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BULLETIN No. 43

APRIL, 1924

THE MOUNTING TAX BURDEN

By THOMAS E. LYONS,
Chairman, Wisconsin Tax Commission



WHERE CLOSE TO 30 PER CENT OF OUR TAXES GO—EDUCATION.

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THE MOUNTING TAX BURDEN

By THOMAS E. LYONS,

Chairman, Wisconsin Tax Commission

In the welter of complaints and recriminations of post-war agitation there is no subject which has received more criticism and challenged more widespread attention than the increasing cost of government, particularly as reflected in the annual tax burden. The condition is not peculiar to one state or locality, but pervades our entire body politic—national, state, and local. As the Tax Commission is the only agency in the state charged with the supervision of tax laws (although it has no power to levy taxes and therefore cannot increase or decrease the aggregate burden), it has endeavored to inform the public from time to time of the amount of taxes levied in the state, their constant increase from year to year, and the distribution thereof between the state and its political subdivisions.

For that purpose bulletins have been issued from time to time on various branches of municipal finance, the last of which, issued in November, 1923, contains a statement of all taxes levied in the state for all purposes for the fiscal year ending June 30 preceding. This bulletin shows the total of all taxes levied in the state for the year in question, except the soldiers' educational bonus, which was raised for a special purpose and has since expired. This table also shows the distribution of this total amount between the state, the counties, the local districts (towns, cities and villages), and the schools, both as to the amount received by each class of political subdivisions before and after the distribution of state aid. As this bulletin covered the last complete fiscal year and the tax levies for 1923 are substantially the same, though slightly higher, these figures fairly represent the present situation.

TABLE I.

All Taxes from Every Source Raised for All Purposes During the Fiscal Year Ended June 30, 1923.

SOURCES OF TAXES	Total	% to Total	State	County	Local	School
General Property	\$ 97,003,652	80.60	\$ 6,110,089	\$20,525,298	\$36,222,364	\$34,145,901
Inheritance	2,102,611	1.75	1,944,915	157,696	.....	.....
Income	4,351,490	3.62	435,149	870,298	3,046,043	.....
Teachers' Retirement Surtax.....	727,075	.60	637,510	.....	89,565	.....
Railway (Steam)	7,321,976	6.08	6,948,663	.....	373,313	.....
Street Railway	1,829,476	1.52	274,421	365,895	1,189,160	.....
Sleeping Car	29,627	.03	.....	.....	.....	.....
Freight Line	26,020	.02	26,020	.....	.....	.....
Express	14,814	.01	14,814	.....	.....	.....
Telegraph	103,797	.09	103,797	.....	.....	.....
Telephone	638,465	.53	248,663	.....	389,802	.....
Conservation and Regulation.....	8,994	.01	1,349	1,799	5,846	.....
Insurance	1,261,533	1.05	1,261,533	.....	.....	.....
Occupational	146,510	.12	14,651	29,302	102,557	.....
Motor Vehicle	4,791,158	3.98	1,118,640	3,672,518	.....	.....
TOTALS	\$120,357,198	100.00	\$19,169,841	\$25,622,806	\$41,418,650	\$34,145,901
Per Cent to Total.....	100%		15.9%	21.3%	34.4%	28.4%
State Aids Returned			-6,849,922	+2,653,736		+4,196,186
	\$120,357,198		\$12,319,919	\$28,276,542	\$41,418,650	\$38,342,087
Per Cent to Total.....	100%		10.2%	23.5%	34.4%	31.9%

This table shows the aggregate amount of taxes (except soldier bonus surtaxes) levied in the state for all purposes for said year, and the amount of such taxes raised for state, county, local and school purposes respectively, together with the percentage which the amount levied for the state and each class of political subdivisions bears to the total. It will be observed that the grand total was \$120,357,198, and of this amount \$19,169,841, or 15.9 per cent was collected by the state, \$25,622,806 or 21.3 per cent by the counties, \$41,418,650 or 34.4 per cent by the local districts, and \$34,145,901 or 28.4 per cent for schools. These figures, it must be remembered, represent the amount of taxes levied and collected in each instance and not the amount expended.

The \$19,169,841 collected by the state includes \$6,849,922 which the state was required to and did return to local districts in the form of state aid. As the amount of these state aids was not raised or used for state purposes, but was returned to and used by local districts, it should be deducted from the aggregate amount collected by the state and charged to the municipalities which received and expended it.

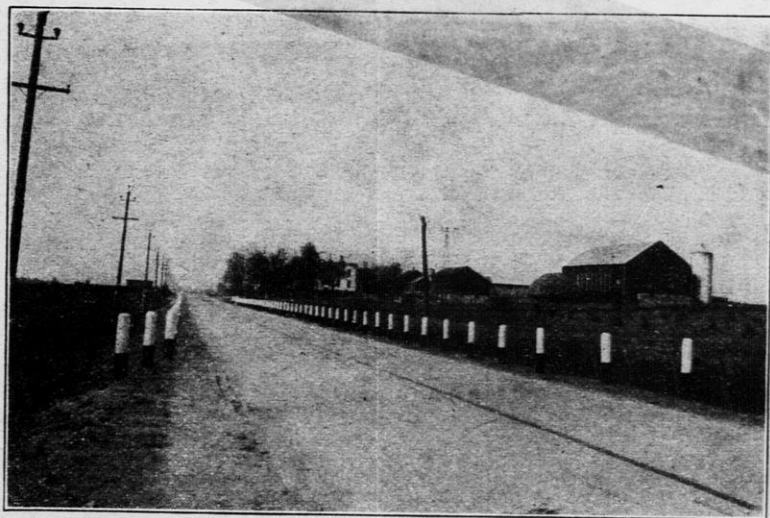
If we credit the state with this amount which is merely collected and charge the same to the local districts which actually received and expended it, we have a net balance

of \$12,319,919, or 10.2% of the total as the aggregate amount of taxes raised and used for state purposes for the year ended June 30, 1923. As nearly as the same can be expressed in terms of taxes, this is the amount which the taxpayers of the state contributed for the support of state government, including the cost of maintaining the State University, the nine normal schools, Stout Institute, and all penal, charitable, reformatory, and administrative departments of state government for that year. On this basis the amount available for county purposes was \$28,276,542, or 23.5% of the total, the amount for town, city and village purposes \$41,418,650, or 34.4%, and for school purposes \$38,342,087, or 31.9%.

This table conclusively shows that only 10.2 per cent of all taxes raised in the state for the year in question was used for state purposes, and that nearly 90% of the aggregate burden was controlled and expended by the several counties and local districts.

RECEIPTS AND DISBURSEMENTS

The preceding table deals exclusively with taxes, but the state and nearly all municipalities derive revenue from sources other than taxation, such as license fees, special assessments, borrowed money and departmental earnings. Most of the revenue derived from these sources is used for the support of government and operates to reduce the



WHERE ANOTHER 30 PER CENT OF OUR TAXES GO—GOOD ROADS.

amount required to be raised by taxation, and must, therefore, be included in a complete statement of municipal finances. The following table shows the aggregate receipts and disbursements of the state and all its municipal subdivisions combined for the years ending June 30, 1918, and June 30, 1922, and the percentage of increase of each class of receipts and disbursements in 1922 over 1918. The receipts in this table are classified according to the sources from which the revenue was derived and the disbursements according to the purpose for which the money was spent. In preparing the table it was necessary to eliminate transfers between civil divisions and agency and trust transactions to avoid duplication. The totals shown on the two tables differ widely for the reason that table No. II includes such special assessments, commercial receipts, departmental earnings, and various other items in addition to taxes. Moreover, table No. I refers to the taxes levied and collected for the fiscal year ending June 30, 1923, while table No. II refers to receipts and disbursements for the fiscal year ending June 30, 1922, for the reason that the statements for 1923 have not yet been compiled in available form by the secretary of state and state treasurer. The aggregate amount of taxes levied for the two years is approximately the same, and if the year 1923 were used, the result would not be materially different.

TABLE II.

Summary of Receipts and Disbursements by Source and Purpose
(Excluding transfers, refunds, and agency and trust transactions)

RECEIPTS			Per Cent of Increase 1922 over 1918
	1918	1922	
Taxes	\$61,697,841.00	\$114,789,117.00	86.08
Special Assessments	2,278,048.00	4,287,295.00	88.20
Licenses and Permits.....	4,579,652.00	6,388,067.00	39.50
Gifts and Grants.....	303,488.00	3,649,486.00	1102.50
Other General Receipts.....	761,963.00	904,833.00	18.78
Commercial Revenue	11,090,463.00	18,885,988.00	70.30
Amounts Borrowed	12,248,338.00	30,276,303.00	147.20
TOTALS.....	\$92,959,793.00	\$179,181,089.00	92.76

DISBURSEMENTS			Per Cent of Increase 1922 over 1918
	1918	1922	
General Government	\$ 6,197,758.00	\$ 8,910,185.00	43.78
Protection of Person and Property.....	6,543,661.00	10,513,767.00	60.67
Health and Sanitation.....	4,860,548.00	7,850,046.00	61.53
Highways and Bridges.....	19,858,528.00	52,994,231.00	166.86
Charities and Corrections.....	6,544,779.00	9,496,514.00	45.13
Education	23,965,973.00	50,030,625.00	108.75
Recreation	812,694.00	2,089,564.00	157.15
Public Industries	3,871,461.00	8,552,154.00	120.92
Paid on Debt.....	10,598,258.00	20,417,833.00	92.68
Miscellaneous	3,465,294.00	2,515,949.00	-29.40
TOTALS.....	\$86,718,954.00	\$173,370,868.00	100.00

It will be observed that the total receipts for the year 1922 were \$179,181,089 as against \$92,959,793 for the year 1918, or an increase of 92.76% during the four year period. The aggregate expenditures for 1922 were \$173,370,868 as against \$86,718,954 for 1918, or almost an even 100% increase. The increase in taxes during the four year period was 86.08% as against an average increase of 92.76%, mainly occasioned by the large increase in the item of borrowed money. It is worthy of note that all of this borrowing was done by the counties and local subdivisions because the state is prohibited from bonding and has not in fact done so since the Civil War.

While disbursements doubled in the four year period, the increase in the cost of general government was only 43.78%, the increase for protection of person and property only 60.67%, the increase for charities and corrections only 45.13%. On the other hand, the increase in the cost of education was 108.75%, the increase for highways and bridges 166.86%, and the increase on payment of indebtedness 92.68%. These figures conclusively demonstrate what is generally understood—that aside from the change in the price level, expenditures for highways and education make up the major part of our tax levies and account for the greatest percentage of increase in the cost of government. The expenditures for these two items alone for 1922 was \$103,000,000 out of an aggregate expenditure of \$173,000,000.

An analysis of expenditures by municipal subdivisions, not inserted here for the lack of space, shows an increase of 121% for schools, 161% for counties as against 120% for the state, 69% for cities, and only 53% for towns and villages.

Although this rapid increase in both receipts and disbursements may be ascribed in part to a substantial change in the price level or the reduced purchasing power of the dollar.

It is sufficient to challenge attention and to require the most rigid economy on the part of all public officials from the highest to the lowest. Explanations that the cost of government in other states and municipalities has correspondingly increased does not lighten the burden for the taxpayer, and his complaint that the increased burden is caused by state demands is equally wide of the mark. Less than 12% of the taxes raised were used for state purposes and less than 15% of the total disbursements were made by the state. From either standpoint the counties and local communities control more than 85% of the aggregate burden. In last analysis the people themselves make the levies and control the expenditures. Complaints of high taxes will be unavailing so long as they refuse to recognize the simple fact that the way to reduce them is for each community to raise and spend less money. Any community can have lower taxes if it is willing to defer or forego the conveniences they furnish.