliary steam used and fuel oil engines will be outlined. It is hoped in these earlier articles to give the ordinary non-technical person an idea of the economic conditions underlying small power developments, to indicate when they can be profitably undertaken, and where they are likely to be failures. North Carolina is dotted with abandoned small water and steam power plants which were badly conceived, and the failure of which has served to hinder the development of many small water powers which might be helping to relieve rural life of many of its drawbacks.

In later articles there will be outlined the practical methods for utilizing electricity on the farm, including a description of electrical machinery and appliances and the methods under which rural power lines may be built and maintained. In order that one may thoroughly comprehend the subject of rural electrification as it is developed in these articles, it will be very desirable either to read each article as it appears, or to keep the entire series and read the articles together.—Thorndike Saville.

COST OF STATE GOVERNMENTS

STATE GOVERNMENT COST

North Carolina, on a per inhabitant basis, ranks fortieth among the states in the cost of state government, or so in 1923. The table which appears elsewhere, based on data recently released by the federal Bureau of the Census, ranks the states according to total expenditure for all current state governmental cost purposes on a per inhabitant basis. The table covers every current expense for every purpose whatsoever for each state for the fiscal year ending in 1923. It does not include expenditures for permanent improvements, which are not properly a current charge; but interest on bonded debt and borrowed funds is included.

Expenses of general departments for the year 1923 amounted to \$13,687,789. This amount covers the cost of general government; protection to person and property; development and conservation of natural resources; health and sanitation; highways (not outlays for highways); charities, hospitals, and corrections, education, recreation, and other miscellaneous expenditures.

Interest on borrowed moneys amounted to \$1,853,547, and expenses of public service enterprises amounted to \$30,449, making a total expenditure for current purposes of \$15,571,785, or \$5.85 for every inhabitant in the state. And on a per inhabitant basis only eight states, all southern except one, ranked below North Carolina.

For outlay purposes, North Carolina spent \$27,830,140, but it is not proper to charge this amount against the cost of government for the year 1923 since the funds come from bond issues which will be repaid over a long period of time. The cost of carrying the debt is a proper current charge, and is included in the table. The table appearing in Volume X, No. 11, of the News Letter, showing the cost of state governments for 1922 includes expenditures for outlay purposes and is not comparable with the accompanying table.

Nevada First

On a per inhabitant basis Nevada ranks first in the cost of state government, the amount being \$24.22, or more than four times the average for North Carolina. As a rule the Far Western and New England states spend largest sums per inhabitant on their state governments. However, there are many exceptions to the rule.

The state government of Arkansas cost \$3.90 per inhabitant, the smallest

amount for any state. Almost all the Southern states fall into a group at the end of the table.

Six Southern States Ahead

A rather interesting point in connection with the table is that there are six southern states in which state government cost more per inhabitant than in North Carolina. These states are Virginia \$8.93, Texas \$7.71, Louisiana \$7.63, West Virginia \$7.18, Florida \$6.96, and Mississippi \$5.95. It is generally conceded that North Carolina is doing more to develop herself than any other southern state, yet for current purposes the state governments of nearly half of the southern states are more expensive than North Carolina's. Either we are getting our money's worth, or we are not doing as much as we have received credit for.

The Cost Increases

The cost of state government is steadily increasing, and naturally so since we have so vastly expanded the functions and activities of our government. In 1918 only one state spent less per inhabitant on state government than North Carolina, while in 1920 we ranked last of all the states. Due to our vast expansion in functions and expenditures for outlay purposes following 1921, the cost has materially increased, yet there seems to be no immediate need for alarm since 39 states still spend more per inhabitant than North Carolina, or so in 1923, and those familiar with our state finances know that the cost has not increased much since 1923.

Getting Value Received

The average cost of state government for the forty-eight states of the Union for all current purposes in 1923 was \$3.64, or about 48 percent above the average for North Carolina.

There are fourteen states in which the state government cost from two to four times as much as in North Carolina.

In four of the eight states that fall below North Carolina, state governments are almost as expensive as in this state.

In four state-supported lines of work North Carolina leads all states of the South, and stands well up among the states of the Union,—state highways, public health, education, and public welfare.

Keeping in mind what the state of North Carolina is doing along constructive lines, it is rather gratifying to note that our state government is still relatively cheap, compared with other states.—S. H. H., Jr.

COST OF STATE GOVERNMENTS

Per Inhabitant for the Year 1923

The following table, based on Financial Statistics of State Governments for 1923, shows the per inhabitant cost of each state government for all current governmental cost purposes, for the year 1923. The table does not include expenditures for permanent improvements where the money came from bond issues, but it does include interest on bonded debt, and all governmental cost payments of every sort as: General government; protection to person and property; development and conservation of natural resources; health and sanitation; highways (not outlay payments); charities, hospitals, and corrections; education; recreation; and miscellaneous. In other words, every current governmental expense is covered in the table.

For all current purposes the State government of Nevada cost \$24.22 per inhabitant, while Arkansas averaged \$3.97. The average for North Carolina was \$5.85 and our rank was fortieth among the states.

The average expenditure for all the states for all current governmental purposes was \$3.64, or nearly 48 percent above the average for North Carolina.

S. H. Hobbs, Jr.,

Department of Rural Social Economics, University of North Carolina

Rank	States	Cost Per Inhabitant	Rank	States	Cost Per Inhabitant
1	Nevada	\$24.22	25	New Mexico	\$9.06
2	North Dakota	23.84	26	Virginia	8.93
3	Delaware	22.48	27	Idaho	8.49
4	Wyoming	17.34	28	Wisconsin	8.23
5	South Dakota	16.36	29	Texas	7.71
6	Maine	15.45	30	Louisiana	7.63
7	Oregon	15.10	31	Missouri	7.62
8	Utah	14.71	32	Pennsylvania	7.53
9	California	14.23	33	West Virginia	7.18
10	Minnesota	13.70	34	Indiana	7.03
11	Arizona	13.45	35	Florida	6.96
12	Vermont	13.44	36	Kansas	6.85
13	Washington	13.27	37	Nebraska	6.12
14	Connecticut	12.00	38	Mississippi	5.95
15	New Jersey	11.64	39	Ohio	5.90
16	Iowa	11.47	40	North Carolina	5.85
17	Michigan	11.45	41	Kentucky	5.64
18	New Hampshire	11.24	42	Oklahoma	5.63
19	New York	11.00	43	Alabama	5.61
20	Colorado	10.33	44	Illinois	5.45
21	Maryland	10.05	45	South Carolina	4.71
22	Montana	9.90	46	Tennessee	4.65
23	Massachusetts	9.55	47	Georgia	4.15
24	Rhode Island	9.19	48	Arkansas	3.97