

AN INFORMATION REPORT

STATE AND LOCAL TAXES
Significant Features
1968



ADVISORY COMMISSION ON INTERGOVERNMENTAL RELATIONS
WASHINGTON, D. C. 20575
JANUARY 1968
M-37

ADVISORY COMMISSION ON INTERGOVERNMENTAL RELATIONS

(January 1968)

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STATE AND LOCAL TAXES

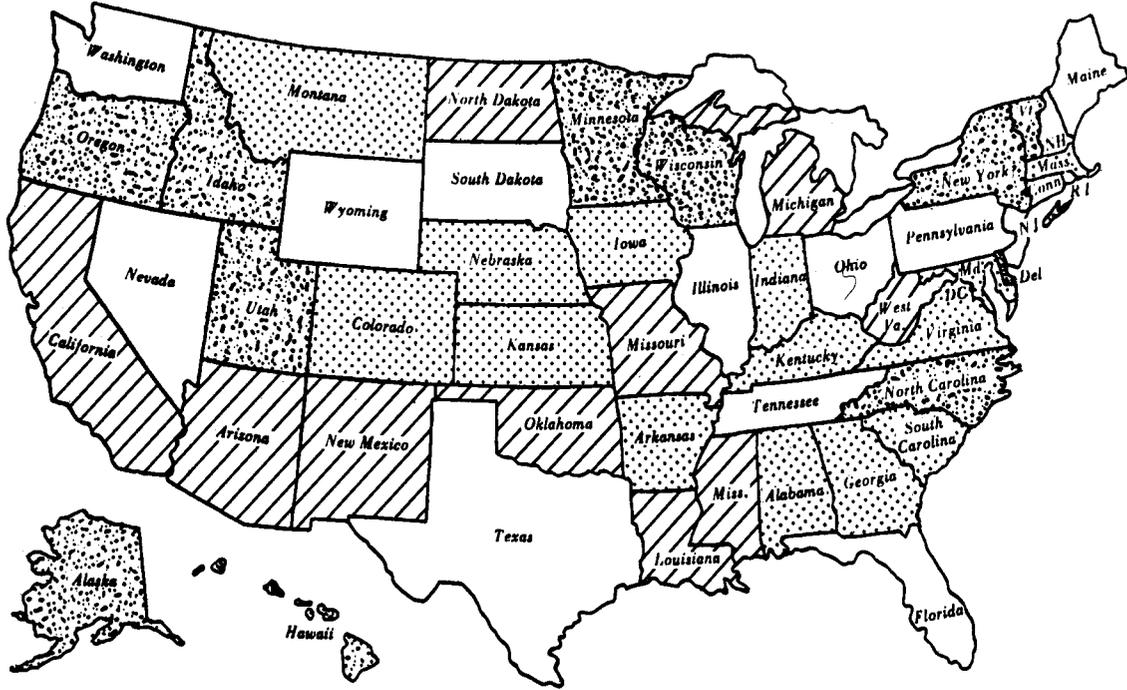
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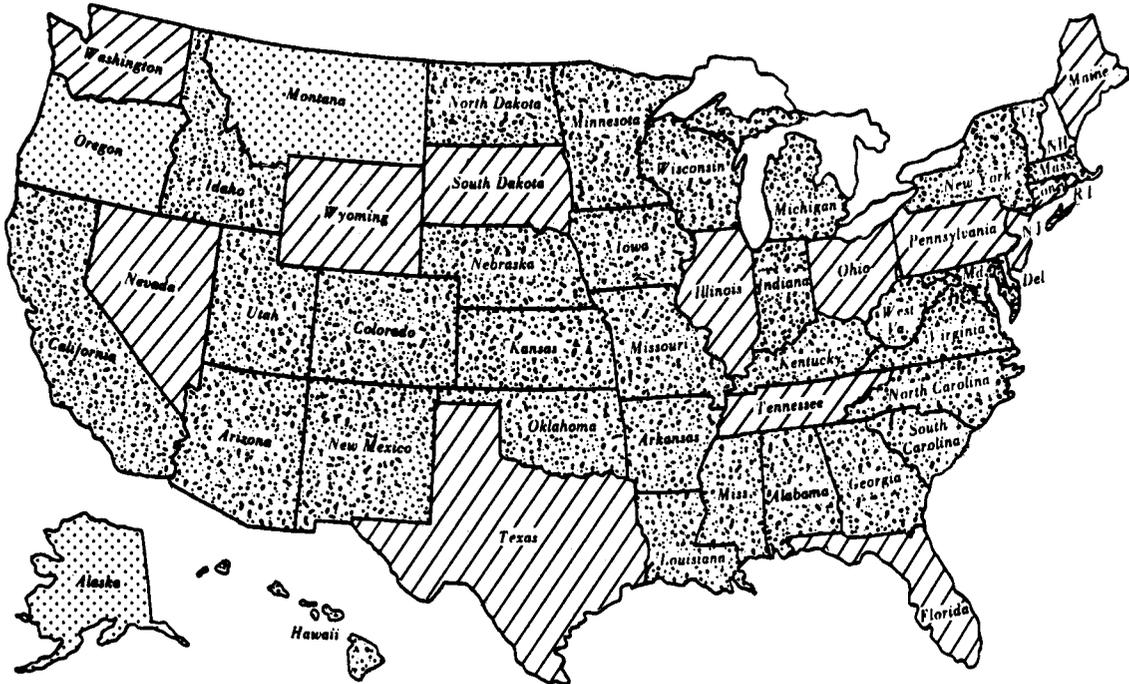
STATES WITH BROAD-BASED PERSONAL INCOME TAXES
(January 1, 1968)

No Tax
 Low Tax
 Moderate Tax
 High Tax



USE OF PERSONAL INCOME AND GENERAL SALES TAXES BY STATES
(January 1, 1968)

Neither Tax
 Sales Tax Only
 Income Tax Only
 Sales and Income Tax



PREFACE

In this report the Advisory Commission has assembled a substantial body of current information about our rapidly changing State and local tax systems. This effort is designed both to update much of the tabular material that has appeared in earlier editions of the Commission's periodic publication, Tax Overlapping in the United States, and to summarize the heavy action on the State legislative front during 1967.

The basic objective of this volume is to facilitate both the quantitative and qualitative analysis of the 50 State-local tax systems. On the quantitative side, the factual data (set forth in 34 tables) enable the investigator to "size up" each State and local tax system in relation to the other 49 systems.

From the qualitative standpoint, the investigator can relate a particular State and local tax system to the characteristics of a "high quality" system (pp. 5-9). These qualitative standards have emerged from policy recommendations enunciated by the Advisory Commission in a series of previous tax studies culminating in the report, Fiscal Balance in the American Federal System. "Model" tax legislation which would implement these proposals is carried in the Appendix.

Although previous recommendations and legislative proposals of the Commission are referred to in several places, this report contains no new suggestions of a policy character and is issued strictly as an informational and reference document.

Farris Bryant
Chairman

ACKNOWLEDGEMENTS

Data on the provisions of State and local tax laws were derived largely from the Commerce Clearing House, State Tax Reporter. The tabulations were prepared by Frank Tippett, staff statistician, under the general direction of Jacob M. Jaffe.

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MAJOR STATE LEGISLATIVE TAX ACTION IN 1967

Unremitting pressure for additional revenue in most States forced policymakers in 1967 to enact new taxes, raise rates, and expand tax coverage.

Michigan and Nebraska enacted both personal and corporate income taxes, West Virginia added a corporation tax to a personal income tax it had adopted in 1961, and Minnesota and Nebraska joined the roster of States with general sales taxes. Nebraska's comprehensive sales and income tax package was adopted not long after the voters turned down an income tax which had been enacted in 1965. At the beginning of 1968 there were 44 States with general sales taxes, 35 with broad-based personal income taxes, and 30 with both (see frontispiece).

In addition to the seven new income and general sales taxes, 1967 witnessed 49 rate increases in State sales, income, and selected excise taxes (motor fuel, cigarette, and alcoholic beverages), as indicated in table 1. These enactments, whose revenue impact will not be fully realized until the States' 1968, and in some instances 1969, fiscal years, indicate a continuation, if not an acceleration, of the 1965-1967 State tax collection trend shown in table 2.

During their 1967 fiscal years, the States collected almost \$32 billion in taxes, up 8.6 percent from fiscal 1966. The 1965-1966 increase was 12.5 percent, reflecting in part the considerable volume of tax enactments during the 1965 legislative year. A similar jump in the rate of increase can be expected between fiscal years 1967 and 1968. It is estimated that slightly more than half of the increase in State tax collections over the past 15 years can be attributed to new and increased taxes; the remainder to the response of old taxes to national growth.

Tax revenue of local governments amounted to about \$29 billion in the 12-month period that ended on June 30, 1967 (roughly the same time period encompassed by the States' 1967 fiscal years). About seven-eighths of that total, some \$25 billion, came from local property taxes. The annual total property tax take, including about \$1 billion collected by the State governments, reached the \$27 billion mark by the end of 1967.

General Sales Taxes (Tables 5 - 9)

Two new taxes and 11 rate increases characterized the general sales tax front in 1967. Pennsylvania, which had raised its rate to 5 percent in 1963--the highest rate in the Nation--assured its high standing by adopting a 6 percent rate in 1967. It should be noted, however, that Pennsylvania is one of only three States to exempt wearing apparel in general, except for certain luxury items (the other two are Minnesota and Wisconsin), and, together with 13 other States it exempts both food for home consumption and prescription medicines.

While raising its State rate from 2 1/2 to 3 percent, Wyoming repealed the local option 1/2 percent tax, thus keeping the overall rate unchanged for most of its population. Prior to repeal, at least 13 counties and 20 municipalities had adopted the local "piggy-back" sales tax. Nevada increased its

rate by 1 percentage point (from 2 to 3 percent) but provided that the additional tax be returned to the counties in which it originates (in effect a mandatory county sales tax).

As of January 1, 1968, State general sales tax rates were distributed as follows:

<u>Rate (percent)</u>	<u>No. of States</u> ^{1/}
2	6
2 1/2	1
3	26 ^{1/}
3 1/2	2
4	5
4 1/4	1
4 1/2	2
5	1
6	1
Total	45 ^{1/}

Fourteen States exclude food for home consumption and 22 exclude prescription medicine from their sales tax base (14 exclude both items). In addition, 6 States provide income tax credits in lieu of food exemptions. Both Minnesota and Nebraska exempt food from their newly enacted general sales taxes, the former directly and the latter as an income tax credit.

Ohio and Texas authorized local governments to levy general sales taxes in 1967 as supplements to their respective State taxes. In Colorado, where only home rule cities could levy sales taxes, authority was extended to counties and to many of the smaller cities and towns to impose local sales taxes up to 4 percent (the combined State and local rate may not exceed 7 percent). Local general sales taxes are now permitted in 17 States and in 9 they are required to be administered by the State (piggy-back sales tax). In 4 more, State administration is optional. About 3,000 localities now levy general sales taxes, with the largest number (about 1,300) in Illinois. California is second, with over 400 local sales taxes, and Alabama, Mississippi, Utah, and Virginia follow, with well over 100 each. Local general sales taxes produced almost \$1 1/2 billion in 1965-66, and the total may well be approaching \$1 3/4 to \$2 billion by 1967-68.

Income Taxes (Tables 10 - 16)

In addition to the five new personal and corporate income taxes, there were six rate increases in the personal income tax area and eight in corporation taxes. California, Iowa, North Carolina, and Vermont raised their personal and dependency exemptions, thus reducing somewhat the income tax liabilities for some taxpayers. The California change involved a shift from personal and dependency deductions to credits.

^{1/} Includes the District of Columbia.

The new Nebraska personal income tax follows the Alaska system of basing its rate on the Federal tax liability. Vermont revised its rate structure along similar lines. Michigan's new personal income tax is at a flat 2.6 percent rate, while Maryland shifted from a flat-rate to a graduated-rate tax.

As part of Maryland's comprehensive tax revision, that State authorized its counties to levy local personal income taxes on their residents at rates up to 50 percent of the State tax liability. It became the first to provide for State administration of local income taxes. Michigan enacted legislation providing for State administration of city income taxes by mutual agreement, but the legislation does not go into effect until December 31, 1969.

There is now widespread use of local income taxes in five States (Kentucky, Maryland, Michigan, Ohio, and Pennsylvania). Local income taxes are also levied by Gadsden, Alabama, Kansas City, and St. Louis, Missouri, and New York City. In all, well over 3,000 local jurisdictions levy income or payroll taxes, the great majority of them in Pennsylvania. Local income taxation produced almost one-half billion dollars in 1965-66, and will probably approach three-fourths of a billion dollars by the close of the localities' 1967-68 fiscal years.

Three States joined the growing list of those allowing State personal income tax credits or refunds (where the amount of the credit exceeds the tax liability) as a means of relieving the regressive sting of heavy consumer or property taxes. In enacting a combined sales-income tax package, Nebraska provided a \$7 per exemption income tax credit to offset the sales tax on food. Iowa now provides a declining income tax credit based on income. And Minnesota joined Wisconsin in allowing property tax relief to senior citizens via the income tax credit route.

Michigan's income tax enactment was part of a comprehensive tax reform program whereby the State repealed the business activities tax and provided property tax relief. A partial credit is allowed for property taxes or a portion of rental payments in lieu of property taxes, the percentage of the credit declining as the amount of the property tax liability increases. A similar sliding scale credit is allowed for city income taxes. The amount of these credits cannot exceed the State income tax liability. The Michigan legislature also adopted a proposed constitutional amendment to authorize enactment of a graduated income tax, to be submitted to the electorate at the 1968 general election.

Cigarette and Gasoline Taxes (Tables 22 - 27)

Cigarettes were not subjected to the heavy bombardment of tax increases they experienced in 1965. There were 11 rate increase enactments in 1967, about half the 1965 number. California and Maine both raised their rates twice: the former enacted a two-step increase from 3 to 7 cents and from 7 to 10 cents a package; the latter raised its rate from 8 to 10 cents a package in two separate actions. Pennsylvania raised its rate to 13 cents a pack, the highest State rate in the Nation. Cigarettes purchased in New York City, however, have the distinction of bearing the highest State-local rate--a 10 cent per pack State rate and a 4 cent per pack city tax. The range of State cigarette tax rates on January 1, 1968, was as follows:

<u>Rate (cents per standard pack of 20)</u>	<u>No. of States^{1/}</u>
2 1/2	2
3	1
4	2
5	2
6	3
6 1/2	2
7	5
7 1/2	1
8	18
9	2
10	8
11	3
13	1
Total	50

Nine States raised their gasoline tax rates during 1967. Washington raised its rate from 7 1/2 cents to 9 cents per gallon, the highest in the Nation. While adding 1 cent per gallon to its State rate, New Mexico repealed the authority for cities to levy a tax of up to 1 cent. As of January 1, 1968, the great majority of States still taxed gasoline at 6 to 7 cents per gallon, as shown by the following distribution:

<u>Rate (cents per gallon)</u>	<u>No. of States^{2/}</u>
5	4
6	10
6 1/2	5 ^{3/}
7	28
7 1/2	2
8	1
9	1
Total	51

Real Estate Transfer Taxes (Table 32)

The taxation of real estate transfers was relinquished to the States and local governments when the U. S. Congress repealed the Federal tax on realty conveyances as part of the Excise Tax Reduction Act of 1965. At the urging of

^{1/} Including the District of Columbia (3¢ per pack). Hawaii with a rate of 40% of wholesale price, is estimated at 7 1/2¢ per pack; and New Hampshire, with a rate of 30% of retail price, at 6 1/2¢.

^{2/} Includes the District of Columbia (7¢ per gallon).

^{3/} Includes Oklahoma, at 6.58¢.

the Advisory Commission, repeal of the Federal real estate transfer tax was made effective January 1, 1968, to give the States an opportunity to enact their own transfer taxes and to avoid a "blackout" of information on real estate sales prices in the interim.

Prior to 1965, only a dozen States and the District of Columbia imposed realty transfer taxes. Since that time, 21 States have enacted such legislation, either for State or for local use, and 16 of those enactments occurred during 1967. Three of the 1967 enactments were additions to established realty transfer taxes. On January 1, 1968, 30 States and the District of Columbia imposed State or local real estate transfer taxes, or both. New York City also levied such a tax, although there is no such statewide tax in New York State.

CHARACTERISTICS OF A HIGH QUALITY STATE-LOCAL TAX SYSTEM

In a comprehensive study of intergovernmental fiscal problems, the Advisory Commission found "a definite State move in the direction of a more balanced reliance on both forms of taxation" (general sales and personal income taxes).^{1/} The ever-growing demands for additional revenue to provide the new and expanding public services at the State and local government levels make it abundantly clear that States need to make effective use of both consumer and income taxes. As noted earlier, 30 States now impose both levies.

With this fiscal reality in mind, and in the light of previous Commission reports, it is possible to identify the characteristics of a "high quality" State-local tax system. The following should be emphasized.^{2/}

State personal income tax.--A State can make effective and equitable use of the personal income tax if it meets at least three critical tests:

- To insure fairness, provides for personal exemptions at least as generous as those under the Federal income tax;
- To promote taxpayer convenience and administrative simplicity, employs withholding at the source and conforms the technical provisions of its law to Federal provisions; and
- To insure productivity, makes effective use of the income tax as evidenced by State tax collections equal to at least 20 percent of the Federal personal income tax collections in that State.

1/ Fiscal Balance in the American Federal System, Vol. I, Chap. 4, (In press).

2/ Ibid.

According to a recent calculation, only 11 of the 33 States with broad-based personal income taxes (excluding the newly enacted Michigan and Nebraska taxes) met this last requirement in terms of the ratio of their collections to Federal tax receipts:

Alaska.....	25.3%	New York.....	20.6%
Delaware.....	21.7	North Carolina.....	21.1
Hawaii.....	26.5	Oregon.....	31.5
Idaho.....	25.4	Utah.....	21.4
Minnesota.....	29.0	Vermont.....	30.4
		Wisconsin.....	32.8

Income tax "musts," it should be noted, do not include graduated rates because a broad-based flat rate tax can pack both a heavy revenue punch and provide a substantial degree of progression when combined with personal exemptions. Personal exemptions protect the very poor from the exactions of the tax collector and they automatically adjust tax liability for size of family. The policy on graduated tax rates is best resolved by each State legislature in light of locally prevailing circumstances.

State sales and use tax.--States can make effective and fairly equitable use of a sales tax if three prime conditions are met:

- To insure productivity, the tax base employed covers most personal services as well as retail sale of tangible items;
- To insure fairness, some provision is made for "pulling the regressive stinger"--either an outright exemption of food and drug purchases or a system of income tax credits and cash refunds to shield subsistence income from the sales tax collector's reach; and
- To promote taxpayer convenience and administrative simplicity, States must credit their taxpayers for sales and use taxes paid to other States; eliminate charges for audit of multi-state firms; exchange audit and other information with one another; and permit local governments to "piggy-back" their levy on the State sales tax.

General sales taxes are authorized for local use in 17 States and in most of these there has been widespread adoption by the localities. Unless a State is willing to allow its localities to "piggy-back" a local supplement on to the State tax, it should be wary of extending this type of nonproperty taxing power to localities. States would be well advised to:

- Limit local nonproperty taxing powers to as large taxing areas as possible, ideally coinciding with the boundaries of trading and economic areas;
- Prescribe rules governing taxpayers, tax base, and rates, etc., uniformly applicable to all local taxing jurisdictions; and
- Provide technical assistance in administering and enforcing nonproperty taxes.

Local property tax.--Any effort to create a more effective and equitable revenue system for State government must also come to grips with local property tax overburdens. By all odds, this \$26 billion revenue producer stands out as the "sick giant" of our domestic revenue system--a fiscal pathology that can be traced to individual and group property taxpayer overburden situations.

Individual property taxpayer overburden situations can be traced to either:

- (a) Over-assessment due to the lack of uniform valuation practices --an administrative matter; or
- (b) Below average family income that raises an ability to pay issue.

Property owners as a group--those representing an entire local jurisdiction--can also be relatively overburdened by:

- (a) Unusually high governmental costs due to poor management practices;
- (b) An underdeveloped tax base due to the political fractionation of the metropolitan economic entity; or
- (c) An anemic tax base or extraordinary expenditure demand or both caused by the heavy concentration of poor people within the jurisdiction.

Reducing the overburden due to unequal assessments.--Tax overburdens present perennial problems for those concerned with equitable local taxation. Part of the problem stems from the inherently difficult task of estimating the market value of taxable property. This assignment becomes even more difficult in areas experiencing rapid change in property values.

The possibility for over-assessment and under-assessment is greatly increased by two political facts. First, in many jurisdictions assessors are selected on the basis of their popularity on election day rather than for their technical ability in estimating the market value of taxable property. Second, there is the classic conflict between State assessment law and local assessment practice.

The laws of most States clearly imply that property is to be assessed for taxation at estimated market value (see table 33). These State valuation directives have been flagrantly violated by the time-honored and pervasive practice of fractional valuation. On a nationwide basis, real estate on the average is probably being assessed at approximately 25 percent of its current market value. To make matters worse, most State tax administrators lack the requisite political backing needed to equalize local assessment levels at any uniform percentage of current market value.

As a result of the inability of most States to enforce a uniform valuation standard, property owners are left in the dark when it comes to judging the fairness of their assessment. The so-called "public" tax roll becomes a convenient graveyard in which local assessors can bury their mistakes--properties both over-assessed and under-assessed.

To facilitate more uniform assessment of property, the Advisory Commission in a report on The Role of the States in Strengthening the Property Tax offered a detailed prescription for reducing the inequities caused by faulty assessment practices. Underpinning the 29 policy recommendations are the following major assumptions:

1. That the prevailing joint State-local system for administering the property tax can work with a reasonable degree of effectiveness only if the State tax department is given sufficient executive support, legal authority, and professional stature to insure local compliance with State law calling for uniformity of tax treatment.
2. That professionalization of the assessment function can be achieved only if the assessor is removed from the elective process and selected on the basis of demonstrated ability to appraise property.
3. That the perennial conflict between State law calling for full value assessment and the local practice of fractional assessment can be resolved most expeditiously by permitting local assessment officials to assess at any uniform percentage of current market value above a specified minimum level provided this policy is reinforced with two important safeguards:
 - a. A full disclosure policy, requiring the State tax department to make annual county assessment ratio studies and to give property owners a full report on the fractional valuation policy adopted by county assessors, and
 - b. An appeal provision to specifically authorize the introduction of State assessment ratio data by the taxpayer as evidence in appeals to review agencies on the issue of whether his assessment is inequitable.

Reducing the overburden due to low family income.--If the local assessor could equalize all property tax assessments at full value, or at some uniform percentage thereof, the collection of this tax would still create special hardships for property owners with low incomes.

Although the value of the family residence serves as a fairly good proxy of ability to pay taxes in a rural society, and still does in suburbia, total household income stands out as a far more precise measure of taxable capacity in our modern urban society. This point can be grasped quickly from examples of the hardship that the payment of residential property taxes imposes on low income households. With retirement, the flow of income drops sharply and a \$300 a year property tax bill that once could be taken in stride becomes a disproportionate claim on the income of an elderly couple living on a pension of \$1,500. By the same token, if the flow of income falls sharply as a result of the death or physical disability of the breadwinner, or due to unemployment, then again payment of the residential property tax can become an extraordinary tax burden.

The most notable attempt to come to the aid of property owners deemed to be carrying excessive tax burden in relation to income can be found in Wisconsin's 1964 tax credit plan that rebates to low income elderly persons--both homeowners and renters--that part of their property tax payment that is in excess of 5 percent of household income. Because this tax relief program is financed from State funds and administered by the State Tax Department it neither erodes the local tax base nor interferes in any way with the local assessment process.

The reduction of tax disparities between high and low income communities within metropolitan areas can be cited as a beneficial side effect of the Wisconsin plan. Because the poor tend to cluster together, the mailman will deliver most of the property tax refund checks to households in the low income communities. Thus, the granting of tax relief to the low income elderly moves in the "right" equalization direction from both the inter-jurisdictional and inter-personal standpoints. Moreover, the tax credit can be viewed as the most efficient tax relief mechanism because it can be so designed to maximize the amount of aid extended to low income homeowners and renters while minimizing loss of revenue.

In a number of States, homestead exemption, a durable by-product of the 1930's depression, offers some protection from undue property tax burdens on low-income occupants of dwellings and farms. This method bestows property tax relief to all homeowners, however, not just those with low incomes, and misses completely the low income families in rented properties. Moreover, as this Commission reported in its 1963 study on The Role of the States in Strengthening the Property Tax, the policy of homestead exemption involves a substantial amount of injustice among individual taxpayers and taxing jurisdictions at a large and usually unwarranted sacrifice of local property tax revenue.

STATE TAX LEGISLATION SUGGESTED BY THE ADVISORY COMMISSION

In the course of its studies, the Advisory Commission has made numerous recommendations for improving State and local tax structures. Those recommendations have been converted to a series of policy statements and legislative language for the consideration of State tax policymakers. These are published in the annual State Legislative Program of the Advisory Commission on Intergovernmental Relations.

Policy statements and State legislative proposals relating to State and local taxes appear in the Appendix. Copies of these and of any other policy statements and pieces of legislation that appear in the State Legislative Program may be obtained in "slip bill" form on request from the Commission.

TABLE 1.--STATES INCREASING TAX RATES AND ENACTING NEW TAXES, SELECTED TAXES, JANUARY 1, 1959-68

State	Sales	Personal income	Corporation income	Motor fuel	Cigarette	Alcoholic beverage	State	Sales	Personal income	Corporation income	Motor fuel	Cigarette	Alcoholic beverage
Alabama.....	x	....	x	....	xxx	x	Montana.....	....	xxx	xx	x	....	x
Alaska.....	....	x	....	xx	x	x	Nebraska.....	<u>N</u>	<u>N</u>	<u>N</u>	x	xx	x
Arizona.....	x	xx	xx	xx	x	x	Nevada.....	x	....	....	....	x	x
Arkansas.....	....	....	....	x	x	....	N. Hampshire..	....	....	....	x	xx	....
California...	<u>x</u>	<u>xx</u>	<u>xx</u>	x	<u>Nx^{1/}</u>	<u>xx</u>	New Jersey...	N	<u>N^{3/}</u>	x	x	xxx	x
Colorado....	x	x	x	x	Nx	x	N. Mexico....	x	x	x	xx	x	xx
Connecticut..	x	....	x	....	xxx	x	New York.....	N	x	....	x	xx	x
Delaware.....	....	x	....	xx	xx	x	N. Carolina..	....	....	....	....	....	x
Florida.....	....	....	....	....	x	xx	N. Dakota....	xx	....	....	....	x	x
Georgia.....	....	....	x	....	x	<u>x</u>	Ohio.....	<u>x</u>	....	....	x	xx	x
Hawaii.....	x	x	x	....	x	x	Oklahoma.....	....	....	....	....	xx	N
Idaho.....	N	xx	xx	<u>x</u>	xxx	xxx	Oregon.....	....	....	....	<u>x</u>	N	....
Illinois.....	xxx	....	....	<u>x</u>	xxx	x	Pennsylvania.	xxx	....	<u>x</u>	x	xxx	x
Indiana.....	<u>N^{2/}</u>	<u>N^{2/}</u>	<u>N^{2/}</u>	....	xx	....	Rhode Island.	xxx	....	x	x	xx	....
Iowa.....	<u>x</u>	<u>xx</u>	<u>xx</u>	x	xxx	<u>xx</u>	S. Carolina..	....	x	....	....	x	x
Kansas.....	x	x	x	....	xx	xx	S. Dakota....	x	....	....	....	xxx	x
Kentucky.....	N	....	....	....	....	....	Tennessee....	....	....	<u>xx</u>	<u>x^{4/}</u>	xx	xxx
Louisiana...	....	....	....	....	....	....	Texas.....	N	....	....	....	xx	x
Maine.....	xx	....	....	....	xxx	x	Utah.....	xx	x	x	....	x	....
Maryland....	....	<u>x</u>	<u>x</u>	x	x	....	Vermont.....	....	....	....	....	xxx	....
Massachusetts	N	<u>x</u>	<u>x</u>	x	x	x	Virginia.....	N	....	....	x	N	x
Michigan....	x	<u>N</u>	<u>N</u>	<u>x</u>	x	x	Washington...	xxx	....	....	xxx	xxx	x
Minnesota....	<u>N</u>	xxx	xxx	xx	xxx	x	W. Virginia..	x	N	<u>N</u>	x	x	....
Mississippi..	x	....	....	<u>x^{4/}</u>	xx	N	Wisconsin....	N	xxxx	x	x	xxx	xxx
Missouri....	x	....	....	x	x	x	Wyoming.....	xx	....	....	<u>x</u>	<u>xx</u>	<u>x^{5/}</u>
							Dist. of Col.	x	x	....	x	x	xx

Note: Each x indicates a tax increase enactment, and each N indicates a new tax; 1967 enactments are underlined.

1/ California enacted a two-step cigarette tax increase, from 3¢ to 7¢ a package eff. 8/1/67 and a further increase from 7¢ to 10¢ eff. 10/1/67.

2/ Partly replaces the gross income tax.

3/ "Commuter Income" tax.

4/ Increase in diesel fuel tax rate only.

5/ Beer tax increase declared unconstitutional (1963).

TABLE 2.--NATIONAL SUMMARY OF STATE TAX REVENUE, BY TYPE OF TAX: 1965 TO 1967

Tax source	Amounts (in millions)			Percent increase or decrease (-)		Percent distribution, 1967	Per capita, 1967
	1967 (prelim.)	1966	1965	1966 to 1967	1965 to 1966		
Total collections.....	31,910	29,388	26,127	8.6	12.5	100.0	161.92
Sales and gross receipts.....	18,551	17,042	15,059	8.9	13.2	58.1	94.13
General.....	8,924	7,873	6,711	13.4	17.3	28.0	45.28
Selective.....	9,627	9,169	8,347	5.0	9.8	30.2	48.85
Motor fuels.....	4,839	4,627	4,300	4.6	7.6	15.2	24.55
Alcoholic beverages.....	1,041	985	917	5.7	7.4	3.3	5.28
Tobacco products.....	1,602	1,542	1,284	3.9	20.1	5.0	8.13
Insurance.....	866	813	744	6.6	9.2	2.7	4.40
Public utilities.....	600	552	498	8.8	10.7	1.9	3.04
Other.....	679	651	605	4.2	7.7	2.1	3.44
Licenses.....	3,632	3,496	3,218	3.9	8.7	11.4	18.43
Motor vehicles.....	2,151	2,079	1,869	3.4	11.2	6.7	10.91
Motor vehicle operators.....	165	157	152	5.0	3.3	0.5	0.84
Corporations in general.....	615	561	528	9.6	6.2	1.9	3.12
Alcoholic beverages.....	138	135	133	2.7	1.1	0.4	0.70
Other.....	562	564	535	-0.2	5.4	1.8	2.85
Individual income ¹	4,909	4,303	3,657	14.1	17.7	15.4	24.91
Corporations net income ¹	2,227	2,038	1,929	9.3	5.6	7.0	11.30
Property.....	862	833	767	3.4	8.6	2.7	4.37
Death and gift.....	795	808	731	-1.6	10.5	2.5	4.04
Severance.....	577	545	503	5.8	8.3	1.8	2.93
Other.....	357	323	263	10.5	23.1	1.1	1.81

Note: Because of rounding, detail may not add to totals. Per capita and percent figures are computed on the basis of amounts rounded to the nearest thousand. Estimates of population as of July 1, 1967 were used to calculate per capita amounts.

¹ Individual income tax figures include corporation net income tax amounts for New Mexico for fiscal year 1965-66.

Source: U. S. Bureau of the Census, State Tax Collections in 1967, Series GF-No. 16, U. S. Government Printing Office, Washington, D. C., 1967.

TABLE 3. --DATES OF ADOPTION OF MAJOR STATE TAXES^{1/}

INDIVIDUAL INCOME

Before 1911	1911-20	1921-30	1931-40	Since 1941
Hawaii, 1901; total, 1.	Wisconsin, 1911; Mississippi, 1912; Oklahoma, 1915; Massachusetts, 1916; Virginia, 1916 Delaware, 1917; Missouri, 1917 New York, 1919; N. Dakota, 1919 total 9.	North Carolina, 1921; South Carolina, 1922; New Hampshire, 1923 ^{2/} Arkansas, 1929 Georgia, 1929; Oregon, 1930; total, 6.	Idaho, 1931; Tennessee, 1931 ^{3/} Utah, 1931; Vermont, 1931; Alabama, 1933; Arizona, 1933; Kansas, 1933; Minnesota, 1933; Montana, 1933; N. Mexico, 1933; Iowa, 1934; Louisiana, 1934; California, 1935; Kentucky, 1936; Colorado, 1937 Maryland, 1937; total 16.	Alaska, 1949; N. Jersey, 1961 ^{3/} ; W. Virginia, 1961; Indiana, 1963; Michigan, 1967; Nebraska, 1967; total, 6. Grand total 38

CORPORATION INCOME ^{4/}

Before 1911	1911-20	1921-30	1931-40	Since 1941
Hawaii, 1901 total, 1.	Wisconsin, 1911 Connecticut, 1915; Virginia, 1915; Missouri, 1917; Montana, 1917; New York, 1917; Massachusetts, 1919; N. Dakota, 1919; total, 8.	Mississippi, 1921; N. Carolina, 1921; S. Carolina, 1922; Tennessee, 1923; Arkansas, 1929; California, 1929; Georgia, 1929 Oregon, 1929; total, 8.	Idaho, 1931; Oklahoma, 1931; Utah, 1931; Vermont, 1931; Alabama, 1933; Arizona, 1933 Kansas, 1933 Minnesota, 1933; N. Mexico, 1933; Iowa, 1934; Louisiana, 1934; Pennsylvania, 1935; Kentucky, 1936; Colorado, 1937; Maryland, 1937; total, 15.	Rhode Island, 1947; Alaska, 1949 Delaware, 1957; N. Jersey, 1958; Indiana, 1963; Michigan, 1967; Nebraska, 1967; W. Virginia, 1967; total 8. Grand total 40.

See footnotes at the end of table.

TABLE 3. --DATES OF ADOPTION OF MAJOR STATE TAXES^{1/} (Cont'd)

DEATH

Before 1900	1901-10	1911-20	1921-30	Since 1931
California, Connecticut, Delaware, Hawaii, Illinois, Iowa, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Missouri, Montana, New Jersey, New York, North Carolina, Ohio, Pennsylvania, Tennessee, Vermont, Virginia, West Virginia; total, 23.	Arkansas, 1901; Colorado, 1901; Utah, 1901; Washinton, 1901; N. Dakota, 1903; Oregon, 1903; Wisconsin, 1903; Wyoming, 1903; New Hampshire, 1905; S. Dakota, 1905; Kentucky, 1906; Idaho, 1907; Oklahoma, 1907; Texas, 1907; Kansas, 1909; total, 15.	Arizona, 1912; Georgia, 1913; Indiana, 1913; Rhode Island, 1916; Mississippi, 1918; Alaska, 1919; New Mexico, 1919; total, 7.	Nebraska, 1921; South Carolina, 1922; total, 2.	Alabama, 1931; Florida, 1931; total, 2. Grand total, 49.

GIFT

1931-40	Since 1941
Oregon, 1933; Wisconsin, 1933, Virginia, 1934; Minnesota, 1937; North Carolina, 1937; California, 1939; Colorado, 1939; Tennessee, 1939; Louisiana, 1940; total 9.	Oklahoma, 1941; Washington, 1941; Rhode Island, 1942; total, 3. Grand total, 12.

GENERAL SALES

1931-40	1941-50	Since 1951
Mississippi, 1932; Arizona, 1933, California, 1933; Illinois, 1933; Indiana, 1933 ^{2/} ; Iowa, 1933; Michigan, 1933; New Mexico, 1933; North Carolina, 1933, Oklahoma, 1933; South Dakota, 1933; Utah, 1933, Washington, 1933, West Virginia, 1933, Missouri, 1934; Ohio, 1934; Arkansas, 1935; Colorado, 1935; Hawaii, 1935; North Dakota, 1935; Wyoming, 1935; Alabama, 1936; Kansas, 1937; Louisiana, 1938; total, 24.	Connecticut, 1947; Maryland, 1947; Rhode Island, 1947; Tennessee, 1947; Florida, 1949; total, 5.	Georgia, 1951; Maine, 1951; S. Carolina, 1951; Pennsylvania, 1953; Nevada, 1955; Kentucky, 1960; Texas, 1961; Wisconsin, 1961; Idaho, 1965; New York, 1965; Massachusetts, 1966; New Jersey, 1966; Virginia, 1966; Minnesota, 1967; Nebraska, 1967. total, 15. Grand total, 44.

DISTILLED SPIRITS^{6/}

1931-40	Since 1941
Arizona, 1933; Colorado, 1933; Delaware, 1933; Indiana, 1933; Maryland 1933; Massachusetts, 1933; New Jersey, 1933; New York, 1933; Rhode Island, 1933; Illinois, 1934; Kentucky, 1934; Louisiana, 1934; Minnesota, 1934; Missouri, 1934; New Mexico, 1934; Wisconsin, 1934; Arkansas, 1935; California, 1935; Florida, 1935; Nebraska, 1935; Nevada, 1935; S. Carolina, 1935; S. Dakota, 1935, Texas, 1935; N. Dakota, 1936; Connecticut, 1937; Georgia, 1937; Hawaii, 1939; Tennessee, 1939; total, 29.	Alaska, 1945, Kansas, 1948; Oklahoma, 1959; Mississippi, 1966; total, 4. Grand total, 33.

See footnotes at the end of table.

TABLE 3.--DATES OF ADOPTION OF MAJOR STATE TAXES^{1/} (Concl'd)

CIGARETTES

1921-30	1931-40	1941-50	Since 1951
Iowa, 1921; S. Carolina, 1923; S. Dakota, 1923; Utah, 1923; Tennessee, 1925; Kansas, 1927; N. Dakota, 1927; Arkansas, 1929; total, 8.	Ohio, 1931, Texas, 1931; Louisiana, 1932; Mississippi, 1932, Oklahoma, 1933; Alabama, 1935; Arizona, 1935; Connecticut, 1935; Washington, 1935; Kentucky, 1936; Georgia, 1937; Pennsylvania, 1937; Vermont, 1937; Hawaii, 1939; Massachusetts, 1939; New Hampshire, 1939; New York, 1939; Rhode Island, 1939; Wisconsin, 1939; total, 19.	Illinois, 1941; Maine, 1941; Delaware, 1943; Florida, 1943; New Mexico, 1943; Idaho, 1945; Indiana, 1947; Michigan, 1947; Minnesota, 1947; Montana, 1947; Nebraska, 1947; Nevada, 1947; West Virginia, 1947; New Jersey, 1948; Alaska, 1949; total, 15.	Wyoming, 1951; Missouri, 1955; Maryland, 1958; California, 1959; Virginia, 1960; Colorado, 1964; Oregon, 1965; total, 7. Grand total, 49.

GASOLINE

1911-20	1921-30	Since 1931
Colorado, 1919; New Mexico, 1919, North Dakota, 1919; Oregon, 1919; Kentucky, 1920; total, 5.	Arizona, 1921; Arkansas, 1921; Connecticut, 1921; Florida, 1921; Georgia, 1921; Louisiana, 1921; Montana, 1921; North Carolina, 1921; Pennsylvania, 1921; Washington, 1921; Maryland, 1922; Mississippi, 1922; S. Carolina, 1922; S. Dakota, 1922; Alabama, 1923; California, 1923; Delaware, 1923; Idaho, 1923; Indiana, 1923; Maine, 1923; Nevada, 1923; New Hampshire, 1923; Oklahoma, 1923; Tennessee, 1923; Texas, 1923; Utah, 1923; Vermont, 1923; Virginia, 1923; West Virginia, 1923; Wyoming, 1923; Iowa, 1925; Kansas, 1925; Michigan, 1925; Minnesota, 1925; Missouri, 1925; Nebraska, 1925; Ohio, 1925; Rhode Island, 1925; Wisconsin, 1925; Illinois, 1927; New Jersey, 1927; Massachusetts, 1929; New York, 1929; total, 43.	Hawaii, 1932; Alaska, 1946; total, 2. Grand total, 50.

AUTOMOBILE REGISTRATION

1901-10	1911-20
New York, 1901; Connecticut, 1903; Massachusetts, 1903; Minnesota, 1903; Missouri, 1903; New Jersey, 1903; Pennsylvania, 1903; Iowa, 1904; Maryland, 1904; Rhode Island, 1904; Vermont, 1904; California, 1905; Delaware, 1905; Indiana, 1905; Maine, 1905; Michigan, 1905; New Hampshire, 1905; Oregon, 1905; South Dakota, 1905; Tennessee, 1905; Washington, 1905; W. Virginia, 1905; Wisconsin, 1905; Ohio, 1906; South Carolina, 1906; Illinois, 1907; Nebraska, 1907; Texas, 1907; North Carolina, 1909; Utah, 1909; Georgia, 1910; Kentucky, 1910; Virginia, 1910; total, 33.	Alabama, 1911; Arkansas, 1911; Florida, 1911; N. Dakota, 1911; Oklahoma, 1911; Arizona, 1912; Mississippi, 1912; New Mexico, 1912; Colorado, 1913; Idaho, 1913; Kansas, 1913; Montana, 1913; Nevada, 1913; Wyoming, 1913; Louisiana, 1914; Alaska, 1915; total, 16. Grand total, 49.

^{1/} Includes only States that used the tax as of January 1, 1968. Excludes the District of Columbia, where the dates of adoption were: Individual income, 1939; corporation income, 1939; death, 1937; general sales, 1947; distilled spirits, 1934; cigarettes, 1949; gasoline, 1924; and automobile registration, 1909.

^{2/} Income from stocks and bonds only.

^{3/} In effect applies only to New York residents who derive income from New Jersey sources.

^{4/} Exclusive of South Dakota's tax applicable to financial institutions only.

^{5/} Gross income tax; in 1963 Indiana enacted a 2 percent retail sales and use tax.

^{6/} Exclusive of the excises by the 16 States that own and operate liquor stores, and exclusive of North Carolina where county stores operate under State supervision.

TABLE 4 .--DATES OF ADOPTION OF MAJOR STATE TAXES, FREQUENCY DISTRIBUTION ^{1/}

Year	Individual income	Corporation income	Death	Gift	General sales	Distilled spirits	Cigarettes	Gasoline	Auto-mobile registration
Pre-1901...	.....	.....	23	.....	.....	.....	.....	.....	.....
1901.....	1	1	4	.....	.....	.....	.....	.....	1
1902.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1903.....	.....	.....	4	.....	.....	.....	.....	.....	6
1904.....	.....	.....	.....	.....	.....	.....	.....	.....	4
1905.....	.....	.....	2	.....	.....	.....	.....	.....	12
1906.....	.....	.....	1	.....	.....	.....	.....	.....	2
1907.....	.....	.....	3	.....	.....	.....	.....	.....	3
1908.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1909.....	.....	.....	1	.....	.....	.....	.....	.....	2
1910.....	.....	.....	.....	.....	.....	.....	.....	.....	3
1911.....	1	1	.....	.....	.....	.....	.....	.....	5
1912.....	1	.....	1	.....	.....	.....	.....	.....	3
1913.....	.....	.....	2	.....	.....	.....	.....	.....	6
1914.....	.....	.....	.....	.....	.....	.....	.....	.....	1
1915.....	1	2	.....	.....	.....	.....	.....	.....	1
1916.....	2	.....	1	.....	.....	.....	.....	.....	.....
1917.....	2	3	.....	.....	.....	.....	.....	.....	.....
1918.....	.....	.....	1	.....	.....	.....	.....	.....	.....
1919.....	2	2	2	.....	.....	.....	.....	4	.....
1920.....	.....	.....	.....	.....	.....	.....	.....	1	.....
1921.....	1	2	1	.....	.....	.....	1	10	.....
1922.....	1	1	1	.....	.....	.....	.....	4	.....
1923.....	.....	1	.....	.....	.....	.....	3	16	.....
1924.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1925.....	.....	.....	.....	.....	.....	.....	1	9	.....
1926.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1927.....	.....	.....	.....	.....	.....	.....	2	2	.....
1928.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1929.....	2	4	.....	.....	.....	.....	1	2	.....
1930.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1931.....	4	4	2	.....	.....	.....	2	.....	.....
1932.....	.....	.....	.....	.....	1	.....	2	1	.....
1933.....	6	5	.....	2	13	9	1	.....	.....
1934.....	2	2	.....	1	2	7	.....	.....	.....
1935.....	1	1	.....	.....	5	8	4	.....	.....
1936.....	1	1	.....	.....	1	1	1	.....	.....
1937.....	2	2	.....	2	1	2	3	.....	.....
1938.....	.....	.....	.....	.....	1	.....	.....	.....	.....
1939.....	.....	.....	.....	3	.....	2	6	.....	.....
1940.....	.....	.....	.....	1	.....	.....	.....	.....	.....
1941.....	.....	.....	.....	2	.....	.....	2	.....	.....
1942.....	.....	.....	.....	1	.....	.....	.....	.....	.....
1943.....	.....	.....	.....	.....	.....	.....	3	.....	.....
1944.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1945.....	.....	.....	.....	.....	.....	1	1	.....	.....
1946.....	.....	.....	.....	.....	.....	.....	.....	1	.....
1947.....	.....	1	.....	.....	4	.....	7	.....	.....
1948.....	.....	.....	.....	.....	.....	1	1	.....	.....
1949.....	1	1	.....	.....	1	.....	1	.....	.....
1950.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1951.....	.....	.....	.....	.....	3	.....	1	.....	.....
1952.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1953.....	.....	.....	.....	.....	1	.....	.....	.....	.....
1954.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1955.....	.....	.....	.....	.....	1	.....	1	.....	.....
1956.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1957.....	.....	1	.....	.....	.....	.....	.....	.....	.....
1958.....	.....	1	.....	.....	.....	.....	1	.....	.....
1959.....	.....	.....	.....	.....	.....	1	1	.....	.....
1960.....	.....	.....	.....	.....	1	.....	1	.....	.....
1961.....	1	.....	.....	.....	2	.....	.....	.....	.....
1962.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1963.....	1	1	.....	.....	.....	.....	.....	.....	.....
1964.....	.....	.....	.....	.....	.....	.....	1	.....	.....
1965.....	.....	.....	.....	.....	2	.....	1	.....	.....
1966.....	.....	.....	.....	.....	3	1	.....	.....	.....
1967.....	2	3	.....	.....	2	.....	.....	.....	.....
Total...	2/ 35	3/ 40	49	12	44	4/ 33	49	50	49.

See footnotes on following page.

TABLE 4.--DATES OF ADOPTION OF MAJOR STATE TAXES, FREQUENCY DISTRIBUTION^{1/}

(Concluded)

-
- 1/ Includes only States that used the tax as of January 1, 1968.
 - 2/ Exclusive of New Jersey "Commuters'" tax and the New Hampshire and Tennessee taxes on interest and dividends.
 - 3/ Exclusive of South Dakota's tax applicable to financial institutions.
 - 4/ Exclusive of the excises levied by the 16 States that own and operate liquor stores, and the North Carolina county stores system operated under State supervision.

TABLE 5.--STATE GENERAL SALES TAX RATES AS OF JANUARY 1--1952 THROUGH 1968

State	Rate on tangible personal property at retail (percent)																
	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968
Alabama	3	...	...	...	...	...	...	...	...	...	...	...	4	...	...	...	4
Alaska	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Arizona	2	...	...	...	...	...	...	...	3	...	...	...	...	...	...	...	3
Arkansas	2	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	3
California	3	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	4
Colorado	2	...	...	...	...	...	...	...	...	...	...	...	...	...	3	...	3
Connecticut	2	...	3	...	3½	3	...	...	...	...	3½	...	...	...	...	...	3½
Delaware	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Dist. of Col.	2	...	...	...	...	...	...	...	...	...	3	...	...	...	...	...	3
Florida	3	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	3
Georgia	3	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	3
Hawaii	2½	...	...	...	...	...	3½	...	...	...	...	...	...	...	...	...	4
Idaho	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	3
Illinois	2	...	...	2½	...	...	...	...	3	...	3½	...	...	...	...	...	4½
Indiana I/	5/8	½	...	...	...	...	3/8	...	...	...	...	...	2	...	...	...	2
Iowa	2	...	...	...	2½	...	2	...	...	...	...	...	...	...	...	...	3
Kansas	2	...	...	...	...	...	...	2½	...	...	...	...	...	...	3	...	3
Kentucky	—	—	—	—	—	—	—	—	—	3	—	—	—	—	—	—	3
Louisiana	2	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	2
Louisiana	2	...	...	...	...	...	...	...	...	...	...	...	4	...	...	...	4½
Maine	2	...	...	...	...	...	3	...	...	...	...	...	...	...	...	...	2
Maryland	2	...	...	...	...	...	...	3	...	...	...	...	...	...	...	...	3
Massachusetts	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	3	3
Michigan	3	...	...	...	...	...	...	...	...	4	...	...	...	...	...	...	4
Minnesota	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	4
Mississippi	2	...	...	3	...	...	...	...	...	...	...	...	...	3½	...	...	3½
Missouri	2	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	3
Montana	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Nebraska	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Nevada	—	—	—	—	2	...	...	...	...	...	...	...	...	...	...	...	2½
New Hampshire	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	3½
New Jersey	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
New Mexico	2	...	...	...	...	...	...	...	...	...	...	...	3	...	...	3	3

See footnotes at the end of table.

TABLE 5. --STATE GENERAL SALES TAX RATES AS OF JANUARY 1--1952 THROUGH 1968 (Concl'd)

State	Rate on tangible personal property at retail (percent)																
	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968
New York	—	—	—	—	—	—	—	—	—	—	—	—	—	—	2	....	2
North Carolina	3	....	....	....	....	....	....	....	....	....	....	....	....	....	....	....	3
North Dakota	2	....	....	....	....	....	....	....	....	....	....	....	2½	....	....	....	3
Ohio	3	....	....	....	....	....	....	....	....	....	....	....	....	....	....	....	4
Oklahoma	2	....	....	....	....	....	....	....	....	....	....	....	....	....	....	....	2
Oregon	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Pennsylvania	—	—	1	....	3/	3	....	....	4	....	....	....	5	....	....	....	6
Rhode Island	2	....	....	....	....	....	3	....	....	....	....	....	....	3½	4	....	5
South Carolina	3	....	....	....	....	....	....	....	....	....	....	....	....	....	....	....	3
South Dakota	2	....	....	....	....	....	....	....	....	....	....	....	....	....	3	....	3
Tennessee	2	....	....	3	....	....	....	....	....	....	....	....	....	....	....	....	3
Texas	—	—	—	—	—	—	—	—	—	—	2	....	....	....	....	....	2
Utah	2	....	....	....	....	....	....	....	....	....	2½	....	3	....	....	....	3
Vermont	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Virginia	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	2	2½/
Washington	3	....	....	....	3 1/3	....	....	....	4	....	....	....	....	....	4 1/5	....	4½
W. Virginia	2	....	....	....	....	....	....	....	....	....	3	....	....	....	....	....	3
Wisconsin	—	—	—	—	—	—	—	—	—	—	3½/	....	....	....	....	....	3
Wyoming	2	....	....	....	....	....	....	....	....	....	....	....	....	....	2½	....	.3
Number of States with tax ^{6/}	33	33	34	34	34	35	35	35	35	36	38	38	38	38	40	43	45

Note: Dots (....) indicate no rate change since previous rate shown. A dash (—) indicates no sales tax in effect as of January 1.

1/ Prior to 1964 the rates shown are for the "gross income" tax, included because of its many sales tax features. On April 20, 1963, the Governor approved Indiana's new 2% sales and use tax bill which, after being declared unconstitutional by a lower court, was upheld by the State Supreme Court and went into effect October 23, 1963.

2/ Including the new (eff. 7/1/67) 1% statewide mandatory county sales tax, collected by the State and paid to the counties for support of local school districts.

3/ Previous tax expired in 1955 and was reinstated in revised form by the Act of March 6, 1956, effective March 7, 1956, at the rate of 3%.

4/ Increased to 3%, effective July 1, 1968.

5/ Effective December 31, 1961. However, the tax was operative only on sales made on and after February 1, 1962.

6/ Includes District of Columbia; also includes Hawaii for the period prior to attaining statehood.

TABLE 6 ---STATE SALES TAXES: TYPES AND RATES, JANUARY 1, 1968
(Percent)

State	Type of tax ^{1/}	Rate on tangible personal property at retail	Rates on selected services subject to tax							Rates on other services and businesses subject to tax (including retail sales subject to special rates)
			Admissions	Restaurant meals	Transient lodging	Telephone and telegraph	Gas and electricity	Water	Transportation of persons and property	
Alabama	Retail sales	4 ^{2/}	4	4	4	....	....	....	....	Agricultural machinery and equipment, and mining and manufacturing machinery, 1-1/2%; gross receipts of amusement operators, 4%.
Arizona *	do	3	3	3	3	1-1/2	1-1/2	1-1/2	1-1/2 ^{3/}	Advertising, printing, publishing, contracting, extracting, and processing minerals and timber, 1-1/2%; storage, apartment and office rentals, 3%; meat-packing and wholesale sales of feed to poultrymen and stockmen, 3/8%; amusement operators, 3%.
Arkansas	do	3	3	3	3	3	3	3	....	Printing, photography, and receipts from coin-operated devices, 3%.
California	do	4	....	4	....	....	....	....	....	Renting, leasing, producing, fabrication, processing, printing, or imprinting of tangible personal property, 4%.
Colorado	do	3	....	3	3	3	3	....	....	Selling, leasing, or delivering in Colorado of tangible personal property by a retail sale for use, storage, distribution or consumption within the State, 3%.
Connecticut	do	3-1/2	....	3-1/2 ^{4/}	3-1/2	....	....	....	....	Storing for use or consumption of any article or item of tangible personal property, 3-1/2%.
Florida	do	3 ^{2/}	3	3	3	....	....	....	....	Fishing, hunting, camping, swimming and diving equipment, 5% of wholesale price or cost. Rental, storage or furnishing of taxable things or services, altering, remodeling or repairing tangible personal property and rental income of amusement machines, 3%.

See footnotes at the end of table. * Sales tax provisions revised substantially, effective after January 1, 1968.

TABLE 6.--STATE SALES TAXES: TYPES AND RATES, JANUARY 1, 1968 (Cont'd)
(Percent)

State	Type of tax ^{1/}	Rate on tangible personal property at retail	Rates on selected services subject to tax							Rates on other services and businesses subject to tax (including retail sales subject to special rates)
			Admissions	Restaurant meals	Transient lodging	Telephone and telegraph	Gas and electricity	Water	Transportation of persons and property	
Georgia	Retail sales	3	3	3	3	3	3	....	33/	Lease or rental of tangible personal property, and charges on amusements and amusement devices, 3%.
Hawaii	Multiple stage sales	4	4	4	4	....	....	....	....	Manufacturers, producers, wholesalers, and selected service businesses, 1/2%; sugar processors and pineapple canners, 1/2% insurance solicitors, 2%; contractors, sales representatives, professions, radio broadcasting stations, service businesses and other businesses (not otherwise specified), including amusement business, 4%.
Idaho	Retail sales	3	3	3	3	....	....	....	....	Renting, leasing, producing, fabricating, processing, printing or imprinting of tangible personal property, and gross receipts of amusement operators, 3%. (5% of the gross receipts from sales of tickets to closed circuit telecasts of boxing, sparring and wrestling matches).
Illinois ^{2/}	do	4-1/4	....	4-1/4	....	....	....	....	....	Property sold in connection with a sale of service, 4-1/4%; remodeling, repairing and reconditioning of tangible personal property, 4-1/4%. Hotel operators are subject to a hotel occupancy tax of 3% of 97% of the gross receipts from the rental of rooms to transients.
Indiana	do	2	....	2	2	2	26/	26/	....	Lease or rental of tangible personal property, 2%.
Iowa	do	3	3	3	3	3	3	3	....	Laundry, drycleaning, automobile and cold storage, printing, repair service to tangible personal property, and gross receipts derived from operation of amusement devices and commercial amusement enterprises, 3%.

See footnotes at the end of table.

TABLE 6. --STATE SALES TAXES: TYPES AND RATES, JANUARY 1, 1968 (Cont'd)
(Percent)

State	Type of tax ^{1/}	Rate on tangible personal property at retail	Rates on selected services subject to tax							Rates on other services and businesses subject to tax (including retail sales subject to special rates)
			Admis- sions	Restau- rant meals	Tran- sient lodging	Tele- phone and tele- graph	Gas and elec- tricity	Water	Trans- porta- tion of persons and property	
Kansas	Retail Sales	3	3	3	3	3	3 ^{6/}	3 ^{6/}	....	Gross receipts from the operation of any coin-operated device, and lease or rental of tangible personal property, 3%.
Kentucky	do	3	3 ^{7/}	3	3	3	3 ^{6/}	3	....	Storage, use or after consumption of tangible personal property, sewer services, photography and photo finishing, 3%.
Louisiana	do	2	2	2	2	....	....	....	....	Laundry, drycleaning, automobile and cold storage, printing, repairing, renting or leasing of tangible personal property, 2%.
Maine	do	4 ^{1/2}	....	4 ^{1/2}	4 ^{1/2}	4 ^{1/2}	4 ^{1/2}	4 ^{1/2}	....	Renting, storing, fabricating or printing of tangible personal property, 4 ^{1/2} %.
Maryland	do	3 ^{2/}	....	3 ^{4/}	3	....	3	....	....	Lease or rental of tangible personal property, production, fabrication, or printing on special order, 3%; farm equipment, 2%.
Massachusetts	do	3	....	4/	....	....	....	....	....	Renting, leasing, producing, fabricating, processing, printing or imprinting of tangible personal property, 3%. Transient lodging is subject to a 5% room occupancy excise tax.
Michigan	do	4	....	4	4	4	4	....	....	Lease or rental of tangible personal property, 4%.
Minnesota	do	3	3	3	3	3	3	3	....	Renting, leasing, processing, producing, fabricating or printing tangible personal property, 3%.
Mississippi	Multiple stage sales	3 ^{1/2} ^{2/}	....	3 ^{1/2}	3 ^{1/2}	3 ^{1/2}	3 ^{1/2} ^{6/}	3 ^{1/2}	3 ^{1/2} ^{3/}	Wholesaling, 1/8% (alcoholic beverages and motor fuel, 3 ^{1/2} %); extracting or mining of minerals, 3 ^{1/2} %; specified miscellaneous businesses (including bowling alleys, pool parlors, laundry and drycleaning, photo finishing, storage, certain repair services), 3 ^{1/2} %, except cotton ginning, 15¢ per bale; contracting (contracts exceeding \$10,000), 2%; farm tractors, 1%; renting or leasing manufacturing or processing machinery,

See footnotes at the end of table.

TABLE 6. --STATE SALES TAXES: TYPES AND RATES, JANUARY 1, 1968 (Cont'd)
(Percent)

State	Type of tax ^{1/}	Rate on tangible personal property at retail	Rates on selected services subject to tax							Rates on other services and businesses subject to tax (including retail sales subject to special rates)
			Admissions	Restaurant meals	Transient lodging	Telephone and telegraph	Gas and electricity	Water	Transportation of persons and property	
Mississippi (Cont'd)										and sales of manufacturing machinery and manufacturing machine parts over \$500, 1%.
Missouri	Retail sales	3	3	3	3	3	3	3	3 ^{3/}	Trailer camp rentals, and lease or rental of tangible personal property, 3%.
Nebraska ^{5/}	do	2½	2½	2½	2½	2½	2½	2½	....	Renting, leasing, producing, fabricating, processing, printing or imprinting of tangible personal property, 2½%.
Nevada	do	3 ^{8/}	....	3 ^{8/}	....	....	....	....	....	Renting, leasing, producing, fabricating, processing, and printing, or imprinting of tangible personal property, 3%. ^{8/}
New Jersey	do	3	3 ^{9/}	3	3	....	....	....	....	Renting, leasing, producing, fabricating or printing tangible personal property, 3%.
New Mexico	do	3 ^{2/}	3	3	3	3	3	3	3	Leasing or storing tangible personal property, and sales of services, 3%; contracting, and sales of farm implements, 1½%; receipts from originating and servicing real property loans, 3/4%.
New York	do	2	2 ^{9/}	2 ^{4/}	2	2	2	....	....	Renting, leasing, producing, fabricating, processing, printing or imprinting, and installation or maintenance of tangible personal property, 2%.
North Carolina	do	3 ^{2/}	....	3	3	....	....	....	....	Leasing or renting of tangible personal property, laundry and drycleaning, 3%; airplanes, boats, railway locomotives and cars, 1½% (with a maximum tax of \$120 per item); sales of horses or mules, sales of fuel to farmers, manufacturing industries and plants other than for residential heating purposes, and to

See footnotes at the end of table.

TABLE 6.--STATE SALES TAXES: TYPES AND RATES, JANUARY 1, 1968 (Cont'd)
(Percent)

State	Type of tax ^{1/}	Rate on tangible personal property at retail	Rates on selected services subject to tax							Rates on other services and businesses subject to tax (including retail sales subject to special rates)
			Admissions	Restaurant meals	Transient lodging	Telephone and telegraph	Gas and electricity	Water	Transportation of persons and property	
North Carolina (Cont'd)										commercial laundries or to pressing and drycleaning establishments, sales of machinery to farmers, manufacturing industries, laundry and drycleaning establishments, and other selected items, 1% (maximum tax is \$80 per article for several items).
North Dakota	Retail sales	3 ^{2/}	3	3	3	3	3	3	....	Leasing, renting, fabricating, and storing of tangible personal property, proceeds from coin-operated amusement or entertainment machinery, and the severance of sand or gravel from the soil, 3%.
Ohio	do	4	....	4	4	....	....	....	....	Printing, processing, and reproducing, 4%.
Oklahoma	do	2 ^{1/}	2	2	2	2	2	....	2 ^{3/}	Advertising (limited), gross proceeds from amusement devices, printing, automobile storage, 2%.
Pennsylvania	do	6	....	6	6	6	6	....	....	Repairing, altering, cleaning and lease or rental of tangible personal property, cleaning, polishing, lubricating, and inspecting of motor vehicles, and rental income of coin-operated amusement machines, 6%.

See footnotes at the end of table.

TABLE 6. --STATE SALES TAXES: TYPES AND RATES, JANUARY 1, 1968 (Cont'd)
(Percent)

State	Type of tax ^{1/}	Rate on tangible personal property at retail	Rates on selected services subject to tax							Rates on other services and businesses subject to tax (including retail sales subject to special rates)
			Admissions	Restaurant meals	Transient lodging	Telephone and telegraph	Gas and electricity	Water	Transportation of persons and property	
Rhode Island	Retail sales	5	5	5	5	5	5	5	....	Renting, leasing, producing, fabricating, processing, and printing or imprinting of tangible personal property, 5%.
South Carolina	do	3	....	3	3	3	3 ^{6/}	....	....	Renting or leasing of tangible personal property, and laundry and drycleaning, 3%.
South Dakota	do	3 ^{2/}	3	3	3	3	3	3	....	Farm machinery, and agricultural irrigation equipment sold by licensed retailers, 2%; contractors, gross receipts from engaging in the practice of any profession or business in which the service rendered is of a professional, technical, or scientific nature, but not including persons engaged in the healing arts or veterinarians, and gross receipts from amusement devices, 3%.
Tennessee	do	3	....	3	3	3	3 ^{6/}	3 ^{6/}	....	Vending machine operators may pay a \$2 registration fee plus \$1 per machine, and 1½% of gross receipts from such machines in lieu of privilege and sales taxes, except that the tax in gross receipts from machines dispensing tobacco items is 2½%; parking lots and storage of motor vehicles, repair services, installation, lease or rental of tangible personal property, laundry and drycleaning, 3%; machinery for "new and expanded" industry, and farm machinery and equipment, 1%.

See footnotes at the end of table.

TABLE 6. --STATE SALES TAXES: TYPES AND RATES, JANUARY 1, 1968 (Cont'd)
(Percent)

State	Type of tax ^{1/}	Rate on tangible personal property at retail	Rates on selected services subject to tax							Rates on other services and businesses subject to tax (including retail sales subject to special rates)
			Admis- sions	Restau- rant meals	Tran- sient lodging	Tele- phone and tele- graph	Gas and elec- tricity	Water	Trans- portation of persons and property	
Texas	Retail sales	2 ^{2/}	....	2	....	....	2 ^{6/}	....	....	Producing, processing, and lease or rental of tangible personal property, 2%.
Utah	do	3	3	3	3	3	3	....	3 ^{3/}	Laundry, and drycleaning, repairing, renovating, installing, fabricating, and lease or rental of tangible personal property, 3%.
Virginia ^{5/}	do	2 ^{2/}	....	2	2	....	....	....	....	Fabricating, storage, lease or rental of tangible personal property, 2%.
Washington	do	4 ^{1/2}	4 ^{1/2}	4 ^{1/2}	4 ^{1/2}	....	....	....	....	Charges for certain specified services, 4 ^{1/2} %; selected amusement and recreation activities, 4 ^{1/2} % (unless subject to county or city admission taxes, in which case they remain taxable under the State business and occupation tax, 1%).
West Virginia	do	3 ^{2/}	3	3	3	....	....	....	....	All services (including services rendered in amusement places), except public utilities and personal and professional services, 3%.
Wisconsin	do	3	3 ^{9/}	3	3	3	3 ^{6/}	....	....	Laundry, drycleaning, photographic services, the repair, service, maintenance, lease or rental of all items of taxable tangible personal property, 3%.
Wyoming	do	3 ^{10/}	3	3	3	3	3 ^{6/}	....	3	Laundry, drycleaning, fabricating, repairing, altering, printing, lease or rental (with exceptions) of tangible personal property, plus numerous other service businesses, 3%.
Dist. of Col.	do	3 ^{2/}	....	3	5	....	3 ^{6/}	3	....	Producing, fabricating, printing, lease or rental (with exceptions) of tangible personal property, 3%.

See footnotes on the following page.

TABLE 6.--STATE SALES TAXES: TYPES AND RATES, JANUARY 1, 1968 (Concl'd)

- 1/ All but a few States levy sales taxes of the single-stage retail type. Hawaii and Mississippi levy multiple-stage sales taxes (although the Arizona and New Mexico taxes are applicable to some nonretail businesses, they are essentially retail sales taxes). Washington and West Virginia levy a gross receipts tax on all businesses, distinct from their sales taxes. Alaska also levies a gross receipts tax on businesses, and New Jersey levies a retail gross receipts tax plus an unincorporated business tax (which includes, unincorporated retail stores). The rates applicable to retailers (with exceptions) under these gross receipts taxes are as follows: Alaska, $\frac{1}{2}\%$ gross receipts of \$20,000 - \$100,000, and $\frac{1}{4}\%$ on gross receipts in excess of \$100,000; New Jersey, retail gross receipts - $\frac{1}{20}$ of 1% on gross receipts in excess of \$5,000; Washington, 44/100% and West Virginia, $\frac{1}{2}\%$.
- 2/ Motor vehicles are taxable at the general rates with certain exceptions. The following States apply different rates to motor vehicles under their general sales and use tax laws: Alabama, $1\frac{1}{2}\%$; Florida, 2%; Mississippi, 2%; and North Carolina, $1\frac{1}{2}\%$ (maximum \$120). The following exempt motor vehicles from their general sales and use taxes but impose special sales or gross receipts taxes on them under their motor vehicle tax laws: District of Columbia, 3% titling tax; Maryland, 3% titling tax; New Mexico, $1\frac{1}{2}\%$ excise tax; North Dakota, 3% excise tax; Oklahoma, 2% excise tax; South Dakota, 3% excise tax; Texas and Virginia, 2% sales and use tax; and West Virginia, 3% titling tax. See also table 25 for sales tax treatment of motor fuels.
- 3/ Arizona and Mississippi also tax the transportation of oil and gas by pipeline. Georgia, Missouri, Oklahoma, and Utah do not tax transportation of property. Mississippi taxes bus and taxicab transportation at the rate of 2%. Oklahoma does not tax local transportation, school transportation, and fares of 15 cents or less. Utah does not tax street railway fares.
- 4/ Restaurant meals below a certain price are exempt: Connecticut, less than \$1; Maryland, \$1 or less; New York, less than \$1 (when alcoholic beverages are sold, meals are taxable regardless of price). The Massachusetts retail sales tax exempts restaurant meals, which (\$1 or more) are taxes at 5% under the meals excise tax.
- 5/ Illinois' $4\frac{1}{2}\%$ rate includes a 1% additional tax effective through June 30, 1969. Nebraska's rate is scheduled to be reduced to 2% on January 1, 1969, and Virginia's rate is scheduled to be raised to 3% on July 1, 1968.
- 6/ Indiana exempts gas, electricity, and water used in manufacturing, construction, mining, refining, oil or mineral extraction, and irrigation; also exempts sale of utility services to other utilities. Kansas exempts gas, electricity, and water used in farming, processing, manufacturing, mining, drilling, refining, irrigation, telephone and telegraph and other taxable services or for use in movement in interstate commerce by railroads or public utilities. Kentucky exempts energy producing fuels used in manufacturing, processing, mining, or refining to the extent that costs exceed 3% of the cost of production. Mississippi taxes industrial sales of gas and electricity at the rate of 1%. South Carolina's tax is not applicable to sales of gas used in manufacturing or in furnishing laundry service; also exempt are sales of electricity for use in manufacturing tangible personalty and electricity sold to radio and television stations used in producing programs. Tennessee taxes gas, electricity and water sold to or used by manufacturers at the rate of 1% (if used directly in the manufacturing process they are exempt). Texas exempts gas and electricity used in manufacturing, mining, or agriculture. Wisconsin's tax is not applicable to gas or to electricity for space heating charged at a specific rate. Wyoming exempts gas and electricity consumed in manufacturing, processing, and the transportation business. The District of Columbia exempts gas and electricity used in manufacturing, assembling, processing or refining.
- 7/ The tax on sale of tickets to prize fights or wrestling matches on closed circuit television is 5% of the gross receipts. The 5% tax also applies to payments received from broadcasting companies for the right to televise or broadcast any match.
- 8/ Including the new (effective 7/1/67) 1% statewide mandatory county sales tax, collected by the State and paid to the counties for support of local school districts.
- 9/ In New Jersey admissions to a place of amusement are taxable if the charge is in excess of 75 cents. New York taxes admissions when the charge is over 10 cents; exempt are participating sports (such as bowling and swimming), motion picture theatres, race tracks, boxing, wrestling, and live dramatic or musical performances. Sales of admissions to motion picture theatres costing 75 cents or less are exempt in Wisconsin.
- 10/ The State rate was increased from $2\frac{1}{2}\%$ to 3% effective 7/1/67 with one-sixth of the gross sales tax collected, less expenses of administration, to be paid proportionally (based on population) to the cities, towns and counties. Effective on the same date, the power of local taxing districts (cities, towns and counties) to levy a $\frac{1}{2}$ of 1% sales tax was repealed.

TABLE 7 .--EXEMPTION OF FOOD AND MEDICINE IN
STATE GENERAL SALES TAXES, JANUARY 1, 1968

State	Tax rate (percent)	Food ^{1/}	Medicine ^{2/}
California.....	4	x	x
Colorado.....	3	....	x
Connecticut.....	3 1/2	x	x
Dist. of Columbia...	3	x ^{3/}	x
Florida.....	3	x	x
Idaho.....	3	....	x
Indiana.....	2	....	x
Maine.....	4 1/2	x	x
Maryland.....	3	x	x
Massachusetts.....	3	x	x
Michigan.....	4	....	x ^{4/}
Minnesota.....	3	x	x
Nebraska.....	2 1/2	....	x
New Jersey.....	3	x	x
New York.....	2	x	x
North Carolina.....	3	....	x
North Dakota.....	3	....	x
Ohio.....	4	x	x
Pennsylvania.....	6	x	x
Rhode Island.....	5	x	x
Texas.....	2	x	x
Virginia.....	2	....	x
Wisconsin.....	3	x	x

^{1/} Food exemptions usually apply to "food for human consumption off the premises where sold." Restaurant meals are taxable in all States, although meals costing less than a specified amount are exempt in some States.

^{2/} The exemption is usually applicable to medicine sold on prescription or compounded by druggists, and often to medical and dental aids or devices such as artificial limbs, eye-glasses, and dentures. Some States exempt patent medicines and household remedies.

^{3/} Rate on food is 1 percent.

^{4/} The exemption is applicable only to 50 percent of the amount charged for recorded drug prescriptions. Full exemption applies to artificial limbs and eyes.

TABLE 8 --LOCAL SALES TAX RATES, JANUARY 1, 1968^{1/}

State and type of local government	State tax rate (percent) ^{2/}	Local government tax rates ^{2/}				
		1/2 Percent	3/4 Percent	1 Percent	2 Percent	3 Percent
Alabama	4					
137 municipalities ^{3/}	....	11	....	116	10	....
19 counties	....	2	....	16	1	....
Alaska	....				
40 municipalities ^{4/}	....	....	....	3	23	13
5 boroughs	....	....	....	1	3	1
Arizona	3					
13 municipalities	....	....	....	13	....	....
California	4					
382 municipalities	....	....	....	382 ^{5/}	....	....
58 counties ^{6/}	....	....	....	58	....	....
Colorado	3					
22 municipalities	....	....	....	177 ^{7/}	5	....
1 county ^{8/}	....	....	....	1	....	....
Illinois	4 1/4					
1,210 municipalities (approx.)	....	150	1,060	....	....	....
92 counties	....	6	86	....	....	....
Louisiana	2					
57 municipalities ^{9/}	....	2	....	51	1	....
9 parishes ^{9/}	....	....	....	7	....	....
33 school districts ^{9/}	....	4	2	27	....	....
Mississippi	3 1/2					
196 municipalities	....	32	....	164	....	....
New Mexico	3					
43 municipalities	....	110 ^{10/}	....	42	....	....
1 county	....	110 ^{10/}	....	....	....	....
New York	2					
7 municipalities	....	....	....	3	2	2
10 counties	....	....	....	....	8	2
Oklahoma	2					
74 municipalities	....	....	....	74	....	....
Tennessee	3					
5 municipalities	....	....	....	511 ^{11/}	....	....
56 counties	....	....	....	5611 ^{11/}	....	....
Texas	2					
14 municipalities ^{12/}	....	....	....	14	....	....
Utah	3					
142 municipalities (approx.)	....	142	....	....	....	....
26 counties	....	26	....	....	....	....
Virginia	2 ^{13/}					
38 municipalities	....	....	....	38	....	....
94 counties	....	....	....	94	....	....
Wyoming ^{14/}	3					
20 municipalities (prior to 7/1/67)	....	20	....	....	....	....
13 counties (prior to 7/1/67)	....	13	....	....	....	....

See footnotes on the next page.

TABLE 8 .--LOCAL SALES TAX RATES, JANUARY 1, 1968^{1/} (Concl'd)

- 1/ This tabulation includes only these local sales taxes about which authoritative information is available: The following cities with 1960 population of 50,000 or more impose a sales tax: Albuquerque, Baton Rouge, Denver, Huntsville, Jackson, Lake Charles, Mobile, Montgomery, New Orleans, New York, Niagara Falls, Ogden, Oklahoma City, Phoenix, Pueblo, Salt Lake City, Shreveport, Tucson, and all cities of 50,000 or over in California, Illinois, Oklahoma, and Virginia. The District of Columbia, not included in this tabulation, levies a 3 percent sales tax. The Nevada "local school support tax" (1%, effective 7/1/67) is included with the State sales tax. See table 6, footnote 8.
- 2/ The rates shown are applicable to sales of tangible personal property at retail.
- 3/ Thirty-three of these cities are in 12 counties that also have local sales taxes. In some cases the legislation authorizing county sales taxes takes account of any city sales taxes in the county. Numerous cities specify that the rate outside the city but within its police jurisdiction is 1/2 of the rate applicable within the city. The rate within the police jurisdiction of the city of Hamilton is 1/8 of the 1% city rate.
- 4/ Includes one city with a 2 1/2% rate. Seven of these cities are located in the five boroughs that also impose a sales tax. Sales in these cities are subject to both taxes. The city and borough rates are: Douglas and Juneau, 2% city plus 2% Greater Juneau Borough; Fairbanks, 3% city and North Pole, 2% city plus 2% North Star Borough; Sitka, 2% city plus 2% Greater Sitka Borough; Ketchikan, 2 1/2% city plus 1% Gateway Borough; Soldotna, 3% city (levied on utility services only) plus 3% Kenai Peninsula Borough.
- 5/ A county and its cities must agree on the amount of tax that is to be received by each of the cities from the State administered local tax collections. Usually the agreed city rate is between 0.85% and 1%, and the city tax must be credited against the countywide 1% tax.
- 6/ Includes the city-county of San Francisco.
- 7/ Includes two municipalities with tax effective 7/1/68.
- 8/ The county of Huerfano with a 1% sales tax effective 7/1/68.
- 9/ Includes 3 cities with a 1 1/4% rate, 1 parish with a 1 1/4% rate and 1 with a 1 1/2% rate. Because of overlapping, a 2% local rate is in effect in numerous municipalities and several parishes: municipal rate plus parish or school district rate in municipalities, and parish rate plus school district rate in several parishes.
- 10/ Taos (city 1/2%; county 1/2%).
- 11/ The maximum tax on a single transaction is \$5.
- 12/ Local sales taxes have been approved in numerous additional cities, effective after 1/1/68.
- 13/ The Virginia State sales tax is scheduled to be increased to 3%, effective July 1, 1968.
- 14/ The State rate was increased from 2 1/2% to 3% effective 7/1/67 with one-sixth of the gross sales tax collected, less expenses of administration, to be paid proportionally (based on population) to the cities, towns, and counties. Effective on the same date, the power of local taxing districts (cities, towns, and counties) to levy a 1/2 of 1% sales tax was repealed.

TABLE 9 .--STATUTORY PROVISIONS GOVERNING IMPOSITION OF GENERAL SALES TAXES
BY LOCAL GOVERNMENTS, JANUARY 1, 1968

State and type of local government	Statutory authority	Number using	Scope	Rate limits	Voter approval	Administration
Alabama						
Municipalities	Business and occupational license	137	Sales & use	None	No	Local option ^{1/}
Counties	Specific ^{2/}	19	Do	2%	Yes ^{2/}	State ^{1/}
Alaska						
Municipalities	Specific	40	Sales	3% ^{3/}	Yes	Local
Boroughs	Do	5	Do	3% ^{3/}	Do	Do
Arizona						
Municipalities	Business and occupational license	13	Do	None	No	Do
California						
Municipalities	Specific	382	Sales & use	1% ^{4/}	Do	State
Counties	Do	582 ^{4/}	Do	1% ^{4/}	Do	Do
Colorado						
Municipalities ^{6/}	Home rule ^{6/}	22	Do	None ^{6/}	Do ^{6/}	Local ^{6/7/}
Counties	Specific	18 ^{6/}	Sales	6 ^{6/}	Yes	6 ^{6/}
Illinois						
Municipalities	Do	1,210	Do	0.75%	Do	State
Counties	Do	92	Do	0.75%	Do	Do
Louisiana						
Municipalities	Do	57	Sales & use	1% ^{9/}	Yes	Local
Parishes	Do	9	Do	1% ^{10/}	Do	Do
School districts	Do	33	Do	1% ^{11/}	Do	Do
Mississippi						
Municipalities	Do	196	Sales	0.5 or 1%	Yes ^{12/}	State
New Mexico						
Municipalities	Do	43	Sales	1%	No ^{13/}	State ^{14/}
Counties	Do	1	Do	0.5%	No	State
New York						
Municipalities	Do	7	Sales & use	3%	No	State
Counties	Do	10	Do	3%	Do	Do
Ohio						
Counties ^{15/}	Do	....	Do	0.5%	No	Do
Oklahoma						
Municipalities	Do	74	Sales	1% ^{6/}	Yes	Local ^{7/}
Oregon						
Municipalities ^{17/}	Do	....	Do	None	No	Local
Tennessee						
Municipalities	Do	5	Sales & use	1% ^{18/}	Yes	State ^{19/}
Counties	Do	56	Do	1% ^{18/}	Do	Do ^{19/}
Texas						
Municipalities ^{20/}	Do	14	Do	1%	Do	State
Utah						
Municipalities	Do	142	Sales	0.5%	No	State
Counties	Do	26	Do	0.5%	Do	Do

See footnotes at the end of table.

TABLE 9 .--STATUTORY PROVISIONS GOVERNING IMPOSITION OF GENERAL SALES TAXES
BY LOCAL GOVERNMENTS, JANUARY 1, 1968 (Cont'd)

State and type of local government	Statutory authority	Number using	Scope	Rate limits	Voter approval	Administration
Virginia						
Municipalities	Do	38	Do	1%	Do	Do
Counties	Do	94	Do	1%	Do	Do
Wyoming ^{21/}						
Municipalities (prior to 7/1/67)	Do	20	Do	0.5%	Yes	Do
Counties (prior to 7/1/67)	Do	13	Do	0.5%	Do	Do

- 1/ In 1965 the State Department of Revenue was authorized, on request by a municipality, to collect local sales and use taxes. The municipal tax must parallel the State tax except for the rate. The Department of Revenue presently administers 65 of the 137 municipal sales taxes. The statutes applicable to individual counties usually (in 15 counties) require State administration.
- 2/ Specific statutory authority is given to individual counties. Voter approval is required in most cases.
- 3/ First class cities, incorporated villages, and first and second class boroughs; otherwise 2 percent.
- 4/ A city tax may be at any rate up to 1% (usually between 0.85% and 1%) and must be credited against the countywide 1% tax.
- 5/ Includes the city-county of San Francisco.
- 6/ Home rule cities only. H.B. 1141, Laws 1967 (effective 7/1/67) provides that counties, second class cities and incorporated towns, with voter approval, may also levy sales taxes but the total State and county, city or town rate cannot exceed 7%. Such taxes must begin either January 1 or July 1 of any year and are administered by the Director of Revenue. The director must be notified at least 120 days prior to the effective date. This law does not affect or limit the power of home rule cities to levy local sales and use taxes.
- 7/ Home rule cities may contract with the State for administration and collection, without charge, if local tax conforms to certain specifications (one requirement is that home rule cities do not impose a use tax).
- 8/ The county of Huerfano, effective 7/1/68.
- 9/ Baker, Baton Rouge, and Zachary 1 1/4 percent.
- 10/ Jefferson 1 1/2 percent.
- 11/ St. Bernards and Jefferson 1/2 percent.
- 12/ Required for the 1% rate, but not for the 0.5% rate unless twenty percent of voters so petition.
- 13/ Not required unless a specified percentage of voters petition.
- 14/ State may refuse to collect a city tax if the latter differs in coverage from the State tax. In three municipalities the tax is locally collected.
- 15/ H.B. 919, effective 12/12/67, authorizes counties to levy 1/2 percent sales and use tax.
- 16/ Incorporated cities and towns are authorized to levy and collect taxes (except property taxes) to the same extent as the State legislature. The State sales tax rate is currently 2 percent. The rate in the 74 municipalities levying a sales tax is 1 percent.
- 17/ Cities with population of 9,000 - 10,500 only, but none is presently using this authority.

(Footnotes are continued on the next page.)

TABLE 9 .--STATUTORY PROVISIONS GOVERNING IMPOSITION OF GENERAL SALES TAXES
BY LOCAL GOVERNMENTS, JANUARY 1, 1968 (Concl'd)

- 18/ The rate is limited to 1/3 of the State sales tax rate and the maximum tax on a single transaction is limited to \$5.
- 19/ Optional.
- 20/ Local sales taxes have been approved in numerous additional cities, effective after 1/1/68.
- 21/ The State rate was increased from 2 1/2% to 3% effective 7/1/67 with one-sixth of the gross sales tax collected, less expenses of administration, to be paid proportionally (based on population) to the cities, towns, and counties. Effective on the same date, the power of local taxing districts (cities, towns, and counties) to levy a 1/2 of 1% sales tax was repealed.

TABLE 10.--STATE INDIVIDUAL INCOME TAXES: RATES, JANUARY 1, 1968

State	Net income after personal exemption	Rate (percent)	Federal tax deductible	Special rates or features
Alabama.....	First \$1,000..... \$1,001-\$3,000..... \$3,001-\$5,000..... Over \$5,000.....	1.5 3 4.5 5	x	.....
Alaska.....	16 percent of the total Federal income tax that would be payable for the same taxable year at the Federal tax rates in effect on December 31, 1963.			.....
Arizona ^{1/}	First \$1,000..... \$1,001-\$2,000..... \$2,001-\$3,000..... \$3,001-\$4,000..... \$4,001-\$5,000..... \$5,001-\$6,000..... Over \$6,000.....	2 3 4 5 6 7 8	x	.....
Arkansas.....	First \$3,000..... \$3,001-\$6,000..... \$6,001-\$11,000.... \$11,001-\$25,000... Over \$25,000.....	1 2 3 4 5	....	.....
California ^{1/}	First \$2,000..... \$2,001-\$3,500..... \$3,501-\$5,000..... \$5,001-\$6,500..... \$6,501-\$8,000..... \$8,001-\$9,500..... \$9,501-\$11,000.... \$11,001-\$12,500... \$12,501-\$14,000... Over \$14,000.....	1 2 3 4 5 6 7 8 9 10	....	The following rates apply to heads of households: First \$3,000..... 1% \$3,001-\$4,500..... 2 \$4,501-\$6,000..... 3 \$6,001-\$7,500..... 4 \$7,501-\$9,000..... 5 \$9,001-\$10,500..... 6 \$10,501-\$12,000..... 7 \$12,001-\$13,500..... 8 \$13,501-\$15,000..... 9 Over \$15,000.....10
Colorado.....	First \$1,000..... \$1,001-\$2,000..... \$2,001-\$3,000..... \$3,001-\$4,000..... \$4,001-\$5,000..... \$5,001-\$6,000..... \$6,001-\$7,000..... \$7,001-\$8,000..... \$8,001-\$9,000..... \$9,001-\$10,000.... Over \$10,000.....	3 3.5 4 4.5 5 5.5 6 6.5 7 7.5 8	x	Surtax on income from intangibles in excess of \$5,000, 2 percent. Taxpayers are allowed a credit equal to 1/2 of 1 percent of net taxable income on the first \$9,000 of taxable income. A \$7 tax credit is allowed each taxpayer and each dependent for sales tax paid on food. If there is no income tax liability the taxpayer can apply for a refund. See table 15 .
Delaware.....	First \$1,000..... \$1,001-\$2,000..... \$2,001-\$3,000..... \$3,001-\$4,000..... \$4,001-\$5,000..... \$5,001-\$6,000..... \$6,001-\$8,000..... \$8,001-\$30,000.... \$30,001-\$50,000... \$50,001-\$100,000.. Over \$100,000.....	1.5 2 3 4 5 6 7 8 9 10 11	x ^{2/}	.....

See footnotes at the end of table.

TABLE 10.--STATE INDIVIDUAL INCOME TAXES: RATES, JANUARY 1, 1968 (Cont'd)

State	Net income after personal exemption	Rate (percent)	Federal tax deductible	Special rates or features
Georgia.....	First \$1,000..... \$1,001-\$3,000..... \$3,001-\$5,000..... \$5,001-\$7,000..... \$7,001-\$10,000.... Over \$10,000.....	1 2 3 4 5 6	....	.....
Hawaii ^{2/}	First \$500..... \$501-\$1,000..... \$1,001-\$1,500..... \$1,501-\$2,000..... \$2,001-\$3,000..... \$3,001-\$5,000..... \$5,001-\$10,000.... \$10,001-\$14,000... \$14,001-\$20,000... \$20,001-\$30,000... Over \$30,000.....	2.25 3.25 4.50 5.00 6.50 7.50 8.50 9.50 10.00 10.50 11.00	....	Alternative tax on capital gains: Deduct 50 percent of capital gains and pay an additional 4 percent on such gains. The income classes reported are for individuals. For joint returns the rates shown apply to income classes twice as large. Special tax rates are provided for heads of households ranging from 2.25% on taxable income not over \$500 to 11% on taxable income in excess of \$60,000. A sales tax credit based on modified adjusted gross income brackets is provided, ranging from \$1 to \$20 per qualified exemption. Taxpayers are also provided credits for students attending institutions of higher learning (\$5 to \$50) and dependent children attending school in grades kindergarten to twelve (\$2 to \$20). The amount of credit is based on size of A.G.I. If a taxpayer's credits exceed his tax, a refund will be made. See table 15.
Idaho ^{1/}	First \$1,000..... \$1,001-\$2,000..... \$2,001-\$3,000..... \$3,001-\$4,000..... \$4,001-\$5,000..... Over \$5,000.....	2.5 5.0 6.0 7.0 8.0 9.0	x	A \$10 filing fee is imposed on each return. A \$10 tax credit is allowed for each personal exemption.
Indiana.....	Adjusted gross income.....	2	....	A \$8 tax credit is allowed each taxpayer and each dependent for sales tax paid on food. If there is no income tax liability, the taxpayer can apply for a refund. See table 15.
Iowa.....	First \$1,000..... \$1,001-\$2,000..... \$2,001-\$3,000..... \$3,001-\$4,000..... \$4,001-\$7,000..... \$7,001-\$9,000..... Over \$9,000.....	0.75 1.5 2.25 3 3.75 4.5 5.25	x	A credit is allowed for sales taxes paid. If there is no income tax liability, the taxpayer can apply for a refund. See table 15.
Kansas.....	First \$2,000..... \$2,001-\$3,000..... \$3,001-\$5,000..... \$5,001-\$7,000..... Over \$7,000.....	2 3.5 4 5 6.5	x	The income classes reported are for individuals and heads of households. For joint returns the rates shown apply to income classes twice as large.

See footnotes at the end of table.

TABLE 10.--STATE INDIVIDUAL INCOME TAXES: RATES, JANUARY 1, 1968 (Cont'd)

State	Net income after personal exemption	Rate (percent)	Federal tax deductible	Special rates or features		
Kentucky.....	First \$3,000.....	2	x		
	\$3,001-\$4,000.....	3				
	\$4,001-\$5,000.....	4				
	\$5,001-\$8,000.....	5				
	Over \$8,000.....	6				
Louisiana ^{1/}	First \$10,000.....	2	x		
	\$10,001-\$50,000...	4				
	Over \$50,000.....	6				
Maryland.....	First \$1,000.....	2		
	\$1,001-\$2,000.....	3				
	\$2,001-\$3,000.....	4				
	Over \$3,000.....	5				
Massachusetts ^{2/} .	Earned income and business income...	3.075	x	A consumer tax credit is allowed of \$4 each for the taxpayer and his spouse and \$8 for each qualified dependent. If there is no income tax liability the taxpayer can apply for a refund. See table 15.		
	Interest and dividends, capital gains on intangibles	7.38				
	Annuities.....	1.845				
Michigan.....	All taxable income	2.6	The following credits are allowed (not to exceed the taxpayer's State income tax liability):		
					<u>City income tax</u>	<u>Credit</u>
					Not over \$100....	20% of city tax
					\$101-\$150.....	\$20 + 15% of excess over \$100
					\$151-\$200.....	\$27.50 + 10% of excess over \$150
					Over \$200.....	\$32.50 + 5% of excess over \$200
						Maximum credit \$10,000
					<u>Property tax</u>	<u>Credit</u>
					Not over \$100....	20% of property tax
					\$101-\$150.....	\$20 + 15% of excess over \$100
					\$151-\$200.....	\$27.50 + 10% of excess over \$150
					\$201-\$10,000.....	\$32.50 + 5% of excess over \$200
					Over \$10,000.....	4% of property tax
						A lessee of a homestead is allowed a similar credit. In such a case 20% of the gross rent paid by the lessee is deemed to be property tax.
	Minnesota.....	First \$500.....			1.5	x	A property tax credit is allowed for senior citizen homestead relief. Cash refund granted if property tax credit exceeds income tax due. See table 15.
\$501-\$1,000.....		2.0				
\$1,001-\$2,000.....		3.0				
\$2,001-\$3,000.....		5.0				
\$3,001-\$4,000.....		6.0				
\$4,001-\$5,000.....		7.0				
\$5,001-\$7,000.....		8.0				
\$7,001-\$9,000.....		9.0				
\$9,001-\$12,500.....		10.0				
\$12,501-\$20,000...		11.0				
Over \$20,000.....	12.0					
Mississippi.....	First \$5,000.....	2		
	Over \$5,000.....	3				

See footnotes at the end of table.

TABLE 10.--STATE INDIVIDUAL INCOME TAXES: RATES, JANUARY 1, 1968 (Cont'd)

State	Net income after personal exemption	Rate (percent)	Federal tax deductible	Special rates or features
Missouri.....	First \$1,000..... \$1,001-\$2,000..... \$2,001-\$3,000..... \$3,001-\$5,000..... \$5,001-\$7,000..... \$7,001-\$9,000..... Over \$9,000.....	1 1.5 2 2.5 3 3.5 4	x	The rates apply to total income, not merely to the proportion of income falling within a given bracket, but as a result of the following tax credits, the schedule in effect is a bracket rate schedule: \$1,001-\$2,000..... \$ 5 \$2,001-\$3,000..... \$ 15 \$3,001-\$5,000..... \$ 30 \$5,001-\$7,000..... \$ 55 \$7,001-\$9,000..... \$ 90 Over \$9,000..... \$135
Montana.....	First \$1,000..... \$1,001-\$2,000..... \$2,001-\$4,000..... \$4,001-\$6,000..... \$6,001-\$8,000..... \$8,001-\$10,000.... \$10,001-\$25,000... Over \$25,000.....	2 3 4 5 6 7 8 10	x	After computing their tax, taxpayers may subtract 5% of the tax due.
Nebraska ^{3/}	The tax is imposed on the taxpayer's Federal income tax liability before credits, with limited adjustments. The rate for 1968 is 10% and is to be set as a flat percentage by the State Board of Equalization and Assessment on or before November 15 annually for the taxable year beginning during the subsequent calendar year.			A \$7 tax credit is allowed each taxpayer and each dependent for sales tax paid on food. If there is no income tax liability the taxpayer can apply for a refund. See table 15.
New Hampshire...	Interest and dividends (excluding interest on savings deposits).....	4.25	....	.....
New Jersey.....	First \$1,000..... \$1,001-\$3,000..... \$3,001-\$5,000..... \$5,001-\$7,000..... \$7,001-\$9,000..... \$9,001-\$11,000.... \$11,001-\$13,000... \$13,001-\$15,000... Over \$15,000.....	2 3 4 5 6 7 8 9 10	....	Tax applies to commuters only, New Jersey-New York area.
New Mexico ^{1/3/} ..	First \$10,000..... \$10,001-\$20,000... \$20,001-\$100,000.. Over \$100,000.....	1.5 3.0 4.5 6	x	Net income (of married taxpayer filing joint return and single taxpayer with one or more dependents) under \$1,500 nontaxable.
New York.....	First \$1,000..... \$1,001-\$3,000..... \$3,001-\$5,000..... \$5,001-\$7,000..... \$7,001-\$9,000..... \$9,001-\$11,000.... \$11,001-\$13,000... \$13,001-\$15,000... Over \$15,000.....	2 3 4 5 6 7 8 9 10	....	Capital gains treatment is similar to that provided under Federal law. Income from unincorporated business is taxed at 4 percent. The following credit is allowed: If tax is-- credit is-- \$100 or less... full amount of tax. \$100-\$200..... difference between \$200 and amount of tax. \$200 or more... no credit.

See footnotes at the end of table.

TABLE 10.--STATE INDIVIDUAL INCOME TAXES: RATES, JANUARY 1, 1968 (Cont'd)

State	Net income after personal exemption	Rate (percent)	Federal tax deductible	Special rates or features
North Carolina..	First \$2,000.....	3
	\$2,001-\$4,000.....	4		
	\$4,001-\$6,000.....	5		
	\$6,001-\$10,000....	6		
	Over \$10,000.....	7		
North Dakota....	First \$3,000.....	1	x
	\$3,001-\$4,000.....	2		
	\$4,001-\$5,000.....	3		
	\$5,001-\$6,000.....	5		
	\$6,001-\$8,000.....	7.5		
	\$8,001-\$15,000....	10		
Oklahoma ^{3/}	First \$1,500.....	1	x	The income classes reported are for individuals and heads of households. For joint returns the rates shown apply to income classes twice as large.
	\$1,501-\$3,000.....	2		
	\$3,001-\$4,500.....	3		
	\$4,501-\$6,000.....	4		
	\$6,001-\$7,500.....	5		
	Over \$7,500.....	6		
Oregon.....	First \$500.....	3	x ^{4/}	The income classes reported are for individuals and heads of households. For joint returns the rates shown apply to income classes twice as large.
	\$501-\$1,000.....	4		
	\$1,001-\$1,500.....	5		
	\$1,501-\$2,000.....	6		
	\$2,001-\$4,000.....	7		
	\$4,001-\$8,000.....	9		
	Over \$8,000.....	9.5		
South Carolina..	First \$2,000.....	2	x ^{5/}
	\$2,001-\$4,000.....	3		
	\$4,001-\$6,000.....	4		
	\$6,001-\$8,000.....	5		
	\$8,001-\$10,000....	6		
	Over \$10,000.....	7		
Tennessee.....	Interest and dividends.....	6	Dividends from corporations having at least 75 percent of their property subject to the Tennessee ad valorem tax are taxed at 4 percent.
Utah.....	First \$1,000.....	2	x
	\$1,001-\$2,000.....	3		
	\$2,001-\$3,000.....	4		
	\$3,001-\$4,000.....	5		
	\$4,001-\$5,000.....	6		
	Over \$5,000.....	6.5		
Vermont ^{3/}	The tax is imposed at a rate of 25% of the Federal income tax liability of the taxpayer for the taxable year (after the allowance of retirement income credit, investment credit, foreign tax credit and tax-free covenant bonds credit, but before the allowance of any other credit against that liability or the addition of any surtax upon that liability granted or imposed under Federal law), reduced by a percentage equal to the percentage of the taxpayer's adjusted gross income for the taxable year which is not Vermont income.			A credit is provided on the succeeding year's tax for 106% of the amount of the excess of tax liability over what such liability would have been had the Federal base used in arriving at the Vermont tax liability been determined in accordance with the Federal Internal Revenue Code in effect on January 1, 1967, instead of the Federal statute in effect for the year for which the return is being filed. Resident taxpayers who are full-time students for at least five months in the year are allowed a \$10 credit.

See footnotes at the end of table.

TABLE 10.--STATE INDIVIDUAL INCOME TAXES: RATES, JANUARY 1, 1968 (Concl'd)

State	Net income after personal exemption	Rate (percent)	Federal tax deductible	Special rates or features
Virginia.....	First \$3,000..... \$3,001-\$5,000..... Over \$5,000.....	2 3 5	....	.....
W. Virginia.....	First \$2,000..... \$2,001-\$4,000..... \$4,001-\$6,000..... \$6,001-\$8,000..... \$8,001-\$10,000.... \$10,001-\$12,000... \$12,001-\$14,000... \$14,001-\$16,000... \$16,001-\$18,000... \$18,001-\$20,000... \$20,001-\$22,000... \$22,001-\$26,000... \$26,001-\$32,000... \$32,001-\$38,000... \$38,001-\$44,000... \$44,001-\$50,000... \$50,001-\$60,000... \$60,001-\$70,000... \$70,001-\$80,000... \$80,001-\$90,000... \$90,001-\$100,000.. \$100,001-\$150,000. \$150,001-\$200,000. Over \$200,000.....	1.2 1.3 1.6 1.8 2.0 2.3 2.6 2.8 3.0 3.1 3.4 3.5 3.7 3.9 4.1 4.3 4.5 4.7 4.9 5.0 5.2 5.3 5.4 5.5	....	The income classes reported are for individuals and heads of households. For joint returns the rates shown apply to income classes twice as large.
Wisconsin ^{3/}	First \$1,000..... \$1,001-\$2,000..... \$2,001-\$3,000..... \$3,001-\$4,000..... \$4,001-\$5,000..... \$5,001-\$6,000..... \$6,001-\$7,000..... \$7,001-\$8,000..... \$8,001-\$9,000..... \$9,001-\$10,000.... \$10,001-\$11,000... \$11,001-\$12,000... \$12,001-\$13,000... \$13,001-\$14,000... Over \$14,000.....	2.7 2.95 3.2 4.2 4.7 5.2 5.7 6.7 7.2 7.7 8.2 8.7 9.2 9.7 10.0	....	A property tax credit is allowed for senior citizen homestead relief. Cash refund granted if property tax credit exceeds income tax due. See table 15.
Washington, D.C.	First \$2,000..... \$2,001-\$4,000..... \$4,001-\$6,000..... \$6,001-\$8,000..... \$8,001-\$10,000.... Over \$10,000.....	2.5 3 3.5 4 4.5 5	....	Income from unincorporated business is taxed at 5 percent.

^{1/} Community property State in which, in general, 1/2 the community income is taxable to each spouse.

^{2/} Limited to \$300 for single persons and \$600 for married persons filing joint returns.

^{3/} Allows deduction of State individual income tax itself in computing State tax liability.

^{4/} Any Federal tax paid due to an increase in rates effective after November 1, 1967, will not be deductible for Oregon personal income tax purposes. The limitation is effective for tax years beginning on and after 1/1/68, and ending not later than 11/30/70.

^{5/} Limited to \$500 per taxpayer.

TABLE 11. --STATE INDIVIDUAL INCOME TAXES: PERSONAL EXEMPTIONS, JANUARY 1, 1968

State	Personal exemption		Additional exemption on account of--		
	Single	Married (joint return)	Dependents	Age ^{1/}	Blindness ^{1/}
Alabama	\$1,500	\$3,000	\$300	....	....
Alaska	600	1,200	600	\$600	\$600
Arizona	1,000	2,000	600	1,000	500
Arkansas ^{2/}	17.50(1,750)	35(3,250)	6(333)	....	....
California ^{2/}	25(2,250)	50(4,500)	8(400)	....	8(400)
Colorado ^{3/}	750	1,500	750	750	750
Delaware	600	1,200	600	600	600
Georgia	1,500	3,000	600 ^{4/}	600	600
Hawaii ^{3/}	600	1,200	600	600 ^{5/}	5,000
Idaho ^{6/}	600	1,200	600	600	600
Indiana ^{3/}	1,000	2,000 ^{7/}	500	500	500
Iowa ^{2/ 3/}	15(1,500)	30(2,333)	10.00(467)	15 ^{8/}	15 ^{8/}
Kansas	600	1,200	600 ^{9/}	600	600
Kentucky ^{2/}	20(1,000)	40(2,000)	20(1,111) ^{9/}	20(1,000)	20(1,000) ^{11/}
Louisiana ^{10/}	2,500(50)	5,000(100)	400(8) ^{9/}	....	1,000(20) ^{11/}
Maryland	800	1,600	800 ^{12/}	800 ^{12/}	800
Massachusetts ^{13/ 3/}	2,000	2,500-4,000	400 ^{9/}	500	2,000
Michigan	1,200	2,400	1,200 ^{9/}	1,200	1,200
Minnesota ^{2/ 3/}	19(1,050)	38(1,683)	19(541)	14 ^{14/}	14 ^{14/}
Mississippi	5,000	7,000	....	....	....
Missouri	1,200	2,400	400	....	....
Montana	600	1,200	600 ^{9/}	600	600
Nebraska ^{2/}	600	1,200	600 ^{9/}	600	600
New Hampshire ^{15/}	600	600 ^{16/}	....^{9/}	....	....
New Jersey ^{17/}	600	1,200	600 ^{9/}	600	600
New Mexico	600	1,200	600 ^{9/}	600	600
New York ^{17/}	600	1,200	600 ^{9/}	600	600
North Carolina	1,000	2,000 ^{18/}	600 ^{19/}	1,000	1,000
North Dakota	600	1,500	600	600	600
Oklahoma	1,000	2,000	500	....	....^{21/}
Oregon	600	1,200	600 ^{20/}	21 ^{21/}	600 ^{21/}
South Carolina	800	1,600	800 ^{22/}	800	800
Tennessee ^{15/}	....	....	....^{9/}	....^{23/}	....
Utah	600	1,200	600 ^{9/}	200 ^{23/}	600
Vermont	600	1,200	600 ^{9/}	600	600
Virginia	1,000	2,000	300 ^{24/}	600	600
West Virginia	600	1,200	600 ^{9/}	600	600
Wisconsin ^{2/ 3/}	10(370)	20(740)	10(402)	5 ^{25/}	....
Dist. of Columbia	1,000	2,000	500	500	500

^{1/} In most States an identical exemption is allowed for a spouse if she meets the age and blindness conditions. In Massachusetts the deduction for blindness is allowed against business income only. In Hawaii the \$5,000 blindness deduction is allowed in lieu of the personal exemption.

^{2/} Personal exemptions and credits for dependents are allowed in the form of tax credits which are deductible from an amount of tax. With respect to personal exemptions, the sum in parentheses is the exemption equivalent of the tax credit assuming that the exemption is deducted from the lowest brackets. With respect to the dependency exemptions; the sum in parentheses is the amount by which the first dependent raises the level at which a married person or head of family becomes taxable.

(Footnotes continued on the following page)

TABLE 11. --STATE INDIVIDUAL INCOME TAXES: PERSONAL EXEMPTIONS, JANUARY 1, 1968 (Cont'd)

- 3/ In addition to the personal exemption deductions, a sales tax credit or cash rebate (in the case of Minnesota and Wisconsin a property tax credit or cash rebate) is provided. See table 15.
- 4/ The exemption is allowed for students regardless of age or income. For students beyond the high school level, \$1,200 per dependent and \$600 if the taxpayer is a student.
- 5/ Individuals establishing residence in Hawaii after the age of 65 are subject to tax on income from Hawaii sources only (the tax is imposed on the entire taxable income of resident individuals, estates, and trusts).
- 6/ In addition to the personal exemption deductions, a \$10 tax credit is allowed for each personal exemption.
- 7/ Each spouse is entitled to the lesser of \$1,000 or adjusted gross income.
- 8/ Single person, \$833; married couple, \$1,167.
- 9/ The exemption is allowed for students regardless of age or income.
- 10/ The exemptions and credits for dependents are deductible from the lowest income bracket and are equivalent to the tax credits shown in parentheses.
- 11/ An identical exemption is allowed for a spouse or for a dependent.
- 12/ The exemption is allowed for students regardless of age or income. An additional exemption of \$800 is allowed for each dependent 65 years of age or over.
- 13/ The exemptions shown are those allowed against business income, including salaries and wages: a specific exemption of \$2,000 for each taxpayer. In addition, a dependency exemption of \$500 is allowed for a dependent spouse who has income from all sources of less than \$2,000. In the case of a joint return, the exemption is the smaller of (1) \$4,000 or (2) \$2,000, plus the income of the spouse having the smaller income. For non-business income (annuities, interest, and dividends) the exemption is the smaller of (1) \$1,000 or (2) the unused portion of the exemption applicable to business income. Married persons must file a joint return in order to obtain any nonbusiness income exemption. If a single person, or either party to a joint return, is 65 years of age, the maximum is increased from \$1,000 to \$1,500. No exemption is allowed against nonbusiness income if income from all sources for a single person exceeds \$5,000 and for a married person exceeds \$7,500.
- 14/ An additional tax credit of \$20 is allowed for each taxpayer or spouse who has reached the age of 65. Additional tax credits for the blind: unmarried, \$20; married, \$25 for each spouse.
- 15/ The tax applies only to interest and dividends.
- 16/ An additional exemption of \$600 is allowed a married woman with separate income; joint returns are not permitted.
- 17/ In addition to the personal exemptions, the following tax credits are granted: Single persons, \$10; married taxpayers and heads of households, \$25.
- 18/ An additional exemption of \$1,000 is allowed a married woman with separate income; joint returns are not permitted.
- 19/ Plus an additional \$600 for each dependent who is a full-time student at an accredited university or college.
- 20/ A credit of \$1 is allowed for each \$100 actually contributed by the taxpayer as partial support of a person who could qualify (except for the chief support requirement) as a dependent. The credit shall not exceed \$6.
- 21/ A tax credit of \$12 is allowed for each taxpayer or spouse who has reached the age of 65. A blind taxpayer and his spouse (if also blind) are allowed an additional \$600 exemption plus a tax credit of \$18 each.

(Footnotes continued on the following page.)

TABLE 11. --STATE INDIVIDUAL INCOME TAXES: PERSONAL EXEMPTIONS, JANUARY 1, 1968 (Concl'd)

- 22/ The exemption is extended to dependents over the age of 21 if they are students in an accredited school or college.
- 23/ Increased to \$400 for 1969, and \$600 for 1970 and thereafter.
- 24/ Exemption for one dependent of unmarried person is \$1,000, if dependent is father, mother, son, daughter, sister or brother.
- 25/ Single person, \$185; married couple \$402.

TABLE 12.--STATE INDIVIDUAL INCOME TAXES: USE OF STANDARD DEDUCTION AND
OPTIONAL TAX TABLE, JANUARY 1, 1968

State	Size of standard deduction				Optional tax table
	Percent ^{1/}	Maximum			
		Single	Married		
			Separate return	Joint return	
Alabama.....	*10	\$1,000	\$1,000	\$1,000	x
Alaska.....	10	1,000	500	1,000	x
Arizona.....	*10	500	500	1,000	x
Arkansas.....	10	1,000	500	1,000	....
California.....	....	500	500	1,000	x
Colorado.....	*10	1,000	500	1,000	x
Delaware ^{2/}	*10	500	500	1,000	....
Georgia.....	10	1,000	500	1,000	....
Hawaii.....	10	1,000	500	1,000	x
Idaho ^{3/}	*10	1,000	500	1,000	....
Indiana.....	....	....	....	....	....
Iowa.....	*5	250	250	250	x
Kansas.....	*10	400	400	400	x
Kentucky ^{4/}	*	500	500	500	x
Louisiana.....	*10	1,000	500	1,000	....
Maryland.....	10	500	500	1,000	x
Massachusetts.....	....	....	....	....	x
Michigan.....	....	....	....	....	....
Minnesota.....	*10	1,000	1,000	1,000	x
Mississippi.....	10	500	500	1,000	....
Missouri.....	*5	500	500	500	x
Montana.....	10	500	500	1,000	....
Nebraska.....	10	1,000	500	1,000	x
New Jersey.....	10	1,000	1,000	1,000	....
New Mexico.....	*10	1,000	500	1,000	....
New York.....	10	1,000	5/	1,000	x
North Carolina.....	10	500	500	6/	....
North Dakota.....	10	1,000	500	1,000	x
Oklahoma.....	*10	1,000	500	1,000	x
Oregon.....	*5	250	250	500	x
South Carolina.....	10	500	500	1,000	x
Utah.....	*10	1,000	500	1,000	....
Vermont.....	10	1,000	500	1,000	x
Virginia.....	5	500	250	500	....
West Virginia.....	10	1,000	5/	1,000	x
Wisconsin ^{3/}	10	1,000	500	1,000	....
Dist. of Columbia.....	10	1,000	500	1,000	x

Note: Excludes New Hampshire and Tennessee where the tax applies to interest and dividends only.

* The standard deduction is allowed in addition to deduction of Federal income taxes.

- 1/ Amount of standard deduction is generally based on gross income after business expenses. The detailed provisions vary.
- 2/ In lieu of all other deductions except Federal income taxes up to \$300 for individuals and \$600 for married couples filing joint return.
- 3/ Standard minimum deduction of \$300.
- 4/ In lieu of other deductions except Federal income taxes, a standard deduction of \$500 may be taken if adjusted gross income is at least \$8,000. If adjusted gross income is less than \$8,000, taxpayers may use optional tax table.
- 5/ The \$1,000 standard deduction allowed a married couple may be taken by either or divided between them in such proportion as they may elect.
- 6/ An additional \$500 is allowed a married woman with separate income; joint returns are not permitted.

TABLE 13. --STATE INDIVIDUAL INCOME TAXES: ADMINISTRATIVE FEATURES, JANUARY 1, 1968

State	Filing date (calendar year returns)	Use of Federal tax base	Agreements for Federal- State cooper- ative use of returns	Withholding			Credit allowed for income taxes paid other States		
				Required	Year adopted	Periodicity of employer returns	Resident (a)	Non- residents (b)	Reciprocity required
Alabama	April 15	—	—	X	1956	Quarterly	X	—	—
Alaska	April 15	X	X	X	1949	do	—	—	—
Arizona	April 15	—	X	X	1954	do	X	X	(a) —, (b) X ^{1/}
Arkansas	May 15	—	X	X	1966	do	X	X	—
California	April 15	—	X	<u>2/</u>	—	Annually ^{2/}	X	X	X ^{1/}
Colorado	April 15	X	X	X	1954	Quarterly	X	—	—
Delaware	April 30	—	X	X	1949	do	X ^{3/}	—	—
Dist of Col	April 15	—	X	X	1956	do	X ^{3/}	—	—
Georgia	April 15	—	—	X	1960	do	X	—	—
Hawaii	April 20	X	X	X	1957	Monthly ^{4/}	X	—	X ^{1/}
Idaho	April 15	X	X	X	1955	Quarterly	X	X	X ^{1/}
Indiana	April 15	X	X	X	1963	do	X	X	(a) —, (b) X
Iowa	April 30	X	X	X	1966	do	X	—	—
Kansas	April 15	X	X	X	1966	do	X ^{5/}	—	—
Kentucky	April 15	X	X	X	1954	do ^{6/}	X	X	X ^{1/}
Louisiana	May 15	—	—	X	1961	do ^{7/}	X	—	—
Maryland	April 15	X	X	X	1955	do	X ^{9/}	X	X ^{1/}
Massachusetts	April 15	—	X	X	1959	do ^{8/}	X ^{9/}	—	—
Michigan	April 15	X	X	X	1967	do ^{6/}	X	X	(a) —, (b) X
Minnesota	April 15	X	X	X	1961	do	X	X	X ^{1/}
Mississippi	April 15	—	X	—	—	—	X	—	—
Missouri	April 15	—	X	X	1961	do	X	—	—
Montana	April 15	X	X	X	1955	do ^{10/}	X	—	—
Nebraska	April 15	X	X	X	1967	do	X	—	—
New Hampshire	May 1	—	X	—	—	—	—	— ^{11/}	—
New Jersey	April 15	X	X	X	1961	do	X	—	X
New Mexico	April 15	X	X	X	1961	Monthly	X	X	(a) —, (b) X
New York	April 15	X	X	X	1959	do ^{12/}	X	—	—
North Carolina	April 15	—	X	X	1959	Quarterly	X	—	—
North Dakota	April 15	X	X	<u>2/</u>	—	do	X	—	—
Oklahoma	April 15	—	X	X	1961	do	X ^{13/}	—	—
Oregon	April 15	—	X	X	1948	do ^{6/}	X	—	X ^{1/}
South Carolina	April 15	—	X	X	1959	Quarterly	X	—	—
Tennessee	April 15	—	X	—	—	—	—	—	—
Utah	April 15	—	X	X	1959	do	X	—	—
Vermont	April 15	X	X	X	1951	do ^{14/}	X	X	(a) —, (b) X
Virginia	May 1	—	X	X	1963	do	X	X	X ^{1/}
W. Virginia	April 15	X	X	X	1961	do ^{15/}	X	X	X ^{1/}
Wisconsin	April 15	X	X	X	1962	do	X	—	—

See footnotes on the following page

TABLE 13 --STATE INDIVIDUAL INCOME TAXES: ADMINISTRATIVE FEATURES, JANUARY 1, 1968 (Concl'd)

X Denotes "yes"; -- denotes "no" or "not applicable."

1/ Some reciprocity provisions are negative in effect--credit is given if the other State does not give credit.

2/ Withholding applies to nonresidents only.

3/ For income and intangibles taxes required to be paid a State as a domiciliary.

4/ The Director of Taxation may permit employers withholding not more than \$200 annually to make returns and payments on a quarterly basis.

5/ Deductions limited.

6/ Except that employers withholding income taxes amounting to \$100 or more per month are required to remit withheld income taxes on or before the 15th of the following month.

7/ At the request of the employer, the Collector of Revenue may permit a withholding tax return to be submitted and the tax to be paid on a monthly basis.

8/ Except that returns and payment of taxes withheld by any employer who can reasonably expect that taxes withheld will exceed \$600 for the calendar year are due monthly.

9/ Limited to taxes paid on professional or business income.

10/ If total quarterly taxes withheld are less than \$10, an employer may make an annual return.

11/ N. Y. residents are allowed a credit against the tax by New York.

12/ If the aggregate amount of State income tax required to be withheld in a semi-annual period (periods ending June 30 and December 31) can reasonably be expected to be \$3,000 or more semi-monthly withholding returns and tax remittances are required.

13/ Limited to taxes paid on compensation for personal services.

14/ Except that where the amount withheld is at least \$200 per calendar month or exceeds \$600 per calendar quarter, employers are required to report monthly.

15/ The Tax Commission may by regulation provide for returns and payment on the 15th day of each month for employers withholding taxes of \$100 or more for the preceding calendar month.

TABLE 14. --LOCAL INCOME TAXES, RATES AND COLLECTIONS

(Dollar amounts in thousands)

State and local government	Rate January 1, 1968 (percent)	Municipal tax collections, 1965-66 (Cities with over 50,000 population in 1960)		
		Total tax collections	Income tax collections	
			Amount	As a percent of total collections
<u>Alabama:</u>				
Gadsden	2.0	\$4,004	\$2,139	53.4
<u>Kentucky:</u>				
Berea	1.0	xxx	xxx	xxx
Bowling Green	1.0	xxx	xxx	xxx
Catlettsburg	1.0	xxx	xxx	xxx
Covington	1.75	2,831	792	28.0
Flemingsburg	0.5	xxx	xxx	xxx
Frankfort	1.0	xxx	xxx	xxx
Glasgow	1.0	xxx	xxx	xxx
Hopkinsville	1.0	xxx	xxx	xxx
Lexington	1.5	6,993	3,596	51.4
Louisville	1.25	26,882	13,912	51.8
Jefferson County ^{1/}	1.75	xxx	xxx	xxx
Ludlow	1.0	xxx	xxx	xxx
Mayfield	0.67	xxx	xxx	xxx
Maysville	1.0	xxx	xxx	xxx
Middlesboro	1.0	xxx	xxx	xxx
Newport	2.0	xxx	xxx	xxx
Owensboro	1.0	xxx	xxx	xxx
Paducah	1.25	xxx	xxx	xxx
Pikeville	1.0	xxx	xxx	xxx
Princeton	1.0	xxx	xxx	xxx
Richmond	1.0	xxx	xxx	xxx
<u>Maryland:</u>	% of State Tax			
Baltimore City	50%	144,451	2/	2/
12 counties ^{3/}	20%	xxx	xxx	xxx
1 county	25%	xxx	xxx	xxx
1 county	30%	xxx	xxx	xxx
3 counties	35%	xxx	xxx	xxx
1 county	45%	xxx	xxx	xxx
4 counties	50%	xxx	xxx	xxx
<u>Michigan:</u>				
Battle Creek	4/	xxx	xxx	xxx
Detroit	4/	158,246	45,176	28.5
Flint	4/	16,465	2,292	13.9
Grand Rapids	4/	8,312	2/	2/
Hamtramck	4/	xxx	xxx	xxx
Highland Park	4/	xxx	xxx	xxx
Lapeer	4/	xxx	xxx	xxx
Pontiac	4/	5,668	2/	2/
Saginaw	4/	5,572	904	16.2
St. Johns ^{5/}	4/	xxx	xxx	xxx
<u>Missouri:</u>				
Kansas City	0.5	42,128	10,157	24.1
St. Louis	1.0	80,709	27,265	33.8
<u>New York:</u>				
New York City	0.4-2.0 ^{6/}	2,302,939	2/	2/
<u>Ohio:</u>				
Akron	1.0	18,519	9,936	53.7
Canton	1.0	5,374	4,015	74.7
Cincinnati	1.0	44,061	17,313	39.3
Cleveland	0.5	54,300	2/	2/
Cleveland Heights	0.5	2,962	2/	2/
Columbus	1.0	22,247	15,720	70.7
Dayton	1.0	21,467	11,689	54.5
Euclid	0.5	3,762	2/	2/
Hamilton	1.0	2,723	1,441	52.9

See footnotes at the end of table.

TABLE 14. --LOCAL INCOME TAXES, RATES AND COLLECTIONS

(Dollar amounts in thousands)

State and local government	Rate January 1, 1968 (percent)	Municipal tax collections, 1965-66 (Cities with over 50,000 population in 1960)		
		Total tax collections	Income tax collections	
			Amount	As a percent of total collections
<u>Ohio:</u> (Cont'd)				
Lakewood	0.5	\$2,866	2/	2/
Lima	1.0	1,779	\$1,125	63.2
Lorain	0.5	2,423	2/	2/
Parma	0.5	3,202	2/	2/
Springfield	1.0	3,669	2,480	67.6
Toledo	1.5	18,763	10,735	57.2
Warren	1.0	3,164	2,024	64.0
Youngstown	1.0	8,354	4,590	54.9
143 cities and villages (with less than 50,000 population)	0.25-1.0	xxx	xxx	xxx
<u>Pennsylvania:</u>				
Cities, 50,000 population and over--				
Abington Township	1.0 ^{7/}	11,969	2/	2/
Allentown	1.0 ^{7/}	5,140	1,170	22.8
Altoona	1.0 ^{8/}	2,320	494	21.3
Bethlehem	1.0 ^{7/}	3,810	979	25.7
Chester	1.0 ^{9/}	2,229	2/	2/
Erie	1.0 ^{7/}	6,679	1,162	17.4
Harrisburg	1.0 ^{7/}	3,884	2/	2/
Johnstown	1.0 ^{8/}	2,211	403	18.2
Lancaster	0.5 ^{10/}	2,117	528	24.9
Penn Hill Township	1.0 ^{8/}	1,533	608	39.7
Philadelphia	2.0 ^{9/}	217,919	90,867	41.7
Pittsburgh	1.0 ^{8/}	50,130	10,273	20.5
Scranton	0.5 ^{11/}	4,555	690	15.1
Wilkes Barre	1.0 ^{7/}	2,426	2/	2/
York	1.0 ^{7/}	1,971	162	8.2
Approx. 3,000 other local jurisdictions (including over 1,000 school districts)	0.25-1.0	xxx	xxx	xxx

Note: Excludes Washington, D. C. which has a graduated net income tax that is more closely akin to a State tax than to the municipal income taxes (see table 10).

"xxx" Signifies cities under 50,000 population.

- 1/ A taxpayer subject to the 1.25 percent tax imposed by the City of Louisville may credit this tax against the 1.75 percent levied by Jefferson County.
- 2/ Tax went into effect after reporting period.
- 3/ Excludes Montgomery County, which levied a tax at the rate of 20 percent for calendar year 1967. As of January 1, 1968, the County Council had not set a rate for 1968.
- 4/ Under the Michigan "Uniform City Income Tax Act," the prescribed rates are 1.0 percent for residents and 0.5 percent for nonresidents. A resident is allowed credit for taxes paid to another city as a nonresident.
- 5/ St. Johns adopted the uniform income tax ordinance on November 7, 1967. Petitions for referendum have been filed and an election will be held on February 20, 1968.
- 6/ New York City residents' rate ranges from 0.4 percent on taxable income of less than \$1,000 to 2.0 percent on taxable income in excess of \$30,000. An earnings tax of 0.25 percent of wages or 3/8 of 1 percent on net earnings from self-employment, not to exceed that which would be due if taxpayer were a resident, is levied against nonresidents.
- 7/ The school district rate is the same as the municipal rate.
- 8/ The school district rate is 0.5 percent.
- 9/ There is no school district income tax.
- 10/ The school district rate is 1.0 percent.
- 11/ Combined city and school district rate may not exceed 2.0 percent.

TABLE 15. --STATE USE OF PERSONAL INCOME TAX CREDITS OR CASH REBATES TO MINIMIZE OR OFFSET

THE REGRESSIVITY OF SALES AND PROPERTY TAXES 1/

State	Type of credit	Year adopted	Amount of credit	Law	Administrative procedure
Colorado	For sales tax paid on food	1965	\$7 per personal exemption (exclusive of age and blindness)	Chap. 138, Art. 1, (secs. 138-1-18 & 138-1-19 added by H. B. 1119, laws 1965, effective 6/1/65)	Credit to be claimed on income tax returns. For resident individuals without taxable income a refund will be granted on such forms or returns for refund as prescribed by the Director of Revenue.
Hawaii	For consumer-type taxes	1965	Varies, based on income <u>2/</u>	Chap. 121 (Secs. 121-12-1 & 121-12-2 added by Act 155 laws 1965)	The director of taxation shall prepare and prescribe the appropriate form or forms to be used by taxpayers in filing claims for tax credits. The form shall be made an integral part of the individual net income tax return. In the event the sales tax credits exceed the amount of the income tax payments due, the excess of credits over payments due shall be refunded to the taxpayer.
Indiana	For sales tax paid on food	1963	\$8 per personal exemption (exclusive of age and blindness)	Chap. 50 (Chap. 30, Sec. 6d added by H. B. 1226, laws 1963, 1st sp. sess., effective 4/20/63)	Credit to be claimed on income tax returns. If an individual is not otherwise required to file a return, he may obtain a refund by filing a return, completing such return insofar as may be applicable, and claiming such refund.
Iowa	For sales taxes paid	1967	Varies, based on income <u>3/</u>	Ch. 422 (sec. 18 added by H.B. 702, laws 1967)	Tax credit or refund to be claimed on income tax return. If an individual is not otherwise required to file a return, he may obtain a refund by furnishing the Department of Revenue with proof of his taxable income and the number of his personal exemptions.
Massachusetts	For consumer-type taxes	1966	\$4 for taxpayer, \$4 for spouse, if any, and \$8 for each qualified dependent <u>4/</u>	Chap. 62 (Sec. 6b added by ch. 14, Acts 1966)	Same as Indiana.
Minnesota	For senior citizen homestead relief	1967 ^{5/}	Varies with income from 75% to 10% of property tax or equivalent rent not to exceed \$300	Chap. 32 (H.B. 27) Article VI	Tax credit or refund to be claimed on income tax return. Department of Taxation shall make available a separate schedule for information necessary to administration of this section and the schedule shall be attached and filed with the income tax return. Cash refund granted if property tax credit exceeds State personal income tax liability.
	For tax relief for senior citizen renters	1967 ^{6/}	3.75% of the total amount paid by claimant as rent, not to exceed \$45 ^{7/}	Chap. 32 (H.B. 27) Article XVII	Same as above.

See footnotes at the end of table.

TABLE 15. --STATE USE OF PERSONAL INCOME TAX CREDITS OR CASH REBATES TO MINIMIZE OR OFFSET

THE REGRESSIVITY OF SALES AND PROPERTY TAXES 1/ (Concl'd)

State	Type of credit	Year adopted	Amount of credit	Law	Administrative procedure
Nebraska	For sales tax paid on food	1967 ^{8/}	\$7 per personal exemption (exclusive of age and blindness)	H. B. 377, laws 1967	Credit to be claimed on income tax returns. Refund will be allowed to the extent that credit exceeds income tax payable but no refund will be made for less than \$2.
Wisconsin	For senior citizen homestead tax relief	1963	Varies, based on income and amount of property tax or rental payment	Chap. 71 (Sec. 7109 (7) added by ch. 566 (A.B. 301) eff. 6/10/64. Ch. 580 (A.B. 907) repealed & re-created Sec. 71. 09(7) effective Dec. 19, 1964	Tax credit or refund to be claimed on income tax return. The Department of Taxation shall make available a separate schedule which shall call for the information necessary to administering this section and such schedule shall be attached to and filed with the Wisconsin income tax form. Cash refund granted if property tax credit exceeds State personal income tax due.

- 1/ If a taxpayer has no State personal income tax liability or a tax liability insufficient to absorb the entire credit (a negative tax credit situation) he is entitled to the appropriate cash refund. If the taxpayer's State personal liability is equal to or greater than the tax credit, his personal income tax liability is reduced by the amount of the credit (a positive tax credit situation).
- 2/ The credits for consumer-type taxes are based on "modified adjusted gross income" (regular taxable income plus exempt income such as social security benefits, life insurance proceeds, etc.) and range from \$20 per qualified exemption for taxpayers having a modified adjusted gross income of less than \$1,000 to \$1 per exemption where such income is between \$5,000 and \$6,999.
- 3/ Ranges from \$12 per qualified exemption for taxpayers having taxable income under \$1,000 to \$0 where such income is over \$7,000.
- 4/ Credits are only allowed if total taxable income of taxpayer and spouse, if any, does not exceed \$5,000 for the taxable year.
- 5/ Applicable to property taxes accrued in 1967 and subsequent years. Credit may be claimed on 1967 income tax return and thereafter.
- 6/ Applicable to rent paid in 1968 and thereafter. Credit may be claimed on 1968 income tax return and thereafter.
- 7/ Elderly may choose this relief or senior citizen relief but not both.
- 8/ Applicable to taxes due on 1968 income and thereafter.

TABLE 16.--STATE CORPORATION INCOME TAX RATES, JANUARY 1, 1968

State	Rate (percent)	Federal tax deduc- tible ^{1/}	Related provisions
Alabama	..... 5	X	Financial institutions, 6%.
Alaska	First \$25,000..... 5.4	—	
	Over \$25,000..... 9.36		
Arizona ^{2/}	First \$1,000..... 2	X	Financial institutions, 5%.
	\$1,001-\$2,000..... 3		
	\$2,001-\$3,000..... 4		
	\$3,001-\$4,000..... 5		
	\$4,001-\$5,000..... 6		
	\$5,001-\$6,000..... 7		
	Over \$6,000..... 8		
Arkansas	First \$3,000..... 1	—	
	\$3,001-\$6,000..... 2		
	\$6,001-\$11,000..... 3		
	\$11,001-\$25,000..... 4		
	Over \$25,000..... 5		
California	..... 7	—	Minimum tax: \$100.
Colorado	..... 5	—	Banks and financial institutions, 6%.
Connecticut ^{2/}	..... 5.25	—	If tax yield is greater, 2 5/8 mills per dollar of capital employed in Connecticut. Minimum tax: \$30.
Delaware	..... 5	—	
Georgia	..... 5	—	
Hawaii ^{2/}	First \$25,000..... 5.85	—	Capital gains entitled to alternative tax treatment are taxed at 3.08 %.
	Over \$25,000..... 6.435		Financial institutions, 11.7%.
Idaho	..... 6	—	A \$10 filing fee is imposed.
Indiana	..... 2	—	
Iowa	First \$25,000..... 4	X ^{3/}	
	\$25,001 - \$100,000.. 6		
	Over \$100,000..... 8		
Kansas	..... 4.5	X	Banks, trust companies and building and loan associations, 5%.
Kentucky	First \$25,000..... 5	X	
	Over \$25,000..... 7		
Louisiana	..... 4	X	A specific exemption of \$3,000, prorated according to the proportion of total net income taxable in Louisiana, is allowed against net income.
Maryland	..... 5.25	—	Domestic corporations are allowed credit for franchise taxes in excess of \$25.
Massachusetts ^{2/}	..... 6.765 ^{4/}	—	Plus \$6.15 per \$1,000 upon the value of its tangible property not subject to local taxation and situated in Massachusetts on the last day of the taxable year if a tangible property corporation (or its net worth allocable to Massachusetts if an intangible property corporation). Minimum tax \$100. Domestic corporations pay a tax of 1/3 of 1% of the value of their interest in ships in interstate or foreign commerce, which value is deducted from the corporate excess.
Michigan	..... 5.6	—	Financial institutions, 7%.
Minnesota	..... 11.33	X	A credit of \$500, deductible from net income, is allowed each corporation. Minimum tax: \$10. Banks, 13.64%.
Mississippi	First \$5,000..... 2	—	
	Over \$5,000..... 3		

See footnotes at the end of table.

TABLE 16.--STATE CORPORATION INCOME TAX RATES, JANUARY 1, 1968 (Cont'd)

State	Rate (percent)	Federal tax deduc- tible ^{1/}	Related provisions
Missouri	..... 2	X	Banks and financial institutions, 7%.
Montana	..... 5.5	—	Minimum tax: \$10.
Nebraska ^{2/}	..... 2	—	The tax rate is 20% of the rate applicable to individuals. The rate for individuals for 1968 is 10% and is set as a flat percentage by the State Board of Equalization and Assessment on or before November 15 annually for the taxable year beginning during the subsequent calendar year.
New Jersey	..... 3.25	—	All corporations pay additional tax on net worth.
New Mexico ^{2/}	..... 3	X	Corporations are subject to the 5½ percent tax on net income or a tax on 3 alternative bases, whichever is greatest. The alternative taxes are: (1) 1 mill on each dollar of business and investment capital; or (2) 5½ percent of 30 percent of net income plus compensation paid to officers and holders of more than 5 percent of capital stock, less \$15,000 and any net loss; or (3) \$25, whichever is greatest; plus the tax on allocated subsidiary capital. Banks and financial institutions, 4.5%.
New York	5.5 percent plus tax of ½ mill per \$1 of allocated subsidiary capital.	—	
North Carolina	..... 6	—	Banks and financial institutions, 4.5%.
North Dakota	First \$3,000..... 3 \$3,001-\$8,000..... 4 \$8,001-\$15,000..... 5 Over \$15,000..... 6	X	Banks and trust companies, 5%. Minimum tax, \$50.
Oklahoma ^{2/}	..... 4	X	Banks 4%. Manufacturers may claim an offset of up to one-third of the tax for Oregon personal property taxes paid on raw materials, goods in process, and finished products. Minimum tax: \$10. Banks, national banking associations, financial institutions, and production credit associations, 8%.
Oregon	..... 6	—	
Pennsylvania ^{2/}	..... 7½/	—	Alternative tax: 40 cents per \$100 on corporate excess, if tax yield is greater. Banks and financial institutions, 6% or \$2.50 per \$10,000, if tax yield is greater. Manufacturers pay 10% surtax.
Rhode Island	..... 6	—	
South Carolina	..... 5	—	Banks, 4.5%, savings and loan associations, 8%.
South Dakota	..... 6/	—	Corporations are subject to 6 percent tax or a tax of 1/20 of 1 percent of the value of tangible property within the State, whichever is greater. Minimum tax: \$10.
Tennessee ^{2/}	..... 5	—	
Utah	..... 6	X	

See footnotes at the end of table.

TABLE 16. --STATE CORPORATION INCOME TAX RATES, JANUARY 1, 1968 (Concl'd)

State	Rate (percent)	Federal tax deduc- tible ^{1/}	Related provisions
Vermont ^{2/}	..... 5	—	Subject to reduction if there is sufficient surplus in general fund. Minimum tax: \$25.
Virginia	..... 5	—	
West Virginia	..... 6	—	
Wisconsin ^{2/}	First \$1,000..... 2	X ^{4/}	
	\$1,001-\$2,000..... 2.5		
	\$2,001-\$3,000..... 3		
	\$3,001-\$4,000..... 4		
	\$4,001-\$5,000..... 5		
	\$5,001-\$6,000..... 6		
	Over \$6,000..... 7		
Dist. of Col.	..... 5	—	Banks and trust companies, 4%; building and loan associations, 2%.

X Denotes "yes";
 — Denotes "no."

- ^{1/} In general, each State which permits the deduction of Federal income taxes limits such deduction to taxes paid on that part of income subject to its own income tax.
- ^{2/} Allows deduction of State corporation income tax itself in computing State tax liability.
- ^{3/} Limited to 50% of Federal income taxes paid or accrued during the taxable year.
- ^{4/} The rate shown is for business or manufacturing corporations (utility corporations, 5%). Domestic and foreign security corporations (other than regulated investment or bank holding companies, which are taxed at the rate of $\frac{1}{4}$ of 1% of gross income or \$100, whichever is greater) 1% of gross income or \$100, whichever is greater. Domestic and foreign corporations engaged in interstate commerce and not subject to the corporation excise (income) tax, 3.075% on that portion of their net income derived from business carried on in the State.
- ^{5/} Increased to 7.5% beginning January 1, 1969.
- ^{6/} Tax at 4.5% (\$24 minimum) applicable to banks and financial institutions only.
- ^{7/} Limited to 10% of net income before Federal tax.

TABLE 17.--TYPES OF STATE DEATH TAXES, JANUARY 1, 1968

Type of tax	State
"Pickup" tax only..... (4)	Alabama, Arkansas, Florida, Georgia.
Estate tax only..... (3)	Mississippi, North Dakota, Utah.
Estate tax and "pickup" tax..... (4)	Arizona, New York, Oklahoma, ^{1/} S. Carolina.
Inheritance tax only..... (2)	South Dakota, West Virginia.
Inheritance tax and "pickup" tax.....(35)	Alaska, California, ^{1/} Colorado, ^{1/} Connecticut, Delaware, District of Columbia, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, ^{1/} Maine, Maryland, Massachusetts, Michigan, Minnesota, ^{1/} Missouri, Montana, Nebraska, New Hampshire, New Jersey, New Mexico, North Carolina, ^{1/} Ohio, ^{2/} Pennsylvania, Tennessee, ^{1/} Texas, Vermont, Virginia, ^{1/} Washington, ^{1/} Wisconsin, ^{1/} Wyoming.
Estate tax and inheritance tax..... (1)	Oregon, ^{1/}
Inheritance, estate and "pickup" taxes..... (1)	Rhode Island. ^{1/}
No tax..... (1)	Nevada.

^{1/} Also has gift tax (12).

^{2/} A new estate tax beginning July 1, 1968 will replace the State's inheritance tax.

TABLE 18.--STATE ESTATE TAX RATES AND EXEMPTIONS, JANUARY 1, 1968^{1/}

State	Rates	Maximum rate applies above	Exemption
Alabama.....	80 percent of 1926 Federal rates	\$10,000,000	\$100,000
Arizona ^{2/}	4/5 of 1-16 percent.....	10,000,000	100,000
Arkansas.....	80 percent of 1926 Federal rates	10,000,000	100,000
Florida.....	80 percent of 1926 Federal rates	10,000,000	100,000
Georgia.....	80 percent of 1926 Federal rates	10,000,000	100,000
Mississippi.....	80 percent of 1926 Federal rates	10,000,000	60,000
New York ^{2/}	2-21 percent.....	10,100,000	^{3/}
North Dakota.....	2-23 percent.....	1,500,000	^{4/}
Ohio ^{5/}	2-7 percent.....	500,000	5,000 ^{6/}
Oklahoma ^{2/}	1-10 percent.....	10,000,000	15,000
Oregon.....	1-10 percent.....	500,000	15,000
Rhode Island ^{2/}	1 percent.....	^{7/}	10,000
South Carolina.....	4-6 percent.....	100,000	60,000
Utah.....	3-10 percent.....	125,000	10,000

^{1/} Excludes States shown in table 19 which, in addition to their inheritance taxes levy an estate tax to assure full absorption of the 80-percent Federal credit.

^{2/} An additional estate tax is imposed to assure full absorption of the 80-percent Federal credit.

^{3/} \$20,000 of transfers to spouse and \$5,000 to each lineal ascendant and descendant and to other specified relatives are exempt and deductible from first bracket.

^{4/} Exemption for spouse is \$20,000 or 50 percent of adjusted gross estate, for minor child, \$5,000, for lineal ancestor or descendants, \$2,000.

^{5/} To replace inheritance tax, effective July 1, 1968.

^{6/} An additional \$20,000 for spouse, \$7,000 for minor child, and \$3,000 for adult child.

^{7/} Entire estate above exemption.

TABLE 19.--STATE INHERITANCE TAX RATES AND EXEMPTIONS, FOR SELECTED CATEGORIES OF HEIRS,
JANUARY 1, 1968

State ^{1/}	Exemptions						Rates (percent)				In case of spouse	
	Widow	Minor child	Adult child	Brother or sister	Other than relative	Spouse or minor child	Adult child	Brother or sister	Other than relative	Size of first bracket	Level at which top rate applies	
Alabama ^{2/}	\$10,000	\$10,000	\$10,000	\$1,000	None	1-3.5	1-3.5	3-10.5	5-17.5	\$15,000	\$100,000	
Alaska ^{2/}	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Arizona ^{2/}	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Arkansas ^{2/}	5,000	12,000	5,000	2,000	\$300	3-14	3-14	6-20	10-24	25,000	400,000	
California ^{2/ 3/ 4/}	35,000	15,000	10,000	2,000	500 ^{5/}	2-8	2-8	3-10	10-19	50,000	500,000	
Colorado	50,000	10,000 ^{g/}	10,000 ^{g/}	3,000	500	3-8 ^{g/}	2-8	4-10	8-14	150,000	1,000,000	
Connecticut ^{3/ 6/ 7/}	20,000	3,000	3,000	1,000	None	1-4	1-4	2-5	5-8	30,000	200,000	
Delaware ^{3/}	5,000	5,000	5,000	2,000	1,000	1-5	1-5	3-10	5-15	50,000	1,000,000	
District of Col. ^{3/}	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Florida ^{2/}	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Georgia ^{2/}	20,000	5,000	5,000	500	500	2-6 ^{g/}	1.5-7.5	3.5-9	3.5-9	15,000	250,000	
Hawaii	10,000	10,000	4,000	1,000	None	2-15	2-15	4-20	8-30	25,000	500,000	
Idaho ^{4/}	20,000	20,000	20,000	10,000	100	2-14	2-14	2-14	10-30	20,000	500,000	
Illinois ^{3/}	15,000	5,000	2,000	500	100	1-10	1-10	5-15	7-20	25,000	1,500,000	
Indiana ^{3/}	40,000	15,000	15,000	None	None ^{10/}	1-8	1-8	5-10	10-15	5,000	150,000	
Iowa	75,000	15,000	15,000	5,000	200 ^{5/}	0.5-2.9 ^{g/}	1-5	3-12.5	10-15	25,000	500,000	
Kansas	10,000	10,000	5,000	1,000	500	2-10	2-10	4-16	6-16	20,000	500,000	
Kentucky	5,000	5,000	5,000	1,000	500	2-3	2-3	5-7	5-10	25,000	25,000	
Louisiana ^{3/ 4/}	15,000	10,000	10,000	500	500	2-6	2-6	8-12	12-18	50,000	250,000	
Maine	150	150	150	150	150	1	1	7 ^{1/2}	7 ^{1/2}	11 ^{1/2}	11 ^{1/2}	
Maryland ^{5/}	10,000	10,000	10,000	1,000	1,000	1 ^{1/2} -11 ^{1/2}	1 ^{1/2} -11 ^{1/2}	5-18 3/4	7 ^{1/2} -18 3/4	10,000	1,000,000	
Massachusetts ^{5/}	30,000 ^{13/}	5,000	5,000	5,000	None	2-8	2-8	2-8	10-15	50,000	750,000	
Michigan ^{3/ 12/}	30,000	15,000	6,000	1,500	500	1.5-10	2-10	6-25	8-30	25,000	1,000,000	
Minnesota ^{3/ 14/}	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Mississippi ^{2/}	20,000 ^{15/}	5,000 ^{16/}	5,000 ^{16/}	500	100 ^{5/}	1-6	1-6	3-18	5-30	20,000	400,000	
Missouri	20,000	2,000	2,000	500	None	2-8	2-8	4-16	8-32	25,000	100,000	
Montana ^{2/}	10,000	10,000	10,000	10,000	500	1	1	1	6-18	11 ^{1/2}	11 ^{1/2}	
Nebraska ^{3/}	17 ^{1/2}	17 ^{1/2}	17 ^{1/2}	17 ^{1/2}	17 ^{1/2}	17 ^{1/2}	17 ^{1/2}	17 ^{1/2}	17 ^{1/2}	17 ^{1/2}	17 ^{1/2}	
Nevada	17 ^{1/2}	17 ^{1/2}	17 ^{1/2}	None	None	.....	.....	.....	.....	.....	.....
New Hampshire	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....

See footnotes at the end of table.

TABLE 19.--STATE INHERITANCE TAX RATES AND EXEMPTIONS, FOR SELECTED CATEGORIES OF HEIRS,
JANUARY 1, 1968 (Cont'd)

State ^{1/}	Exemptions					Rate (percent)				In case of spouse	
	Widow	Minor Child	Adult child	Brother or sister	Other than relative	Spouse or minor child	Adult child	Brother or sister	Other than relative	Size of first bracket	Level at which top rate applies
New Jersey	\$5,000	\$5,000	\$5,000	500 ^{5/}	500 ^{5/}	1-16	1-16	11-16	15-16	\$10,000	\$3,200,000
New Mexico ^{4/}	10,000 ^{18/}	10,000 ^{18/}	10,000 ^{18/}	10,000 ^{18/}	500 ^{6/}	1	1	5	5	11/	11/
New York ^{2/}	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
North Carolina ^{19/}	10,000	5,000	2,000	None	None	1-12	1-12	4-16	8-17	10,000	3,000,000
North Dakota ^{2/}	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Ohio ^{2/+}	10,000	10,000	7,000	1,000	None	1-5	2-5	6-9	8-11	25,000	200,000
Oklahoma ^{2/}	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Oregon ^{20/ 21/*}	None	None ^{22/}	None ^{22/}	1,000	500	1-10	1-10	1-15	1-20	10,000	500,000
Pennsylvania	1,000	None ^{22/}	None ^{22/}	None	None	6	6	15	15	11/	11/
Rhode Island ^{3/20/}	10,000	10,000	10,000	5,000	1,000	2-9	2-9	3-10	8-15	25,000	1,000,000
South Carolina ^{2/}	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
South Dakota ^{3/*}	15,000	10,000	10,000	500	100	1-4	1-4	3-12	5-20	15,000	100,000
Tennessee ^{3/}	10,000 ^{23/}	10,000 ^{23/}	10,000 ^{23/}	1,000 ^{23/}	1,000 ^{23/}	1.4-9.5	1.4-9.5	6.5-20	6.5-20	25,000	500,000
Texas ^{3/ 4/}	25,000	25,000	25,000	10,000	500	1-6	1-6	1-10	5-20	50,000	1,000,000
Utah ^{2/}	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Vermont ^{3/}	15,000	15,000	15,000	15,000	None	2-6	2-6	2-6	12	25,000	250,000
Virginia ^{2/}	5,000	5,000	5,000	2,000	1,000	1-5	1-5	2-10	5-15	50,000	1,000,000
Washington ^{3/ 4/}	5,000 ^{24/}	5,000 ^{24/}	5,000 ^{24/}	1,000 ^{6/}	None	1-10	1-10	3-20	10-25	25,000	500,000
West Virginia ^{3/*}	15,000	5,000	5,000	None	None	3-13	3-13	4-18	10-30	50,000	1,000,000
Wisconsin ^{3/ 25/*}	15,000	2,000	2,000	500	100	2-10	2-10	2-10	8-40	25,000	500,000
Wyoming	10,000	10,000	10,000	10,000	None	2	2	2	6	11/	11/

+ Ohio inheritance tax replaced by estate tax, effective July 1, 1968. See table 18, footnote 5.

1/ All States, except those designated by asterisk (*), impose also an estate tax to assure full absorption of the 80 percent Federal credit.

2/ Imposes only estate tax. See table 18.

3/ Exemptions are deductible from the first bracket.

4/ Community property passing to the surviving spouse is exempt, or only one-half is taxable.

5/ No exemption is allowed if beneficiary's share exceeds the amount shown in the exemption column, but no tax shall reduce the value of the amounts shown in the exemption column. In Maryland, it is the practice to allow a family allowance of \$450 to a widow if there are infant children, and \$225 if there are no infant children, although there is no provision for such deductions in the statute.

(Footnotes continued on the next page)

TABLE 19.--STATE INHERITANCE TAX RATES AND EXEMPTIONS, FOR SELECTED CATEGORIES OF HEIRS,
JANUARY 1, 1968 (Cont'd)

- 6/ The exemption shown is the total exemption for all beneficiaries falling into the particular class and is shared by them proportionately.
- 7/ An additional 30 percent surtax is imposed.
- 8/ Only one \$10,000 exemption is allowed for beneficiaries in Class A, which includes minor and adult children.
- 9/ Rate shown is for spouse only. A minor child is taxed at the rates applying to an adult child.
- 10/ Estates of less than \$1,000 after deduction of debts are not taxable.
- 11/ Entire share (in excess of allowable exemption).
- 12/ Transfers of real property to Class I beneficiaries (all but non-relatives) are taxed at 3/4 of the indicated tax rates. There is no tax on the share of any beneficiary if the value of the share is less than \$100.
- 13/ Plus an additional \$5,000 for every minor child to whom no property is transferred.
- 14/ For a widow, an additional exemption is allowed equal to the difference between the maximum deduction for family maintenance (\$5,000) and the amount of family maintenance actually allowed by the Probate Court. The total possible exemption therefore would be \$35,000. If there is no surviving widow entitled to the exemption, the aggregate exemption is allowable to the children.
- 15/ In addition, an exemption is allowed for the clear market value of one-half of the decedent's estate, or one-third if decedent is survived by lineal descendants.
- 16/ Or the value of the homestead allowance, whichever is greater.
- 17/ No tax imposed.
- 18/ The beneficiaries in Class I (spouse, parents, lineal descendants, and adopted children) are allowed one \$10,000 exemption for the entire class.
- 19/ A widow with a child or children under 21 and receiving all or substantially all of her husband's property, shall be allowed, at her option, an additional exemption of \$5,000 for each such child. The children shall not be allowed the regular \$5,000 exemption provided for such children.
- 20/ Imposes also an estate tax. See table 18.
- 21/ Oregon imposes a basic tax, measured by the entire estate in excess of a single exemption (\$15,000 prorated among all beneficiaries and deductible from the first bracket); and an additional tax, measured by the size of an individual's share for which each beneficiary has a specific exemption. All members of Class I (spouse, children, parents, grandparents, stepchildren or lineal descendants) are exempted from the additional tax.
- 22/ In the absence of a spouse, the children may claim the \$1,000 exemption.
- 23/ Widows and children are included in Class A, with one \$10,000 exemption for the entire class. Beneficiaries not in Class A are allowed one \$1,000 exemption for the entire class.

TABLE 19. --STATE INHERITANCE TAX RATES AND EXEMPTIONS, FOR SELECTED CATEGORIES OF HEIRS,
JANUARY 1, 1968 (Concl'd)

-
- 24/ An additional \$5,000 exemption is allowed to the class as a whole.
- 25/ These rates are subject to the limitation that the total tax may not exceed 15 percent of the beneficiary's share. An additional tax equal to 30 percent of the inheritance tax is also imposed.

TABLE 20. --STATE GIFT TAX RATES AND EXEMPTIONS, FOR SELECTED CATEGORIES OF DONEES, JANUARY 1, 1968

State	Donor's lifetime exemption					Rates (percent)				Annual exclusion to each donee
	Wife	Minor child	Adult child	Brother or sister	Other than relative	Spouse or minor child	Adult child	Brother or sister	Other than relative	
California* ^{1/} ^{2/}	\$5,000	\$12,000	\$5,000	\$2,000	\$300	3-14	3-14	6-20	10-24	\$3,000.
Colorado*	20,000	10,000	10,000	2,000	500	2-8	2-8	3-10	7-16	{ \$3,000 spouse, child. \$1,500 brother, sister. \$1,000 other than relative.
Louisiana* ^{1/}	30,000 ^{4/}	30,000 ^{4/}	30,000 ^{4/}	30,000 ^{4/}	30,000 ^{4/}	2-3	2-3	5-7	5-10	{ \$5,000 spouse, child. \$1,000 brother, sister \$ 500 other than relative.
Minnesota* ^{2/} ^{3/}	10,000	10,000	5,000	1,000	250	1.5-10	2-10	6-25	8-30	\$3,000.
North Carolina*	25,000 ^{4/}	25,000 ^{4/}	25,000 ^{4/}	None	None	1-12	1-12	4-16	8-17	\$3,000.
Oklahoma	None	None	None	None	None	1-10	1-10	1-10	1-10	\$3,000.
Oregon	15,000 ^{4/}	15,000 ^{4/}	15,000 ^{4/}	15,000 ^{4/}	15,000 ^{4/}	1-10	1-10	2-25	5-30	{ \$5,000 spouse, child. \$3,000 brother, sister. \$1,000 other than relative.
Rhode Island	25,000 ^{4/}	25,000 ^{4/}	25,000 ^{4/}	25,000 ^{4/}	25,000 ^{4/}	2-9	2-9	2-9	2-9	\$3,000.
Tennessee*	None	None	None	None	None	1.4-9.5	1.4-9.5	6.5-20	6.5-20	{ 10,000 spouse, child ^{5/} \$5,000 brothers and sisters, others ^{5/}
Virginia* ^{2/}	None	None	None	None	None	1-5	1-5	2-10	5-15	{ \$5,000 spouse, child \$2,000 brother, sister. \$1,000 other than relative.
Washington* ^{1/} ^{2/}	10,000 ^{6/}	10,000 ^{6/}	10,000 ^{6/}	1,000 ^{6/}	None	0.9-9	0.9-9	2.7-18	9-22.5	\$3,000.
Wisconsin ^{2/} ^{7/}	15,000	2,000	2,000	None	None	2-10	2-10	4-20	8-40	\$1,000.

* Gift tax rates are the same as inheritance tax rates except in Washington where they are 90 percent of inheritance tax rates.

^{1/} Half of community property transferred to surviving spouse is not taxable.

^{2/} Exemptions or exclusions are deductible from the first bracket.

^{3/} The following tax credits are allowed: wife, \$300; minor child, \$75; adult child, \$20; brother or sister, \$30; other than relative, \$20. The tax may not exceed 35 percent of the full value of the gift.

^{4/} Only one lifetime exemption for all classes of donees combined.

^{5/} Only 1 annual exclusion is allowed each class of donee. One class includes spouse, lineal ancestor or descendant; all others are in the other class. Exemptions are deductible from the first bracket.

^{6/} Only 1 exemption allowed each class of donees. Spouse and lineal ancestors and descendants comprise 1 class; brothers and sisters another; all others, the 3d class.

^{7/} In addition, an emergency tax is imposed equal to 30 percent of the tax computed at the rates shown. The total tax may not exceed 15 percent of the value of the gift.

TABLE 21—Deductibility of Federal Estate Tax for Purposes of State Inheritance and Estate Taxes,
January 1, 1968

State	Federal estate tax deductible	State	Federal estate tax deductible
Alabama	—	Missouri	X
Alaska	X	Montana	X
Arizona	—	Nebraska	X
Arkansas	—	Nevada	(¹)
California	—	New Hampshire	X
Colorado	—	New Jersey	—
Connecticut	—	New Mexico	—
Delaware	—	New York	—
District of Columbia	X	North Carolina	—
Florida	—	North Dakota	X
Georgia	—	Ohio	X
Hawaii	—	Oklahoma	—
Idaho	X	Oregon	—
Illinois	X	Pennsylvania	—
Indiana	—	Rhode Island	—
Iowa	X	South Carolina	X
Kansas	X	South Dakota	—
Kentucky	X	Tennessee	—
Louisiana	—	Texas	—
Maine	X	Utah	—
Maryland	X	Vermont	X
Massachusetts	X	Virginia	X
Michigan	—	Washington	—
Minnesota	X	West Virginia	X
Mississippi	—	Wisconsin	X
		Wyoming	X

X denotes "yes"; — denotes "no."
¹ No tax imposed.

TABLE 22.--STATE CIGARETTE TAX RATES AS OF JANUARY 1--1952 THROUGH 1968
(cents per standard package of 20)

State	1952	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968
Alabama.....	3	.....	.....	4	.....	.....	.....	6	.....	.....8	.....	.....	.....	7	.....	10
Alaska.....	3	.....	.....	5	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....6.5	.....	8
Arizona.....	2	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....8	.....	8
Arkansas.....	6	.....	.....	.....	.....	.....	.....	3	.....	.....	.....	.....	.....	.....	.....	10
California.....	--	--	--	--	--	--	--	--	--	--	--	--	3	5	.....	5
Colorado.....	--	--	--	--	--	--	--	--	--	5	--	6	.....	8	.....	8
Connecticut.....	3	3	.....	.....	.....	.....	.....	.....	.....	5	.....	.....	.....	7	.....	7
Delaware.....	2	3	.....	.....	.....	.....	.....	.....	.....	5	.....	.....	.....	7	.....	7
Dist. of Col.....	1	.....	2	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	3	3
Florida.....	5	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	8	.....	.....	.....	8
Georgia.....	3	.....	.....	5	.....	.....	.....	.....	.....	.....	.....	.....	8	.....	.....	8
Hawaii.....	.....	.....	.....	.....	.....	20 percent of wholesale price	.....	.....	.....	.....	.....	.....	8	40%	.....	40%
Idaho.....	3	.....	.....	4	.....	.....	.....	5	.....	6	.....	7	.....	7	.....	7
Illinois.....	3	.....	.....	.....	.....	.....	.....	4	.....	4	.....	4	.....	6	.....	9
Indiana.....	3	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	6
Iowa.....	2	3	.....	.....	.....	.....	.....	4	.....	.....	.....	5	.....	8	.....	10
Kansas.....	3	.....	.....	.....	.....	4	.....	.....	.....	.....	.....	.....	6	8	.....	8
Kentucky.....	1	.....	3	.....	.....	.....	.....	.....	2.5	.....	.....	.....	.....	8	.....	2.5
Louisiana.....	8	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	8
Maine.....	4	.....	.....	5	.....	.....	.....	.....	.....	6	.....	.....	.....	8	.....	10
Maryland.....	--	--	--	--	--	--	3	.....	.....	6	.....	.....	.....	.....	.....	6
Massachusetts.....	5	.....	.....	.....	.....	.....	6	.....	.....	.....	.....	.....	.....	.....	10	10
Michigan.....	3	.....	.....	.....	.....	5	.....	.....	6	5	7	8	.....	.....	.....	7
Minnesota.....	4	.....	.....	.....	.....	.....	6	5.5	.....	7	8	.....	.....	.....	.....	8
Mississippi.....	4	.....	.....	5	.....	.....	.....	.....	.....	.....	8	.....	9	.....	.....	9
Missouri.....	--	--	--	2	.....	.....	.....	.....	.....	4	.....	.....	.....	.....	.....	4
Montana.....	4	.....	.....	.....	.....	8	.....	.....	.....	.....	.....	.....	.....	.....	.....	8
Nebraska.....	3	.....	.....	.....	.....	4	.....	.....	.....	.....	.....	6	.....	8	.....	8
Nevada.....	3	.....	.....	.....	.....	.....	.....	.....	.....	7	.....	.....	.....	.....	.....	7
New Hampshire.....	.....	.....	.....	.....	.....	15 percent of retail price	.....	.....	.....	.....	.....	.....	.....	21%	.....	30%

See footnotes at the end of table.

TABLE 22.--STATE CIGARETTE TAX RATES AS OF JANUARY 1--1952 THROUGH 1968 (Concl.'d)
(cents per standard package of 20)

State	1952	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968
New Jersey.....	3	.....	.....	.....	5	.....	.....	.....	.....	7	.....	8	.....	.....	11	11
New Mexico.....	4	.....	.....	5	.....	.....	.....	.....	.....	8	.....	.....	.....	.....	.....	8
New York.....	3	.....	.....	.....	.....	.....	.....	5	.....	.....	.....	.....	.....	10	.....	10
North Carolina.....	--	--	.....	.....	.....	.....	.....	--	--	--	--	--	--	--	--	--
North Dakota.....	6	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	7	.....	8	.....	8
Ohio.....	2	.....	.....	.....	3	.....	.....	5	.....	.....	.....	.....	.....	.....	.....	7
Oklahoma.....	5	.....	.....	.....	.....	.....	.....	--	--	7	.....	.....	.....	8	.....	8
Oregon.....	--	--	.....	.....	.....	.....	.....	--	--	--	--	--	--	--	4	4
Pennsylvania.....	4	.....	.....	5	.....	.....	.....	6	.....	.....	.....	8	.....	.....	.....	13
Rhode Island.....	3	.....	.....	.....	.....	.....	5	.....	6	.....	.....	.....	8	.....	.....	8
South Carolina.....	3	.....	.....	3 1/4	.....	.....	.....	5	.....	.....	.....	6	.....	.....	.....	5
South Dakota.....	3	.....	.....	.....	.....	.....	.....	5	.....	.....	.....	7	.....	.....	.....	8
Tennessee.....	5	.....	.....	5	.....	.....	.....	8	.....	.....	.....	.....	.....	.....	.....	8
Texas.....	4	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	11	.....	11
Utah.....	2	.....	4	.....	.....	.....	.....	.....	.....	.....	.....	8	.....	.....	.....	8
Vermont.....	4	.....	.....	.....	.....	5	.....	7	.....	.....	.....	8	.....	10	.....	10
Virginia.....	--	--	.....	.....	.....	--	--	--	3	.....	.....	.....	.....	.....	2.5	2.5
Washington.....	2/4	.....	.....	3/4	.....	.....	.....	6	.....	7	.....	.....	.....	11	.....	11
West Virginia.....	4	.....	.....	.....	5	.....	.....	.....	.....	6	.....	.....	.....	.....	.....	6
Wisconsin.....	3	.....	.....	4	.....	5	.....	.....	.....	6	.....	8	.....	10	.....	10
Wyoming.....	2	.....	.....	.....	.....	3	.....	4	.....	.....	.....	.....	.....	.....	.....	8
No. of States with tax ⁴ /.....	44	44	44	45	45	45	46	47	48	48	48	48	49	49	50	50

* Increased to 10¢, effective 3/22/68.

Note: A blank space (.....) indicates no rate change since previous rate shown.
A dash (--) indicates no cigarette tax was in effect as of January 1.

- 1/ Prior to July 1, 1954 the statutory rate was 1¢ for each 10¢ or fraction of the retail price.
- 2/ The statutory rate was 2¢ for each 10¢ or fraction of the retail price.
- 3/ The statutory rate was 2 1/2¢ for each 10¢ or fraction of the retail price.
- 4/ Includes District of Columbia; also includes Alaska and Hawaii for the period prior to attaining statehood.

TABLE 23.--STATE CIGAR TAX RATES, JANUARY 1, 1968

State	Weighing not more than 3 pounds per 1,000 (tax per 1,000)	Weighing more than 3 pounds per 1,000		Tax per 1,000
		Intended retail price (cents)		
		Over	Not over	
Alabama.....	\$2.00.....	....	3 1/3	\$1.50
		3 1/3	5	3.00
		5	8	4.50
		8	10	7.50
		10	20	15.00
		20	....	20.25
Arizona.....	\$1.00.....	....	5	3.33 1/3
		5	....	10.00
Georgia.....	\$2.00.....	....	3 1/3	1.50
		3 1/3	5	3.00
		5	8	4.00
		8	10	7.50
		10	20	15.00
		20	....	20.00
Hawaii.....	40 percent of wholesale price	40 percent of wholesale price		
Iowa.....	10 percent of wholesale price	10 percent of wholesale price		
Louisiana.....	\$1.20.....	....	5	3.20
		5	8	4.80
		8	15	8.00
		15	20	32.00
		20	....	40.00
Minnesota.....	10 percent of wholesale price	10 percent of wholesale price		
Mississippi.....	1/.....	....	3 1/3	1.80
		3 1/3	5	3.60
		5	8	5.40
		8	10	9.00
		10	20	18.00
		20	....	25.20
New Hampshire.....	30 percent of retail price	30 percent of retail price		
North Dakota.....	11 percent of wholesale price	11 percent of wholesale price		
Oklahoma.....	\$4.00.....	....	3 1/3	20.00
		3 1/3	....	20.00
South Carolina.....	\$1.00.....	....	5	1.00
		5	....	10.00
Tennessee.....	\$1.00.....	....	3 1/3	1.00
		3 1/3	5	2.00
		5	9	3.00
		9	10	5.00
		10	20	10.50
		20	....	13.50
Texas.....	\$1.00.....	....	3 1/3	7.50
		3 1/3	....	12.00 2/
Utah.....	25 percent of mfr's price.	25 percent of manufacturer's price		
Vermont.....	20 percent of wholesale price	20 percent of wholesale price		
Washington.....	30 percent of wholesale price	30 percent of wholesale price		

1/ The rates are the same as those shown for large cigars.

2/ Cigars with substantially no non-tobacco ingredients and with a factory list price of less than \$170 per thousand; otherwise, \$15.00 per thousand.

TABLE 24.--STATE TAX RATES ON SMOKING AND CHEWING TOBACCO AND SNUFF, JANUARY 1, 1968

State	Smoking tobacco	Chewing tobacco	Snuff
Alabama.....	Ranges from 2¢ for 1 1/8 oz. or less to 11¢ for 3 to 4 oz., plus 3¢ per oz. or fraction above 4 oz.	3/4¢ oz. or fraction.....	Ranges from: 1/2¢ for 5/8 oz. or less to 4¢ for 5 to 6 oz. plus 1¢ per ounce or fraction above 6 oz.
Arizona.....	1¢ per oz. or major fraction.....	1/4¢ per oz. or major fraction.....	1¢ per ounce or major fraction.
Hawaii.....	40 percent of wholesale price.....	40 percent of wholesale price.....	40 percent of wholesale price.....
Iowa.....	10 percent of wholesale price.....	10 percent of wholesale price.....	10 percent of wholesale price.....
Louisiana.....	Ranges from: 1¢ per package retailing for 5¢ or less to 4¢ per package retailing at 13¢ through 15¢, plus 1 1/3¢ for each 5¢ or fraction of retail price over 15¢.	.....	.....
Minnesota.....	10 percent of wholesale price.....	10 percent of wholesale price.....	10 percent of wholesale price.....
Mississippi	1 1/8¢ per 5¢ or fraction of retail price.	9/16¢ for each 5¢ or fraction of retail price.	9/16¢ for each 5¢ or fraction of retail price.
New Hampshire.....	30 percent of retail price.....	30 percent of retail price.....	30 percent of retail price.....
North Dakota.....	11 percent of wholesale price.....	11 percent of wholesale price.....	11 percent of wholesale price.....
Oklahoma.....	25 percent of factory list price...	20 percent of factory list price.....	.....
South Carolina.....	1¢ per package retailing for 5¢ or less, plus 1¢ for each additional 5¢ or fraction of retail price....	1¢ per 3 oz. or fraction.....	1¢ per 3 oz. or fraction.....
Tennessee.....	6 percent of wholesale cost price..	6 percent of wholesale cost price.....	6 percent of wholesale cost price.....
Texas.....	25 percent of factory list price...	25 percent of factory list price.....	.....
Utah.....	25 percent of manufacturer's price.	25 percent of manufacturer's price.....	25 percent of manufacturer's price.....
Vermont.....	20 percent of wholesale price.....	20 percent of wholesale price.....	20 percent of wholesale price.....
Washington.....	30 percent of wholesale price.....	30 percent of wholesale price.....	30 percent of wholesale price.....

TABLE 25.--STATE AND LOCAL AUTOMOTIVE TAXES, BY TYPE AND BY STATE, JANUARY 1, 1968

State	Highway-user taxes						Property and sales taxes applicable to motor vehicles			
	Motor fuels		Motor vehicle registration & operators licenses		State special taxes on motor carriers ^{1/}	Property taxes		Sales taxes		
	State	Local	State	Local		General	Special ^{2/}	General	Selective	
Alabama.....	x ^{5/}	x ^{3/}	x	-	x	-	x	h/ x ^{6/}	-	
Alaska.....	x ^{2/}	-	x	x	-	-	x	x ^{5/}	-	
Arizona.....	x	-	x	-	x	-	-	x ^{4/}	-	
Arkansas.....	x	-	x	x	-	-	x	x	-	
California.....	x	-	x	-	x	-	-	x ^{4/}	-	
Colorado.....	x	-	x	-	x	-	-	h/ x ^{4/}	-	
Connecticut.....	x	-	x	-	-	-	x	x	-	
Delaware.....	x	-	x	-	-	-	-	x	-	
District of Columbia.....	x	-	x	-	-	-	-	-	x	
Florida.....	x	x	x	-	-	-	-	x	-	
Georgia.....	x ^{5/}	-	x	-	-	-	x	x	-	
Hawaii.....	x ^{2/}	x	-	x	-	-	-	x	-	
Idaho.....	x	-	x	-	x	-	-	x ^{4/}	-	
Illinois.....	x ^{2/}	-	x	x	-	-	x	x ^{4/}	-	
Indiana.....	x	-	x	x	-	-	x	x	-	
Iowa.....	x	-	x	-	-	-	-	x	-	
Kansas.....	x	-	x	-	-	-	x	x	-	
Kentucky.....	x	-	x	-	-	-	-	x ^{4/}	-	
Louisiana.....	x	-	x	-	-	-	8/ x	x ^{4/}	-	
Maine.....	x	-	x	-	-	-	-	x	-	
Maryland.....	x	-	x	-	-	-	-	-	x	
Massachusetts.....	x ^{5/}	-	x	-	-	-	-	x	-	
Michigan.....	x	-	x	-	x	-	-	x	-	
Minnesota.....	x ^{5/}	-	x	-	-	-	-	x ^{4/}	-	
Mississippi.....	x	x	x	x	x	-	x	x	-	
Missouri.....	x	x ^{9/}	x	x	-	-	x	x	-	
Montana.....	x	-	x	x	-	-	-	-	x	
Nebraska.....	x	-	x	x	-	-	-	-	-	
Nevada.....	x	-	x	x	-	-	-	x	-	
New Hampshire.....	x	-	x	-	-	-	-	x	-	

See footnotes at the end of table.

TABLE 25.--STATE AND LOCAL AUTOMOTIVE TAXES, BY TYPE AND BY STATE, JANUARY 1, 1968 (Concl'd)

State	Highway-user taxes				State special taxes on motor carriers ^{1/}	Property and sales taxes applicable to motor vehicles			
	Motor fuels		Motor vehicle registration & operators licenses			Property taxes		Sales taxes	
	State	Local	State	Local		General	Special ^{2/}	General	Selective
New Jersey.....	x	-	x	-	x	-	-	x	-
New Mexico.....	x ^{5/}	-	x	-	x	-	-	-	x
New York.....	x ^{2/}	-	x	x	x	-	-	x	-
North Carolina.....	x	-	x	-	x	x	-	x	-
North Dakota.....	x	-	x	-	x	-	-	-	x
Ohio.....	x	-	x	<u>10/</u>	x	-	-	x	-
Oklahoma.....	x	-	x	x	x	-	-	-	x
Oregon.....	x	-	x	-	x	-	-	-	-
Pennsylvania.....	x	-	x	-	x	-	-	x	-
Rhode Island.....	x	-	x	-	-	x	-	x	-
South Carolina.....	x	-	x	x	x	x	-	x	-
South Dakota.....	x	-	x	x	x	-	-	-	-
Tennessee.....	x	-	x	-	-	x	-	<u>4/</u>	x
Texas.....	x	-	x	-	-	x	-	<u>4/</u>	x
Utah.....	x	-	x	-	-	x	-	x ^{4/}	-
Vermont.....	x	-	x	-	-	-	-	-	x
Virginia.....	x	-	x	x	x	x	-	-	x
Washington.....	x	-	x	-	x	-	x ^{2/}	x	-
West Virginia.....	x	-	x	-	x	x	-	-	x
Wisconsin.....	x	-	x	<u>11/</u>	-	-	-	x	-
Wyoming.....	x	x	x	x	x	-	x	x	-

A dash (-) signifies "none." ^{1/} Weight-distance, passenger-mile, and gross receipts taxes on motor carriers. Flat-rate registration fees on vehicles owned by motor carriers (based on weight or horsepower) and fees for certificates of convenience and necessity or permits to operate are imposed by all States. ^{2/} Ad valorem taxes imposed at a uniform statewide rate. Except in California, Kentucky, Nevada, and Washington, these taxes are locally administered; and, except in Kentucky, the proceeds are shared with local governments. ^{3/} In a few counties there are overlapping county and municipal gasoline taxes. ^{4/} Imposed by both State and local governments. ^{5/} Taxable also under State or local general sales taxes. ^{6/} Local general sales tax only. ^{7/} City motor vehicle levies of either \$5 or \$10 per vehicle are authorized, subject to voter approval. Effective 4/29/67. ^{8/} Municipalities (but no other local governments) can subject motor vehicles to general property taxation. ^{9/} Local gasoline taxes require two-thirds voter approval. To date, no city has submitted a proposed tax for voter approval. ^{10/} Counties are authorized (effective 12/12/67) to levy annual license taxes at the rate of \$5 on each motor vehicle registered in the county. After June 30, 1968, municipal corporations may levy such a tax if the county has not done so. ^{11/} Annual flat rate municipal motor vehicle registration fee (not in excess of 50% of State registration fee) authorized, effective 1/1/68.

TABLE 26.--STATE GASOLINE TAX RATES, JANUARY 1, 1968^{1/}

(per gallon)

5¢	6¢	6 1/2¢	7¢	7 1/2¢	8¢ or more
Hawaii ^{2/} Kansas <u>1/</u> Missouri Texas <u>1/</u>	Colorado Illinois Indiana Nevada N. Jersey N. York <u>1/</u> N. Dakota S. Dakota <u>1/</u> Utah Wyoming <u>1/</u>	Georgia Massachusetts Montana <u>1/</u> Oklahoma- (6.58¢) Vermont <u>1/</u>	Alabama Arizona California Connecticut Delaware Florida Idaho ^{3/} Iowa <u>1/</u> Kentucky Louisiana Maine Maryland Michigan Minnesota Mississippi <u>1/</u> N. Hampshire N. Mexico N. Carolina Ohio Oregon Pennsylvania Rhode Island S. Carolina ^{4/} Tennessee <u>1/</u> Virginia W. Virginia Wisconsin Dist. of Col.	Arkansas ^{1/} Nebraska	Alaska (8¢) Washington (9¢)
Total 4	.....10	..... 5	..... 28	..... 2	..... 2

^{1/} In most States diesel fuel is taxed at the same rate as gasoline. The States which tax diesel fuel at a different rate are: Arkansas, 8.5¢; Iowa, 8¢; Kansas, 7¢; Mississippi, 10¢; Montana, 9¢; New York, 9¢; South Dakota, 7¢; Tennessee, 8¢; Texas, 6.5¢; Wyoming, 7¢. In all but a few States liquified petroleum is taxed at the same rate as gasoline. Vermont does not tax diesel fuel or liquified petroleum.

^{2/} In Hawaii County, the State tax rate is 8¢.

^{3/} The rate shown includes temporary 1¢ rate scheduled to expire December 31, 1969.

^{4/} The rate shown includes temporary 1¢ rate scheduled to expire June 30, 1972.

TABLE 27.--STATE GASOLINE TAX RATES AS OF JANUARY 1--1953 THROUGH 1968
(cents)

State	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968
Alabama.....	6	.....	.....	7	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	7
Alaska.....	2	.....	.....	5	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	8
Arizona.....	5	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	7
Arkansas.....	6.5	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	7.5
California.....	4.5	6	.....	.....	.....	.....	.....	.....	.....	.....	.....	7	1/2	.....	.....	7
Colorado.....	6	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	6
Connecticut.....	4	.....	.....	6	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	6	7
Delaware.....	5	.....	.....	.....	.....	.....	.....	.....	.....	6	.....	.....	.....	.....	.....	7
Dist. of Col.....	5	.....	6	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	7
Florida.....	7	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	7
Georgia.....	6	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	6.5
Hawaii.....	4	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	5
Idaho.....	6	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	7
Illinois.....	5	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	7
Indiana.....	4	.....	.....	.....	.....	6	.....	.....	.....	.....	.....	.....	.....	.....	.....	6
Iowa.....	4	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	7
Kansas.....	5	5	.....	6	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	5
Kentucky.....	7	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	7
Louisiana.....	7	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	7
Maine.....	6	.....	.....	7	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	7
Maryland.....	5	6	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	7
Massachusetts.....	5	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	6.5
Michigan.....	4.5	.....	.....	6	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	7
Minnesota.....	5	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	7
Mississippi.....	7	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	7
Missouri.....	3	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	5
Montana.....	6	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	6.5
Nebraska.....	5	6	.....	.....	.....	.....	6	.....	.....	.....	.....	.....	.....	.....	.....	7.5
Nevada.....	5.5	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	6
New Hampshire.....	5	.....	.....	6	.....	.....	.....	7	.....	.....	.....	.....	.....	.....	.....	7

See footnotes at the end of table.

TABLE 27.--STATE GASOLINE TAX RATES AS OF JANUARY 1--1953 THROUGH 1968 (Concl'd)
(cents)

State	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968
New Jersey.....	3	.....	4	.....	.....	.....	5	.....	.....	6	.....	.....	.....	.....	.....	6
New Mexico.....	6	.....	.....	.....	.....	.....	.....	6	.....	.....	.....	.....	.....	.....	.....	7
New York.....	4	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	6
North Carolina.....	7	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	7
North Dakota.....	5	.....	6	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	6.
Ohio.....	4	5	.....	.....	.....	.....	.....	7	.....	.....	.....	.....	.....	.....	.....	7
Oklahoma.....	6.58	.....	.....	.....	2/	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	6.58
Oregon.....	6	.....	.....	6	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	7
Pennsylvania.....	5	.....	.....	.....	.....	5	.....	.....	.....	7	.....	.....	.....	.....	.....	7
Rhode Island.....	4	.....	.....	.....	.....	.....	6	.....	7	.....	.....	.....	.....	.....	.....	7
South Carolina.....	7	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	7
South Dakota.....	5	.....	.....	.....	.....	6	.....	.....	.....	.....	.....	.....	.....	.....	.....	6
Tennessee.....	7	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	7
Texas.....	4	.....	.....	5	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	5
Utah.....	5	.....	.....	.....	.....	6	.....	.....	.....	.....	.....	.....	.....	.....	.....	6
Vermont.....	5	.....	.....	5.5	.....	6.5	.....	.....	.....	.....	.....	.....	.....	.....	.....	6.5
Virginia.....	6	.....	.....	.....	.....	.....	.....	.....	7	.....	.....	.....	.....	.....	.....	7
Washington.....	6.5	.....	.....	.....	.....	.....	.....	.....	.....	7	.....	.....	.....	.....	.....	9
West Virginia.....	5	.....	.....	6	.....	.....	.....	7	.....	.....	.....	.....	.....	.....	.....	7
Wisconsin.....	4	.....	.....	6	.....	.....	.....	.....	.....	.....	.....	.....	.....	7	.....	7
Wyoming.....	5	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	6

Note: A blank space (....) indicates no rate change since previous rate shown. See table 26 footnotes for situations pertaining to particular States.

1/ Temporary 8¢ rate, April 1, 1965 - August 31, 1965 only.

2/ Temporary 7.58¢ rate, July 1, 1957 - December 31, 1957 only.

TABLE 28.--STATE TAX RATES ON DISTILLED SPIRITS, JANUARY 1, 1968^{1/}
(per gallon)

\$1 to \$1.50	\$1.50 to \$2	\$2 to \$2.50	\$2.50 to \$3	\$3 and over	20 percent of wholesale price
Arizona* Delaware Kentucky ^{6/} Missouri Nevada South Dakota ^{11/}	Colorado Illinois Kansas ^{8/} Louisiana Maryland Nebraska New Jersey New Mexico New York Texas District of Columbia	California Connecticut Indiana ^{3/} Oklahoma Rhode Island ^{10/} Wisconsin	Arkansas ^{2/} Florida ^{4/} Massachusetts ^{7/} Minnesota ^{9/} Mississippi North Dakota South Carolina ^{12/}	Alaska Georgia ^{5/} Tennessee ^{13/}	Hawaii
Total.....6116731

* Rate increased from \$1.44 to \$2.00 per gallon, effective 3/22/68.

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- 1/ This tabulation includes only the taxes imposed by the District of Columbia and the 33 States which use the license system for the distribution of distilled spirits. Of the remaining 17 States, 16 have State-operated stores (Alabama, Idaho, Iowa, Maine, Michigan, Montana, New Hampshire, Ohio, Oregon, Pennsylvania, Utah, Vermont, Virginia, Washington, West Virginia, and Wyoming), and North Carolina has county- and municipally-operated stores supervised by the State. The rates used in this table are those applicable to distilled spirits of standard alcoholic content.
- 2/ There is a 5¢ per gallon additional tax on the blending, rectifying, or mixing and transportation of distilled spirits, and also a wholesaler's tax of 70¢ per case. Arkansas also levies a 3-percent tax on retail receipts from sales of liquor, cordials, liqueurs, specialties, and wines.
- 3/ Includes an enforcement tax of 8¢ per gallon.
- 4/ Includes a tax of \$1.53; and two additional taxes of 72¢ and 25¢. The tax on distilled spirits containing more than 48 percent alcohol by weight is \$5.04, consisting of a basic tax of \$3.06, and 2 additional taxes of \$1.44 and 54¢.
- 5/ The tax on distilled spirits manufactured in the State is \$1.875 per gallon.
- 6/ The major revenue-producing tax on distilled spirits, however, is the tax on manufacturers, transporters, rectifiers, and blenders at the rate of 8¢ per gallon. The tax will be reduced by 2¢ per year beginning 7/1/68. After 6/30/71 there will be no tax. Also, there is a tax on wholesalers at the rate of 5¢ per case.
- 7/ In addition, every corporation, association or organization which is licensed by any city or town to sell alcoholic beverages, except certain corporations and chartered veterans' organizations maintaining quarters for the exclusive use of members, is taxed on the gross receipts from the sale of alcoholic beverages at the rate of 1/2 of 1 percent.
- 8/ In addition, an enforcement tax of 4 percent of gross receipts from retail sales is levied.
- 9/ Includes a 15-percent surtax effective through June 30, 1969.
- 10/ Distilled spirits imported into the State are taxed on the basis of reciprocity. The current rate, as fixed by the Liquor Control Commission, is \$1.50 per gallon.

TABLE 28.--STATE TAX RATES ON DISTILLED SPIRITS, JANUARY 1, 1968¹ (Concl'd)

11/ In addition, there is a 10-percent tax on the gross receipts from sales of intoxicating liquors excluding beer.

12/ Also, wholesalers of alcoholic beverages are taxed at the rate of \$4 per case.

13/ In addition, a tax of 15¢ per case is imposed upon sales at wholesale.

TABLE 29.--TAX RATES ON DISTILLED SPIRITS FOR STATES WITH LICENSING SYSTEMS, AS OF JANUARY 1--1953 THROUGH 1968
(dollars per gallon)

State	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968
Alaska.....	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	3.50	.....	4.00	1.44	.....	.....	.....	.....	4.00
Arizona.....	1.20	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	1.44*
Arkansas.....	2.50	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	2.50
California.....	.80	.....	.....	1.50	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	2.00
Colorado.....	1.60	.....	.....	.....	.....	.....	.....	1.80	.....	.....	.....	.....	.....	.....	.....	1.80
Connecticut.....	1.00	.....	.....	.....	.....	.....	.....	.....	.....	2.00	.....	.....	.....	.....	.....	2.00
Delaware.....	1.00	1.15	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	1.15
Dist. of Col.....	.75	.....	1.00	.....	1.25	.....	.....	.....	.....	.....	1.50	.....	.....	.....	.....	1.75
Florida.....	2.17	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	2.50
Georgia.....	1.00	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	3.75	.....	.....	3.75
Hawaii.....	1/	.....	.....	.....	.....	2/	.....	.....	.....	.....	.....	.....	.....	3/	.....	3/
Illinois.....	1.00	.....	.....	.....	.....	1.02	.....	1.52	.....	.....	.....	.....	.....	.....	.....	1.52
Indiana.....	2.08	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	2.08
Iowa.....	1.00	.....	.....	.....	.....	.....	.....	.....	.....	1.20	.....	.....	.....	.....	.....	1.50
Kansas.....	1.00	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	1.50
Kentucky.....	1.28	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	1.28
Louisiana.....	1.58	.....	.....	.....	1.68	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	1.68
Maryland.....	1.25	.....	.....	1.50	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	1.50
Massachusetts.....	2.25	.....	.....	.....	.....	.....	.....	2.875	.....	.....	.....	.....	.....	.....	.....	2.95
Minnesota.....	2.75	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	2.95
Mississippi.....	--	--	--	--	--	--	--	--	--	--	--	--	--	--	2.50	2.875
Missouri.....	.80	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	2.50
Nebraska.....	1.20	.....	.....	.....	.....	.....	.....	.....	.....	1.20	.....	.....	.....	.....	.....	1.20
Nevada.....	.80	.....	.....	.....	.....	.....	.....	.....	.....	1.40	.....	.....	.....	.....	.....	1.60
New Jersey.....	1.50	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	1.80	.....	.....	.....	1.40
New Mexico.....	1.30	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	1.50	.....	.....	.....	1.80
New York.....	1.50	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	1.50
North Dakota.....	2.50	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	2.50
Oklahoma.....	--	--	--	--	--	--	--	2.40	.....	.....	.....	.....	.....	.....	.....	2.40
Rhode Island.....	1.50	.....	.....	.....	.....	.....	2.00	.....	.....	.....	.....	.....	.....	.....	.....	2.00
South Carolina.....	2.72	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	2.72

See footnotes at the end of table.

TABLE 29.--TAX RATES ON DISTILLED SPIRITS FOR STATES WITH LICENSING SYSTEMS, AS OF JANUARY 1--1953 THROUGH 1968 (Concl'd)
(dollars per gallon)

State	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968
South Dakota.....	.75	....	....	....	....	....	....	....	....	....	....	1.25	....	....	....	1.25
Tennessee.....	2.00	....	....	....	....	....	....	....	....	....	....	2.50	....	....	....	4.00
Texas.....	1.408	....	....	....	....	....	....	1.68	....	....	....	....	....	....	....	1.68
Wisconsin.....	2.00	....	....	....	....	....	....	....	....	....	....	2.25	....	....	....	2.25

* Increased to \$2.00, effective 3/22/68.

Note: A blank space (....) indicates no rate change since previous rate shown.

A dash (--) indicates no tax was in effect as of January 1.

n.a. Data not available.

1/ 12% of wholesale price.

2/ 16% of wholesale price.

3/ 20% of wholesale price.

See table 28 footnotes for special situations in particular States.

TABLE 30.--STATE TAX RATES ON BEER, JANUARY 1, 1968^{1/}
(per barrel)

Less than \$1	\$1 to \$2	\$2 to \$3	\$3 to \$4	\$4 to \$6
Maryland Missouri Wyoming	California Colorado Illinois Montana Nevada New Jersey New York Oregon Rhode Island ^{6/} Washington Wisconsin	Arizona Connecticut Delaware Indiana ^{3/} Kentucky Massachusetts ^{5/} Nebraska New Mexico North Dakota Ohio Pennsylvania District of Columbia	Iowa Kansas ^{2/} Minnesota New Hampshire Tennessee ^{4/} Virginia	Arkansas Idaho Texas Utah West Virginia
Total..... ³	.....¹¹	.....¹²	.....⁶	.....⁵

\$6 to \$8	\$8 to \$10	\$10 to \$12	\$12 to \$14	20 percent of wholesale price
Alaska Maine ^{7/} Michigan Vermont	Florida South Dakota	Georgia Louisiana North Carolina Oklahoma	Alabama Mississippi South Carolina	Hawaii
Total..... ⁴	.....²	.....⁴	.....³	.....¹

- ^{1/} Montana, Virginia, Washington, and West Virginia tax light beer only, and Kansas and Oklahoma tax strong beer only. The rates for Minnesota, North Dakota, South Dakota, and Utah included in the table are those applicable to strong beer.
- ^{2/} In addition, an enforcement tax of 4 percent of gross receipts from retail sales is levied.
- ^{3/} Includes, in addition to excise taxes of 8¢ per gallon, an enforcement tax of 3/4 of 1¢ per gallon.
- ^{4/} The tax on sales of beer at wholesale is 17 percent of the wholesale price.
- ^{5/} In addition, every corporation, association, or organization which is licensed by any city or town to sell alcoholic beverages, except certain corporations and certain veterans' organizations, are taxed on the gross receipts from the sale of alcoholic beverages at the rate of 1/2 of 1 percent.
- ^{6/} Malt beverages imported into the State are taxed on the basis of reciprocity. The current rate, as fixed by the Liquor Control Commission, is \$1 per barrel.
- ^{7/} The tax on malt liquors manufactured in the State is 5 1/3¢ per gallon.

TABLE 31.--STATE TAX RATES ON WINES, JANUARY 1, 1968^{1/}

(per gallon)

LIGHT WINES

1¢	10¢ to 30¢	30¢ to 50¢	50¢ to 80¢	80¢ and over	20 percent of whole-sale price
California	Colorado Connecticut Illinois ^{5/} Kansas ^{7/} Louisiana Maryland Minnesota ^{11/} Missouri Nebraska New Jersey New York Ohio Oregon Rhode Island ^{12/} South Dakota ^{13/} Texas Washington ^{14/} Wisconsin District of Columbia	Arizona Indiana ^{2/} Mississippi Nevada New Mexico ^{9/} Oklahoma	Alaska Arkansas ^{3/} Kentucky North Carolina North Dakota	Delaware Florida ^{4/} Georgia ^{6/} Massachusetts ^{8/} South Carolina Tennessee ^{10/}	Hawaii
Total....1	.....19	.....6	.....5	.....6	.....1

FORTIFIED WINES

2¢	10¢ to 30¢	30¢ to 50¢	50¢ to 80¢	80¢ and over	20 percent of whole-sale price
California	Connecticut ^{15/} Louisiana Maryland Missouri New Jersey New York Rhode Island ^{12/} Texas Washington ^{14/}	Arizona Colorado Indiana ^{2/} Mississippi New Mexico ^{9/} Ohio Wisconsin District of Columbia	Alaska Arkansas ^{3/} Illinois ^{5/} Kansas ^{7/} Kentucky Minnesota ^{11/} Nebraska Nevada North Carolina North Dakota Oklahoma South Dakota ^{13/}	Delaware Florida ^{4/} Georgia ^{6/} Massachusetts ^{8/} South Carolina Tennessee ^{10/}	Hawaii
Total....1	.....9	.....8	.....12	.....6	.....1

^{1/} For purposes of this table, wines containing 14 percent or less alcohol are classified as light wines and those containing 14-21 percent alcohol are fortified wines. Some States specify wines exceeding 21 percent alcohol content and tax such wines at different rates. This tabulation does not include the taxes of those States where wines are sold through a State or county store system under State supervision. These States are: Alabama, Idaho, Iowa, Maine, Michigan, Montana, New Hampshire, Oregon (fortified wines only), Pennsylvania, Utah, Vermont, Virginia, Washington (nondomestic wines only), West Virginia, and Wyoming.

^{2/} Includes an enforcement tax of 2¢ per gallon.

^{3/} In addition, there is a 5¢ per case additional tax. Arkansas also levies a 3-percent tax on retail receipts from sales of liquors, cordials, liqueurs, specialties, and wines. Wines produced and consumed in the home from grapes grown in Arkansas are exempt from tax.

^{4/} Light and fortified wines manufactured in Florida from local products are taxed at 23¢ and 35¢ per gallon, respectively.

TABLE 31.--STATE TAX RATES ON WINES, JANUARY 1, 1968¹/ (Concl'd)

- 5/ Light and fortified wines produced from grapes grown in Illinois are taxed at 8¢ and 23¢ per gallon, respectively.
- 6/ Domestic light and fortified wines are taxed at 20¢ and 50¢ per gallon, respectively.
- 7/ In addition, an enforcement tax of 4 percent of gross receipts from retail sales is levied.
- 8/ The tax rate on wines containing 3 - 6 percent alcohol is 40¢ per gallon. Massachusetts also imposes a tax on the gross receipts of every corporation, association or organization which is licensed by any city or town to sell alcoholic beverages, except certain corporations and certain chartered veterans' organizations, at the rate of 1/2 of 1 percent.
- 9/ An 8¢ per gallon tax is levied on the growers of grapes who sell wine.
- 10/ In addition, a tax of 15¢ per case is imposed upon sales at wholesale.
- 11/ Includes a 15-percent surtax effective through June 30, 1969.
- 12/ Wines imported into the State are taxed on the basis of reciprocity. The current rate, as fixed by the Liquor Control Commission, is 20¢ per gallon.
- 13/ In addition, there is a 10-percent tax on the gross receipts from sales of intoxicating liquors, except beer in excess of 3.2 percent.
- 14/ The tax of 10¢ per gallon is applicable only to domestic wines.
- 15/ Sparkling wine is taxed at 50¢ per gallon.

TABLE 32.- STATE AND LOCAL DOCUMENTARY TAXES, JANUARY 1, 1968

State, government imposing, and type of tax	Year enacted	Rate 1/1/68	Use of stamps	Distribution of receipts		State collections 1967 1/ (\$'000)
				State	Local	
Alabama (State) 1/4	1935	50¢/\$500 2/	No	2/3	1/3	1,573 3/
California (Local) 1/4	1967	55¢/\$500 5/	Yes	---	---	---
Colorado (State)	1967	1¢/\$100 6/	Yes	---	---	---
Connecticut (State)	1967	55¢/\$500 5/	Yes	---	---	---
Delaware (State and local) 1/	1965	1%	Yes	---	---	1,776
District of Columbia (local)	1962	0.5%	No	---	---	1,490 3/
Florida (State)	1931	30¢/\$100	Yes	---	---	27,813 3/
Surtax on transfer of real estate	1967	55¢/\$500	Yes	---	---	---
Georgia (State)	1967	10¢/\$100 8/	No	---	9/	88
Hawaii (State)	1966	0.5%	Yes	---	---	---
Illinois (State)	1967	50¢/\$500 5/	Yes	1/2	1/2	---
Indiana (State)	1961	2% 2/	Yes	---	---	n.a.
Iowa (State)	1965	55¢/\$500	Yes	---	---	---
Maine (State)	1967	55¢/\$500 10/	No	9/10	1/10	---
Maryland (State and local) 1/	1937	55¢/\$500	Yes	---	---	57 3/
Massachusetts (State)	1921	\$1/\$500 2/5/	Yes	---	---	1,757
Michigan (State)	1966	55¢/\$500	Yes	---	---	---
Minnesota (State)	1961	\$1.10/\$500 2/13/	Yes	---	---	1,336 3/
Nebraska (State)	1965	55¢/\$500	Yes	---	---	---
Nevada (State)	1967	55¢/\$500 5/	Yes	---	5%	---
New Hampshire (State)	1967	10¢/\$100 5/	Yes	---	---	---
New York (Local)	1967	1¢/14/	Yes	---	---	---
North Carolina (State)	1967	50¢/\$500	Yes	---	---	14/
Ohio (Local)	1967	10¢/\$100 15/	No	---	---	---
Oklahoma (State)	1967	55¢/\$500 5/	Yes	---	95%	---
Pennsylvania (State and local) 16/	1921	1% 2/	Yes	---	---	24,291
Rhode Island (State)	1967	1% 2/	Yes	---	---	---
South Carolina (State and local)	1923	\$1/\$500	Yes	---	---	2,187 3/
Tennessee (State)	1937	26¢/\$100	No	---	---	2,461 3/
Vermont (State)	1967	1/10 or 1%	No	---	---	---
Virginia (State and local) 17/	1922	15¢/\$100	No	---	---	5,613 3/
Washington (State and local) 18/	1935	50¢/\$500	Yes	---	---	1,148
West Virginia (State and local)	1959	\$1.10/\$500	Yes	---	---	777
State	1967	55¢/\$500	No	---	---	---
County	1967	55¢/\$500	No	---	---	---

See footnotes at the end of table.

TABLE 32.-STATE AND LOCAL DOCUMENTARY TAXES, JANUARY 1, 1968 (Concl'd)

State, government imposing, and type of tax	Year enacted	Rate 1/1/68	Use of stamps	Distribution of receipts		State collections 1967 ^{1/} (\$000)
				State	Local	
OTHER DOCUMENTARY TAXES						
Alabama (State)						
Mortgages	1935	15¢/\$100	No	2/3	1/3	19/
Issuance of stocks and bonds	1927	25¢/\$100	No	All	---	19/
Transfer of mineral leaseholds	1957	5-15¢/acre ^{20/}	No	---	All	---
Florida (State)						
Issuance and transfer of stocks and bonds	1931	15¢/\$100	Yes	All	---	19/
Kansas (State)						
Mortgages	1925	25¢/\$100	No	---	All	---
Maryland (State and local) ^{11/}						
Mortgages	1937	55¢/\$500	Yes	---	All ^{12/}	19/
Minnesota (State)						
Mortgages	1907	15¢/\$100	No	1/6	5/6 ^{21/}	19/
Mississippi (State)						
Transfer of mineral leaseholds	1946	3-8¢/acre ^{20/}	Yes	---	All	---
New York (State)						
Transfer of stock	1905	1.25-5¢/ share ^{22/}	Yes	All	---	146,462
Mortgages	1905	50¢/\$100	No	---	All	---
Oklahoma (State)						
Mortgages	1913	2-10¢/\$100	No	--	All	---
South Carolina (State)						
Issuance of stocks and bonds	1923	10¢/\$100	Yes	All	---	19/
Transfer of stocks	1923	4¢/\$100	Yes	All	---	19/
Tennessee (State)						
Mortgages	1937	10¢/\$100	No	All	---	19/
Virginia (State and local) ^{17/}						
Mortgages	1922	15¢/\$100	No	All	---	19/
Grand total.....						218,829

n.a. - Data not available. ^{1/} Excludes amounts collected and retained by local governments. ^{2/} Exclusive of assumed mortgages. The Indiana tax is applicable only to corporations subject to gross income tax. ^{3/} Includes documentary taxes other than real estate transfer taxes. ^{4/} Counties, or a city and a county are authorized to impose a tax on real estate transfers beginning Jan. 1, 1968. Cities within a county which has already imposed the tax may levy a tax of 1/2 the above amount with a credit being given against the county tax for the city tax. ^{5/} Transfers under \$100 are exempt. ^{6/} Transfers of \$500 or less are exempt. ^{7/} The city of Wilmington also levies a 1% realty transfer tax. ^{8/} Rate is 50¢ for the first \$500. Transfers of \$100 or less are exempt. ^{9/} Distributed in the same proportion that revenues derived from the tax imposed by the Act providing for the levy of taxes on certain classes of intangible personal property, approved December 27, 1937 (Ga. L. 1937-38, P.156) as now or may hereafter be amended, are divided. ^{10/} Rate is \$1 for transfers between \$251 and \$500. Transfers of \$250 or less are not taxable. ^{11/} The city of Baltimore and specified counties are authorized to supplement the State tax, at rates ranging from 55¢/\$500 to \$1.95/\$500. ^{12/} Except that tax on recordation of instruments granting encumbrances on property situated in two or more counties as security for corporate bonds of public utilities, are paid to the State. ^{13/} Rate is \$2.20 on first \$1,000. ^{14/} New York City imposes a tax of 0.5% on transfers of real property where the consideration exceeds \$25,000. ^{15/} The rate shown is the statewide county rate. The minimum tax is \$1, with transfers under \$100 exempt. An additional tax, not to exceed 30¢ on each \$100 of value of real property, may also be levied by any county. ^{16/} Local governments are authorized to impose a real estate transfer tax up to 1% and about 1500 including more than 800 school districts, have done so. ^{17/} Counties and cities levy a tax of 1/3 the State tax (5¢/\$100). ^{18/} Counties are authorized to levy a 1% real estate sales tax; all 39 counties have done so. ^{19/} Included in real estate transfer tax collections above. ^{20/} Depending upon length of lease. ^{21/} Except that the tax on mortgages that are secured by property exempt from property taxation is paid to the State. ^{22/} Depending upon value per share.

TABLE 33. --SELECTED FEATURES OF PROPERTY TAXATION, BY STATE

State	No. of primary assessing areas 1966 <u>1/</u>	Method of selecting assessors <u>2/</u>	Constitutional and statutory assessment standards <u>2/</u>		Conducts periodic ratio studies <u>2/</u>	State and local property tax collections 1965-66 <u>3/</u>		
			Legal standard (rate)	Valuation concept		Total (millions)	Per Capita	Per thousand dollars of personal income
Alabama	67	E	30%	Fair and reasonable market value	---	\$116.0	\$33	\$17
Alaska	29	A	100	Full and true value in money	---	18.7	69	22
Arizona	14	E	18--60 ^{4/}	Full cash value	---	222.9	138	60
Arkansas	75	E	20	True market value in money	X	95.6	49	27
California	58	E	20--25 ^{5/}	Full cash value	X	3,752.2	198	63
Colorado	63	E	30	Actual value	X	308.9	156	58
Connecticut	169	A & E	Up to 100	Uniform % of market value within local district	---	464.1	161	48
Delaware	3	A	100	True value in money	---	33.1	65	19
District of Col.	1	A	100	Full and true value in lawful money	X	88.2	109	30
Florida	67	E	100	Full cash value	X	583.6	98	42
Georgia	159	A	100	Fair market value	---	274.3	62	29
Hawaii	1	A	70	Fair market value or a percentage thereof	X	56.8	79	28
Idaho	44	E	20	Full cash value	X	78.7	113	47
Illinois	1,424	E	100	Fair cash value	X	1,610.8	150	46
Indiana	1,009	E	33 1/3	True cash value	---	686.7	140	49
Iowa	120	A	27	Actual value	X	447.3	163	61
Kansas	105	E	30	True value in money	X	333.3	148	56
Kentucky	120	E	100	Fair cash value	X	164.7	52	25
Louisiana	64	E	Not below 25	Actual cash value.. Land at not less than \$1 per acre	---	190.4	53	26
Maine	492	A	"Just value"	At just value in compliance with the laws of the State	X	122.4	125	55
Maryland	24	A	100	Full cash value less an allowance for inflation	X	437.3	121	41
Massachusetts	351	A & E	100	Fair cash valuation	X	1,020.6	190	62
Michigan	1,475	A & E ^{6/}	50	Full cash value	X	1,131.5	135	45
Minnesota	721	A	Varies by class	Market value	X	591.0	165	62
Mississippi	82	E	100	Assessed in proportion to its value.	---	117.1	50	32
Missouri	435	A & E ^{7/}	100	True value in money.	---	435.1	97	36
Montana	56	E	7--100	True and full value	---	114.1	162	67
Nebraska	93	E	35	Required to be valued at its actual value and assessed at 35%	---	258.6	178	67
Nevada	17	E	35	Full cash value	X	62.4	137	43
New Hampshire	234	A & E ^{8/}	100	Full and true value in money	X	103.4	152	60

TABLE 33.--SELECTED FEATURES OF PROPERTY TAXATION, BY STATE (Cont'd)

State	No. of primary assessing areas 1966 <u>1/</u>	Method of selecting assessors <u>2/</u>	Constitutional and statutory assessment standards <u>2/</u>		Conducts periodic ratio studies <u>2/</u>	State & local property tax collections 1965-66 <u>3/</u>		
			Legal standard (rate)	Valuation concept		Total (millions)	Per Capita	Per thousand dollars of personal income
New Jersey	567	A & E	20-100% ^{9/}	Uniform percentage at true value	X	\$1,283.1	\$186	\$58
New Mexico	32	E	100	Assessed in proportion to its value	---	61.6	60	28
New York	990	A	100	Full value	X	3,045.9	167	51
North Carolina	100	A	10/	True value in money	X	270.0	54	27
North Dakota	1,772	A & E ^{11/}	50	Full and true value in money	X	84.3	130	57
Ohio	88	E	50	True value	X	1,295.8	126	45
Oklahoma	77	E	35	Fair cash value	X	191.1	78	34
Oregon	36	E	100	True cash value	X	277.0	142	52
Pennsylvania	67	A	100 ^{12/}	Actual value (the price for which the property would sell)	X	1,016.7	88	32
Rhode Island	39	A & E	10/	Full and fair cash value	X	114.8	128	46
South Carolina	46	A	100	True value in money	---	102.4	40	22
South Dakota	404	A	60	True and full value in money	X	104.6	153	69
Tennessee	95	E	50 ^{13/}	Actual cash value	---	221.9	57	29
Texas	254	E	100	Full and true value in money	---	1,074.9	100	43
Utah	29	E	30	Reasonable fair cash value	---	118.0	117	50
Vermont	246	A & E	Up to 100 ^{10/}	Fair market value	X	47.0	116	50
Virginia	131	A	100	Fair market value	X	340.2	75	32
Washington	39	E	50	True and fair value	X	310.9	104	36
West Virginia	55	E	100	True and actual value	X	98.0	55	27
Wisconsin	1,834	A & E	100	Full value at private sale	X	636.0	153	56
Wyoming	23	E	14/	Fair value	---	55.9	170	66
Total	14,496	---	---	---	---	24,670.1	126	46

A -- Signifies "appointed." E -- Signifies "elected."

1/ U. S. Bureau of the Census, Primary Assessing Areas for Local Property Taxation, State and Local Government Special Studies, No. 50, April 1966.

2/ International Association of Assessing Officers.

3/ U. S. Bureau of the Census, Governmental Finances in 1965-66.

4/ Depending on the class of property: effective 3/22/68.

(Footnotes continued on the following page.)

TABLE 33. --SELECTED FEATURES OF PROPERTY TAXATION, BY STATE (Concl'd)

- 5/ Between 20 and 25 percent of full cash value from 1968 through 1971, thereafter 25 percent.
- 6/ Appointed and elected, 216 municipal assessors; elected, 1,259 township assessors.
- 7/ Appointed, 1 municipal assessor; elected 344 township assessors; appointed and elected, 90 county assessors.
- 8/ Elected, 221 township assessors; appointed and elected 13 municipal assessors.
- 9/ In a multiple of 10 as is established by each county board of taxation. If a county fails to establish a uniform percentage, a 50 percent level of assessment is employed until action is taken.
- 10/ Uniform percentage, determined locally.
- 11/ Appointed, 356 municipal assessors; elected, 29 county and 1,387 township assessors.
- 12/ In 4th to 8th class counties, real property must be assessed at a predetermined ratio not to exceed 75 percent.
- 13/ To be attained by 1/1/73, with increasing percentages on the following schedule: 1968, 15 percent; 1969, 25 percent; 1970, 30 percent; 1971, 35 percent; 1972, 40 percent; 1973 and thereafter, 50 percent.
- 14/ At a fair value in conformity with values and procedures prescribed by the State Tax Commission.

TABLE 34. --AGENCIES ADMINISTERING MAJOR STATE TAXES, JANUARY 1, 1968

State	Income	Sales	Gasoline	Motor Vehicle	Tobacco	Death	Alcoholic Beverage
Alabama	Dept. of Revenue	Dept. of Revenue	Dept. of Revenue	Dept. of Revenue	Dept. of Revenue	Dept. of Revenue	Alcoholic Beverage Control Board
Alaska	Dept. of Revenue	.....	Dept. of Revenue	Dept. of Revenue	Dept. of Revenue	Dept. of Revenue	Dept. of Revenue
Arizona	Tax Commission	Tax Commission	Highway Dept.	Highway Dept.	Tax Commission	Treasurer	Dept. of Liquor Licenses & Control
Arkansas	Dept. of Revenue	Dept. of Revenue	Dept. of Revenue	Dept. of Revenue	Dept. of Revenue	Dept. of Revenue	Dept. of Revenue
California	Franchise Tax Bd.	Bd. of Equal.	Bd. of Equal.	Dept. of Mot.Veh.	Bd. of Equal.	Controller	Bd. of Equal
Colorado	Dept. of Revenue	Dept. of Revenue	Dept. of Revenue	Dept. of Revenue	Dept. of Revenue	Dept. of Revenue	Dept. of Revenue
Connecticut	Tax Commissioner	Tax Commissioner	Tax Commissioner	Comm. of Mot.Veh.	Tax Commissioner	Tax Commissioner	Tax Commissioner
Delaware	Tax Department	.....	Highway Dept.	Comm. of Mot.Veh.	Tax Department	Tax Department	Alcoholic Beverage Control Comm.
Florida	.....	Revenue Comm.	Revenue Comm.	Comm. of Mot.Veh.	Beverage Dept.	Comptroller	Beverage Dept.
Georgia	Dept. of Revenue	Dept. of Revenue	Dept. of Revenue	Dept. of Revenue	Dept. of Revenue	Dept. of Revenue	Dept. of Revenue
Hawaii	Dept. of Taxation	Dept. of Taxation	Dept. of Taxation	County Treasurer	Dept. of Taxation	Dept. of Taxation	Dept. of Taxation
Idaho	Tax Commission	Tax Commission	Tax Commission	Dept. of Law Enforcement	Tax Commission	Tax Commission	Tax Commission
Illinois	.....	Dept. of Revenue	Dept. of Revenue	Sec. of State	Dept. of Revenue	Atty. General	Dept. of Revenue
Indiana	Dept. of Revenue	Dept. of Revenue	Dept. of Revenue	Sec. of State	Dept. of Revenue	Dept. of Revenue	Alcoholic Beverage Commission
Iowa	Dept. of Revenue	Dept. of Revenue	Treasurer	Dept. of Public Safety	Dept. of Revenue	Dept. of Revenue	Dept. of Revenue
Kansas	Dept. of Revenue	Dept. of Revenue	Dept. of Revenue	Highway Comm.	Dept. of Revenue	Dept. of Revenue	Dept. of Revenue
Kentucky	Dept. of Revenue	Dept. of Revenue	Dept. of Revenue	Dept. of Revenue	Dept. of Revenue	Dept. of Revenue	Dept. of Revenue
Louisiana	Dept. of Revenue	Dept. of Revenue	Dept. of Revenue	Dept. of Revenue	Dept. of Revenue	Local	Dept. of Revenue
Maine	.....	Bur. of Taxation	Bur. of Taxation	Sec. of State	Bur. of Taxation	Bur. of Taxation	Liquor Comm.
Maryland	Comptroller	Comptroller	Comptroller	Comm. of Mot.Veh.	Comptroller	Local	Comptroller
Massachusetts	Dept. of Corp's and Taxation	Dept. of Corp's and Taxation	Dept. of Corp's and Taxation	Registrar of Motor Veh.	Dept. of Corp's and Taxation	Dept. of Corp's and Taxation	Dept. of Corp's and Taxation
Michigan	Dept. of Revenue	Dept. of Revenue	Dept. of Revenue	Sec. of State	Dept. of Rev.	Dept. of Rev.	Liquor Control Commission
Minnesota	Dept. of Taxation	Dept. of Taxation	Dept. of Taxation	Sec. of State	Dept. of Taxation	Dept. of Taxation	Liquor Control Commission
Mississippi	Tax Commission	Tax Commission	Motor Vehicles Comptroller	Motor Vehicles Comptroller	Tax Commission	Tax Commission	Tax Commission
Missouri	Dept. of Revenue	Dept. of Revenue	Dept. of Revenue	Dept. of Revenue	Dept. of Revenue	Dept. of Revenue	Dept. of Revenue
Montana	Board of Equal.	.....	Board of Equal.	Registrar of Motor Veh.	Board of Equal.	Board of Equal.	Liquor Control Bd.
Nebraska	Tax Commissioner	Tax Commissioner	Tax Commissioner	Dept. of Mot.Veh.	Tax Commissioner	Tax Commissioner	Liquor Control Commission
Nevada	.....	Tax Commission	Tax Commission	Dept. of Mot.Veh.	Tax Commission	.....	Tax Commission

TABLE 34. --AGENCIES ADMINISTERING MAJOR STATE TAXES, JANUARY 1, 1968

State	Income	Sales	Gasoline	Motor Vehicle	Tobacco	Death	Alcoholic Beverage
New Hampshire	.....	.....	Div. of Mot. Veh.	Div. of Mot. Veh.	Tax Commission	Tax Commission	Liquor Commission
New Jersey	Dept. of Treas.	Dept. of Treas.	Dept. of Treas.	Dept. of Law & Public Safety	Dept. of Treas.	Dept. of Treas.	Dept. of Treas.
New Mexico	Bur. of Revenue	Bur. of Revenue	Bur. of Revenue	Dept. of Mot. Veh.	Bur. of Revenue	Bur. of Revenue	Bur. of Revenue
New York	Dept. of Taxation and Finance	Dept. of Taxation and Finance	Dept. of Taxation and Finance	Dept. of Mot. Veh.	Dept. of Taxation and Finance	Dept. of Taxation and Finance	Dept. of Taxation and Finance
N. Carolina	Dept. of Revenue	Dept. of Revenue	Dept. of Revenue	Dept. of Mot. Veh.	.....	Dept. of Revenue	Dept. of Revenue
N. Dakota	Tax Commissioner	Tax Commissioner	Auditor <u>1/</u>	Reg. of Mot. Veh.	Tax Commissioner	Tax Commissioner	Treasurer
Ohio	.....	Tax Commissioner	Tax Commissioner	Reg. of Mot. Veh.	Tax Commissioner	Tax Commissioner	Tax Commissioner
Oklahoma	Tax Commission	Tax Commission	Tax Commission	Tax Commission	Tax Commission	Tax Commission	Tax Commission
Oregon	Tax Commission	.....	Dept. of Mot. Veh.	Dept. of Mot. Veh.	Tax Commission	Treasurer	Liquor Control Commission
Pennsylvania	Dept. of Revenue	Dept. of Revenue	Dept. of Revenue	Dept. of Revenue	Dept. of Revenue	Dept. of Revenue	Dept. of Revenue
Rhode Island	Dept. of Adm.	Dept. of Adm.	Dept. of Adm.	Reg. of Mot. Veh.	Dept. of Adm.	Dept. of Adm.	Dept. of Adm.
S. Carolina	Tax Commission	Tax Commission	Tax Commission	Highway Comm.	Tax Commission	Tax Commission	Tax Commission
S. Dakota	.....	Dept. of Revenue	Dept. of Revenue	Dept. of Mot. Veh.	Dept. of Revenue	Dept. of Revenue	Dept. of Revenue
Tennessee	Dept. of Revenue	Dept. of Revenue	Dept. of Revenue	Dept. of Revenue	Dept. of Revenue	Dept. of Revenue	Dept. of Revenue
Texas	.....	Comptroller	Comptroller	Highway Dept.	Comptroller	Comptroller	Liquor Control Bd.
Utah	Tax Commission	Tax Commission	Tax Commission	Tax Commission	Tax Commission	Tax Commission	Tax Commission
Vermont	Comm. of Taxes	.....	Motor Vehicles Department	Motor Vehicles Department	Comm. of Taxes	Comm. of Taxes	Comm. of Taxes
Virginia	Dept. of Taxation	Dept. of Taxation	Division of Motor Veh.	Division of Motor Veh.	Dept. of Taxation	Dept. of Taxation	Dept. of Taxation
Washington	.....	Dept. of Revenue	Dept. of Mot. Veh.	Dept. of Mot. Veh.	Dept. of Revenue	Dept. of Revenue	Liquor Control Bd.
W. Virginia	Tax Department	Tax Department	Tax Department	Dept. of Mot. Veh.	Tax Department	Tax Department	Liquor Control Commission
Wisconsin	Dept. of Revenue	Dept. of Revenue	Dept. of Revenue	Mot. Veh. Dept.	Dept. of Revenue	Dept. of Revenue	Dept. of Revenue
Wyoming	.....	Tax Commission	Tax Commission	Tax Commission	Tax Commission	Tax Commission	Liquor Commission
Dist. of Col	Finance Office	Finance Office	Finance Office	Finance Office	Finance Office	Finance Office	Finance Office

1/ Tax Commissioner, effective 7/1/69.

Source: Federation of Tax Administrators, Tax Administrators News, Vol. 31, No. 7, July 1967 (updated to January 1, 1968).

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PROPERTY TAX SURVEY COMMISSION

This bill authorizes the creation of a Property Tax Survey Commission to examine certain basic property tax policy issues which must be resolved by each state. These policy issues include: (a) the adequacy of the legal structure underpinning property tax administration, (b) exemptions from taxation, (c) changes in tax rate and debt limits which would be required if market value determinations based on assessment-sales ratio studies replace assessed valuations as the measurement base, and (d) the extent to which the state should become involved in the actual administration of the property tax.

Each state should take a hard, critical look at its property tax laws and rid it of all features that are impossible to administer as written, which force administrators to condone evasion, and which encourage taxpayer dishonesty. Ad valorem taxes on most classes of property, real and personal, can be administered with reasonable competence if a state is willing to provide suitable means; but the extent to which some personal property tax laws have become legal fictions is notorious. Evasion and condoning of evasion are so widespread as to make such laws a tax on integrity.

The use of exemptions from property taxes without regard for their secondary effects has drastically changed the distribution of the property tax burden and a re-examination of exemptions is urgently needed. States have long had a propensity, which is continuing, to fritter away the local property tax base by concealed subsidies in the form of special tax exemptions to promote private causes of questionable public importance, provide welfare aid, advance undertakings for social and economic reform, and reward public service. Typically these special tax exemptions are mandatory upon local taxing jurisdictions; they have to be honored by them, regardless of their revenue cost or the preference of the local community.

Suggested Legislation

[Title should conform to state requirements. The following is a suggestion: "An act creating a property tax survey commission, and for related purposes."]

(Be it enacted, etc.)

1 Section 1. Property Tax Survey Commission. There is hereby
2 created a property tax survey commission of [] members for
3 the purpose of making a thorough examination of the property
4 tax and its administration. The commission shall make a report
5 of its study and examination together with such specific

6 recommendations as it may adopt to the governors and to the
7 legislature not later than [] of each [] numbered years.

1 Section 2. Commission Duties. The commission shall:

2 (1) ascertain whether the [state tax agency] is making
3 adequate provision for continuing study and analysis of the
4 property tax so as to insure that this revenue source is given
5 attention commensurate with its major importance in the overall
6 state and local revenue structure;

7 (2) determine (i) whether provision of the constitu-
8 tion or any statute, ordinance or charter unduly restricts leg-
9 islative or administrative flexibility and responsibility for
10 producing and maintaining a productive and administrable prop-
11 erty tax system and, (ii) whether the property tax laws need
12 revision or recodification;

13 (3) examine the state's property tax exemption policies
14 and make recommendations implementing the principle that exemp-
15 tions be provided only on clear demonstration of public inter-
16 est and be limited to those cases in which the tax exemption
17 method is preferable to outright grants supported by appropria-
18 tions;

19 (4) examine the question of reimbursing local communi-
20 ties for the amounts of tax loss sustained in the instance of
21 mandatory tax exemptions;

22 (5) Make a thorough review of all classes of partial
23 and total exemptions from tax liability based on assessed valu-
24 ations made by assessment officials, study the desirability of
25 their continuance from the point of view of sound policy, and
26 with respect to those exemptions that may be continued, recom-
27 mend adjustments as would be called for by the adoption of the
28 market value determinations made or to be made by the [state
29 tax agency] as the uniform measure for all exemptions from prop-
30 erty tax liability;¹

1. To the extent that exemptions can be justified, the tax credit method employed by some states has considerable merit because it completely removes the assessor from dollar determinations of the privilege.

31 (6) study all limits on the taxing and borrowing pow-
32 ers of local governments imposed by state law or municipal char-
33 ter that are related to assessed valuation set by local assess-
34 ment officials; consider the desirability of their continuance
35 or modification, and for any that may be continued recommend
36 adjustments as would be made necessary by the adoption of the
37 market value determinations made or to be made by the [state
38 tax agency] as the uniform base for restricting the taxing and
39 borrowing powers of local government;

40 (7) study all state financial grants to school districts
41 and local governments that are measured by assessed valuations
42 set by local assessment officials and recommend adjustments as
43 may be necessitated by the adoption of the market value deter-
44 minations of the [state tax agency] as an equalized measure of
45 local fiscal capacity and tax effort;

46 (8) evaluate the structure, powers, facilities, and
47 competence of the [state tax agency] and local property tax
48 offices and on the basis of the evaluation recommend an organ-
49 izational policy from among the following alternatives:

50 (i) centralized property tax administration, with
51 each local government determining the amount of its own tax
52 levies, within any applicable limitations, and with the state
53 providing all professional services for the assessment, collec-
54 tion and enforcement of the property tax liability;

55 (ii) centralized property assessment administra-
56 tion, with the valuations certified to local officials as the
57 basis for their billing and collection of taxes;

58 (iii) coordinated joint state-local administration
59 with the [state tax agency] granted all appropriate supervisory
60 powers and facilities but whose assessment responsibilities
61 would be confined to property of types that customarily lie in
62 more than one district and do not lend themselves to piecemeal
63 local assessment, that require appraisal specialists beyond the
64 specialized skills of most local district staffs, and that can
65 be more readily discovered and valued by a central agency than
66 by a local assessment office; or

67 (iv) some other uniform method of property assess-
68 ment administration.

69 (9) evaluate the present administrative-judicial ap-
70 peal procedure for assessment review in order to determine
71 whether taxpayers have ready and inexpensive access to effective
72 legal remedies, and make recommendations with respect thereto.

1 Section 3. Commission Membership. The governor shall ap-
2 point the members of the commission and shall designate the
3 chairman thereof. The term of each commissioner authorized
4 shall be [four] years. Any vacancy on the commission shall be
5 filled in the same manner as original appointments thereto and
6 shall be for the unexpired term.

1 Section 4. Staff. The commission may employ such research
2 or administrative staff as it deems necessary within or without
3 the [state merit system].

1 Section 5. Hearings. The commission may hold public hear-
2 ings in various parts of the state and prescribe any necessary
3 rules for the conduct thereof.

1 Section 6. Per Diem and Expenses. Members of the commis-
2 sion shall receive per diem of \$[] for each full day of
3 attendance at a meeting of the commission plus their actual and
4 necessary expenses incurred in the discharge of their official
5 duties. Members of the commission who are salaried members of
6 the legislature or full-time public officers or employees shall
7 not receive per diem but shall be entitled to reimbursement for
8 their actual and necessary expenses.

1 Section 7. Duration. Sections 1-6 of this act shall cease
2 to be of any force or effect on and after [four years after
3 effective date of this act] and the commission established here-
4 by shall terminate as of [same date].

1 Section 8. Appropriation. [Use this section to make initial
2 appropriation to the commission.]

1 Section 9. Separability. [Insert separability clause.]

1 Section 10. Effective Date. [Insert effective date.]

PROPERTY TAX ORGANIZATION AND ADMINISTRATION

In 49 of the 50 states (all except Hawaii), property assessment administration is a joint state and local responsibility. Most recent efforts to improve the quality of property assessment have concentrated on making the joint system work better. To knit this two-level system into a well-coordinated, smoothly-functioning organization is difficult but possible of accomplishment.

The prevailing pattern for state-local property tax administration, subject to innumerable variations, is: (1) local assessment districts responsible for the bulk of the primary assessing; (2) local or county boards of review; (3) county boards of equalization; and (4) a state agency or agencies responsible variously for supervision of local assessing, provision of technical aid to local assessors, hearing taxpayer appeals, interarea equalization of assessment, central assessment of some classes of property, and valuation research.

The proposal would provide for well-coordinated state-local administrative organization with a central directing authority. At the state level, administrative responsibilities would be vested in a single agency professionally organized and equipped for the job, with adequate powers of supervision and regulation clearly defined by law. At the local level, county assessment units would be organized and staffed so as to make competent assessing feasible. The overall goal is to produce a workable apportionment of two-level responsibilities, with careful coordination of assessment standards and procedures.

The suggested legislation vests in the single state agency responsibility for assessment supervision and equalization, assessment of all state assessed property, and valuation research, with adequate powers clearly defined by law. It provides that no assessment district shall be less than countywide, and when, as in many instances, counties are too small to comprise efficient assessment districts, the bill authorizes the creation of multi-county assessment districts. In order to eliminate wasteful duplication of assessment effort, all overlapping assessment districts (township and municipal) are eliminated. It also provides that county assessors be appointed on the basis of demonstrated merit and be subject to removal for good cause by the appointing official.

It should be noted that the suggested act in setting forth the qualifications for assessors and appraisers makes no mention of residence requirement. Since it is desirable to encourage the employment of assessors and appraisers on a professional basis, the Advisory Commission on Intergovernmental Relations recommends that states omit a residence requirement. If this is to be done, it may be

necessary to make an appropriate exception by amending the relevant general personnel statutes or by writing an affirmative exemption into this statute.

This draft legislation draws on Oregon, Maryland, and Kentucky experience, particularly as it relates to the provision of state technical assistance to local assessment jurisdictions.

Suggested Legislation

[Title should conform to state requirements. The following is a suggestion: "An act establishing a division of property taxation within the [state tax agency]; providing for the qualifications, duties, and responsibilities of county assessors and related personnel; providing for state-county relations in respect of assessment and appraisal of property, and for related purposes."]

(Be it enacted, etc.)

- 1 Section 1. Division of Property Taxation.¹ (a) There
2 shall be in the [state tax agency] a division of property tax-
3 ation, hereinafter called the "division." The head of the di-
4 vision shall be the director, appointed by the [head of the
5 state tax agency] in accordance with the provisions of the
6 [state merit system law]. The director shall serve in accord-
7 ance with the provisions of such law. He shall have experience
8 and training in the fields of taxation and property appraisal.
- 9 (b) The employees of the division shall be in the [state
10 merit service]. The director may contract for the services of
11 expert consultants to the division.
- 12 (c) In addition to any duties, powers, or responsibilities
13 otherwise conferred upon the division, it shall administer and
14 enforce all laws related to the state supervision of local prop-
15 erty tax administration and the central assessment of property
16 subject to ad valorem taxation. Whenever the division assesses
17 or appraises property, or provides services therefor, it shall

1. As an alternative for states in which organization for tax administration is diffused, the agency should be given prominence as a separate department or bureau. It may be desirable to have the career administrator serve under a multi-member commission appointed for overlapping terms.

18 prescribe the methods and specifications for such assessment or
19 appraisal.

1 Section 2. Assessors and Appraisers, Qualifications and
2 Certification. (a) Except as expressly permitted by statute,
3 no person shall perform the duties or exercise the authority of
4 an assessor or appraiser of property in or on behalf of any
5 county unless he is the holder of an assessor's or appraiser's
6 certificate, as the case may be, issued by the division.

7 (b) The division shall provide for the examination of appli-
8 cants for such certificates. No certificate shall be issued to
9 any person who has not demonstrated to the satisfaction of the
10 division that he is competent to perform the work of an asses-
11 sor or appraiser, as the case may be; but any applicant for a
12 certificate who is denied the same shall have a right to review
13 of such denial [in accordance with the state administrative
14 procedure act] [by a court of appropriate jurisdiction].

1 Section 3. Collection and Publication of Property Tax Data.²

2 (a) The division annually shall make and issue comprehensive
3 assessment ratio studies of the average level of assessment,
4 the degree of assessment uniformity, and overall compliance with
5 assessment requirements for each major class of property in each
6 county in the state. In order to determine the degree of assess-
7 ment uniformity and compliance in the assessment of major classes
8 of property within each county, the division shall compute the
9 average dispersion. As used in this section, "average disper-
10 sion" means the percentage which the average of the deviations
11 of the assessment ratio of individual sold [or appraised] prop-
12 erties bears to their median ratio.

13 (b) The division may require assessors and other local of-
14 ficers to report to it data on assessed valuations and other

2. Subsection (a) of this section is similar to section 3, and subsection (c) of this section is similar to section 5 of the act entitled "An act establishing assessment standards and performance measurements; establishing interdistrict and intradistrict tax equalization procedures, and for related purposes.", which appears below. This duplication is necessary because the provisions are desirable in each act standing alone.

15 features of the property tax for such periods and in such form
16 and content as the division shall require. The division shall
17 so construct and maintain its system for the collection and
18 analysis of property tax facts as to enable it to make intra-
19 state comparisons as well as interstate comparisons based on
20 property tax and assessment ratio data compiled for other states
21 by the United States Bureau of the Census, or any agency succes-
22 sor thereto.

23 (c) The [state tax agency] shall publish annually the find-
24 ings of the division's assessment ratio studies together with
25 digests of property tax data.

1 Section 4. Tax Exemption Information. The county assessor
2 regularly shall assess all tax exempt property within the county,
3 calculate the total assessed valuation for each type of exemp-
4 tion, and compute the percentages of total assessed valuations
5 thus exempt. The totals and computations thus made and obtained,
6 together with summary information on the function, scope and
7 nature of exempted activities, shall be published annually by
8 the county.

1 Section 5. Forms. The division shall devise, prescribe,
2 [supply,] and require the use of all forms deemed necessary for
3 effective administration of the property tax laws. So far as
4 practicable the forms shall be uniform, but nothing herein shall
5 be deemed to prevent the prescribing of substitute or additional
6 forms where special circumstances require.

1 Section 6. Tax Maps. The division shall require each county
2 assessor to maintain tax maps in accordance with standards spec-
3 ified by the division. Whenever necessary to correct mapping
4 deficiencies, the division shall install standard maps or ap-
5 prove mapping plans and supervise map production. The [state
6 tax agency] [shall] [may] require the county to reimburse the
7 state for tax maps installed by the division. The amount or
8 amounts of such reimbursement shall be deposited in the [state

9 treasury] to the account of the [state tax agency].³

1 Section 7. Provision of Tax Manuals and Guides. The divi-
2 sion shall prepare, issue, and periodically revise guides for
3 local assessors in the form of handbooks of rules and regula-
4 tions, appraisal manuals, special manuals and studies, cost and
5 price schedules, news and reference bulletins and digests of
6 property tax laws suitably annotated.

1 Section 8. Data Processing. To expedite the preparation of
2 assessment rolls, tax rolls, and tax bills, the division is
3 authorized to take action as may be appropriate to enable coun-
4 ties to receive the benefits of modern data processing methods.

1 Section 9. Provision of Engineering, Professional and Tech-
2 nical Services. Whenever a county by or pursuant to action of
3 its [governing board] requests the [state tax agency] to pro-
4 vide engineering, professional or technical services for the
5 appraisal or reappraisal of properties, the [state tax agency]
6 may, within its available resources, and in accord with its
7 determination of the need therefor, provide these services.
8 The county shall pay to the [state tax agency] the actual cost
9 of the services in accordance with a schedule of standard fees
10 and charges furnished, and from time to time, revised by the
11 [state tax agency]. All payments received by the [state tax
12 agency] pursuant to this section shall be deposited in the
13 [state treasury] to the account of the [state tax agency].

1 Section 10. Appraisal of Major Industrial and Commercial
2 Properties. The division shall provide to each county or multi-
3 county assessment district the services of certified appraisers
4 for the appraisal of major industrial and commercial properties.
5 The properties to be appraised shall be determined by the divi-
6 sion after consultation with county assessors. In making such
7 determinations, the division shall take into account the ability
8 of the county assessor to perform such appraisals with the re-
9 sources at his disposal. [Provide for such reimbursement or

3. In place of the last two sentences of section 6, a state may prefer the following: Costs of map production and installation incurred pursuant to this section shall be county charges.

10 county charge as may be appropriate.]

1 Section 11. Inspections, Investigations and Studies. The
2 division may make such inspections, investigations and studies
3 as may be necessary for the adequate administration of its re-
4 sponsibilities pursuant to this act. Such inspections, investi-
5 gations and studies may be made in cooperation with other state
6 agencies, and, in connection therewith, the division may utilize
7 reports and data of other state agencies.

1 Section 12. Training Programs. The division shall conduct
2 or sponsor in-service, pre-entry, and intern training programs
3 on the technical, legal, and administrative aspects of the as-
4 sessment process. For this purpose it may cooperate with educa-
5 tional institutions, local, regional, state, or national asses-
6 sors' organizations, and with any other appropriate professional
7 organizations. The division may reimburse the participation
8 expenses incurred by assessors and other employees of the state
9 and its subdivisions whose attendance at in-service training
10 programs is approved by the division.

1 Section 13. Enforcement of Assessment and Appraisal Stand-
2 ards. (a) In order to promote compliance with the requirements
3 of law, the division shall issue and, from time to time, may
4 amend or revise rules and regulations containing minimum stand-
5 ards of assessment and appraisal performance. Such standards
6 shall relate to: (1) adequacy of tax maps and records; (2)
7 types and qualifications of personnel; (3) methods and specifi-
8 cations for the appraisal or reappraisal of property; and (4)
9 administration. For failure to meet the standards contained in
10 the rules and regulations the division may suspend, in whole or
11 in part, performance of the assessment or appraisal function by
12 a county.

13 (b) If the division finds that a county has failed or is
14 failing to meet the standards contained in the rules or regula-
15 tions in force pursuant to subsection (a) of this section, it
16 shall notify the county assessor of the fact and nature of the
17 failure. The notice shall be in writing and shall be served
18 upon the county assessor and the [county governing board].

19 (c) If within one year from the service of the notice the
20 failure has not been remedied, the division may, at any time
21 during the continuance of such failure, issue an order requir-
22 ing the county assessor and [county governing board] to show
23 cause why the authority of the county with respect to assess-
24 ments or any matter related thereto should not be suspended,
25 shall set a time and place at which the director of the division
26 shall hear the county assessor and [county governing board] on
27 the order, and after the hearing shall determine whether and to
28 what extent the assessment function of the county shall be so
29 suspended.

30 (d) During the continuance of a suspension pursuant to sub-
31 section (c) of this section, the division shall succeed to the
32 authority and duties from which the county has been suspended
33 and shall exercise and perform the same. Such exercise and per-
34 formance shall be a charge on the suspended county. The sus-
35 pension shall continue until the division finds that the condi-
36 tions responsible for the failure to meet the minimum standards
37 contained in the rules and regulations of the division have been
38 corrected.

39 (e) Any county aggrieved by a determination of the division
40 made pursuant to this section or alleging that its suspension
41 is no longer justified may have review of such determination or
42 continued suspension [as provided in the state administrative
43 procedure act] [by a court of appropriate jurisdiction].

1 Section 14. County Assessor. (a) On and after [January 1,
2 19[]] the county assessor shall be appointed by the [chief
3 executive officer of the county] and shall hold office [for an
4 indefinite term] [for a term of five years]. No person shall
5 be eligible for appointment as county assessor who does not
6 hold an assessor's certificate issued by the division pursuant
7 to section 2 of this act.

8 (b) A county assessor may be removed from office by the
9 [chief executive officer of the county] or by the commissioner
10 of the [state tax agency]. The [chief executive officer] may

11 not remove such assessor, except for cause and the commissioner
12 may remove such assessor only for failure to comply with the
13 orders of the division. [Add provision making appropriate
14 statute relating to hearings and appeals applicable, or supply
15 procedural detail.]

16 (c) Notwithstanding any provision of this section, any
17 county assessor holding office on the effective date of this
18 act by virtue of election by the people shall be entitled to
19 complete the term for which he was elected.

20 [(d) If other statutes or provisions of local law do not
21 affirmatively empower county assessors to assess, appraise and
22 classify property, use this subsection to confer such power.]

1 Section 15. Governing Valuations. [Each local taxing unit]
2 shall be bound by the assessed valuations established by the
3 county assessor for all property subject to its taxing power.

1 Section 16. Multi-County Assessment Districts.⁴ (a) Any
2 two or more contiguous counties may enter into an agreement for
3 joint or cooperative performance of the assessment function.

4 (b) Such agreement shall provide for:

5 (1) the division, merger, or consolidation of admin-
6 istrative functions between or among the parties, or the per-
7 formance thereof by one county on behalf of all the parties;

8 (2) the financing of the joint or cooperative under-
9 taking;

10 (3) the rights and responsibilities of the parties
11 with respect to the direction and supervision of work to be
12 performed under the agreement;

13 (4) the duration of the agreement and procedures for
14 amendment or termination thereof; and

15 (5) any other necessary or appropriate matters.

16 (c) The agreement may provide for the suspension of the pow-
17 ers and duties of the office of county assessor in any one or
18 more of the parties.

4. The possibility of including this paragraph may depend in a particular state on constitutional or statutory considerations.

19 (d) Unless the agreement provides for the performance of
20 the assessment function by the assessor of one county for and
21 on behalf of all other counties party thereto, the agreement
22 shall prescribe the manner of appointing the assessor, and the
23 employees of his office, who shall serve pursuant to the agree-
24 ment. Each county party to the agreement shall be represented
25 in the procedure for choosing such assessor. No person shall
26 be appointed assessor pursuant to an agreement who could not be
27 so appointed for a single county. Except to the extent made
28 necessary by the multi-county character of the assessment agency,
29 qualifications for employment as assessor or in the assessment
30 agency, and terms and conditions of work shall be similar to
31 those for the personnel of a single county assessment agency.
32 Any county may include in any one or more of its employee bene-
33 fit programs an assessor serving pursuant to an agreement made
34 under this section and the employees of his assessment agency.
35 As nearly as practicable, such inclusion shall be on the same
36 basis as for similar employees of a single county only. An
37 agreement providing for the joint or cooperative performance of
38 the assessment function may provide for such assessor and em-
39 ployee coverage in county employee benefit programs.

40 (e) No agreement made pursuant to this section shall take
41 effect until it has been approved in writing by the commission
42 of the [state tax agency] and the [attorney general].

43 (f) Copies of any agreement made pursuant to this section,
44 and of any amendment thereto, shall be filed in the office of
45 the [secretary of state] and the [state office of local govern-
46 ment].

1 Section 17. State Performance of County Assessment Function.

2 The [governing board] of a county may, [by resolution], request
3 the [state tax agency] to assume the county assessment function
4 and to perform the same in and for the county. If the commis-
5 sioner of the [state tax agency] finds that direct state per-
6 formance of the function is necessary or desirable to the eco-
7 nomic and efficient performance thereof, he may direct the di-
8 vision to undertake such performance pursuant to the request.

9 Unless otherwise authorized by law, the division shall under-
10 take and perform the function only after the execution of a
11 suitable agreement between the county and the [state tax agency]
12 providing for responsibility for costs. During the continuance
13 of performance of the county assessment function by the divi-
14 sion, the office and functions of the county assessor shall be
15 suspended, and the performance thereof by the division shall be
16 deemed performance by the county assessor.

1 Section 18. Discontinuance of Certain Assessors' Office.

2 On and after [date] assessment of property for purposes of tax-
3 ation, unless pursuant to agreement as authorized in section 16
4 of this act, shall be only by the county and state in accordance
5 with law. However, any assessor in office on [date] who is
6 serving a fixed term as provided by statute or local law may
7 continue in office until the expiration of such term, and the
8 jurisdiction of which he is the assessor shall continue to have
9 the assessment function previously conferred upon it until the
10 expiration of such term. Any vacancy in an elective or appoin-
11 tive office permitted to continue by reason of this section
12 shall be filled only for the unexpired portion of the term.

1 Section 19. Separability. [Insert separability clause.]

1 Section 20. Effective Date. [Insert effective date.]

PROPERTY TAX ASSESSMENT STANDARDS AND EQUALIZATION

The laws of most states provide for the assessment of property at market value. Nevertheless, fractional assessment is a pervasive practice. Recent assessment ratio findings indicate that on a nationwide basis, residential real estate is being assessed at less than 30 percent of market value. Moreover, most states have not equalized local assessment levels at any uniform percentage of market value.

One possible course of action is for state tax authorities to order local tax officials to raise depressed assessment levels to the legal valuation standard.

For states not wanting to take this approach, the conflict between law and practice can be resolved by amending state assessment laws to bring them into harmony with fractional valuation practice. Either of two courses of action appears to be possible. One, a state can repeal the full value assessment laws, select a percentage figure which conforms most nearly to prevailing local assessment practices, and direct that assessment levels be brought into line with this fractional valuation standard. Two, a state can give assessors discretion to assess property within their respective jurisdictions at any uniform percentage of current market value (subject to the enforcement of a specific minimum level of assessment). In this case the state supervisory agency should determine annually by assessment ratio studies the average level of assessment in each county and make this information available to taxpayers.

The draft legislation incorporates the second approach--the flexible local assessment standard--reinforced by state assessment ratio findings. The requirement of a minimum level guards against the danger that the quality of assessing will deteriorate if the assessment level is too low.

To secure intracounty tax equalization, the draft legislation requires all classes of property within a county to be assessed at a uniform percentage of current market value. The legislation directs the state tax agency to make county assessment ratio studies and, following the example set by Oregon, to give their findings the widest possible circulation. The features of this legislation which provide for maximum publicity to be given assessment ratio and related information are of special importance because they would furnish knowledge on the basis of which administration and compliance could be improved.

To secure intercounty equalization, the draft legislation directs a taxing unit such as a sewer district lying in more than one county to apportion its levy among the counties in which it is situated in accordance with the market value determinations derived

from assessment ratio studies made by the state tax agency. This approach, pioneered by Wisconsin, permits an equitable distribution of the tax load without state-ordered adjustments in local assessment levels.

Suggested Legislation

[Title should conform to state requirements. The following is a suggestion: "An act establishing assessment standards and performance measurements; establishing interdistrict and intradistrict tax equalization procedures, and for related purposes."]

(Be it enacted, etc.)

1 Section 1. Definitions. As used in this act:

2 (1) "Current market value" means the estimated price a
3 property would bring in an open market and under the then pre-
4 vailing market conditions in a sale between a willing seller
5 and a willing buyer, both conversant with the property and with
6 prevailing general price levels.

7 (2) "Assessment level" means the percentage relationship
8 which the assessed value of taxable property bears to its cur-
9 rent market value.

10 (3) "Assessment ratio study" means the comparison, on a
11 sampling basis, of the current market value determined from the
12 best information available which may include, but is not limited
13 to appraisals, deed recordings, documentary or tax stamps and
14 statements of parties to the transaction with their assessed
15 valuations, and the application of statistical procedures to
16 determine assessment levels and to measure nonuniformity of as-
17 sessments.

18 (4) "Average dispersion" means the percentage which the
19 average of the deviations of the assessment ratios of individual
20 sold [or appraised] properties bears to their median ratio.

1 Section 2. Tax Base Determination. All classes of taxable
2 property shall be assessed at the same percentage of current
3 market value within each county. No assessment level shall be
4 lower than [] percent of current market value as found by
5 the assessment ratio studies made by the division of property

6 taxation [of the state tax agency], hereinafter called the "di-
7 vision." Whenever the prevailing general assessment level with-
8 in a county, as shown in an assessment ratio study, is below
9 the minimum assessment level in force pursuant to this section
10 and the division deems it necessary to the proper administration
11 of the tax laws to order such uniform percentage adjustments in
12 the assessment base, it may issue such order. Whenever such
13 prevailing general assessment level is 10 percent or more below
14 the minimum assessment level in force pursuant to this section,
15 the county assessor shall make such uniform percentage adjust-
16 ment in the assessment base as is necessary to secure compliance
17 with law. The failure of the division to issue an order pur-
18 suant to this paragraph shall be of no evidentiary significance
19 in any proceeding for the abatement or modification of an assess-
20 ment.

1 Section 3. Preparation of Assessment Ratio Studies.¹ The
2 division annually shall make and issue comprehensive assessment
3 ratio studies of the average level of assessment, the degree of
4 assessment uniformity and overall compliance with assessment re-
5 quirements for each major class of property in each county in
6 the state. In order to determine the degree of assessment uni-
7 formity and compliance in the assessment of major classes of
8 property within each county, the division shall compute the
9 average dispersion.

1 Section 4. Notice to Assessor and [Chief County Fiscal Offi-
2 cer]; Hearing. (a) At least [sixty] days prior to the issuance
3 of an assessment ratio study, the division shall furnish each
4 county assessor and each [chief county fiscal officer] a copy of
5 the tentative assessment ratio study for his county. The copy
6 shall be accompanied by a notice stating that, unless the asses-
7 sor or [chief county fiscal officer] files a written demand for
8 a hearing thereon, the tentative assessment ratio study, together
9 with all findings, shall be final.
10 (b) Upon demand for hearing filed pursuant to subsection (a)

1. See footnote 2, page 121.

11 of this section, the division shall fix a hearing. The hearing
12 shall be not less than [ten] days nor more than [twenty] days
13 from the date when the demand therefor is received, but in no
14 event shall such hearing be less than [five] days from the date
15 notice is served upon the county assessor and [chief county
16 fiscal officer] of the county from which a demand has been filed.

17 (c) As promptly as may be after such hearing, the division
18 shall inform the county assessor and [chief county fiscal offi-
19 cer] whether it has determined to make any changes in the tenta-
20 tive assessment ratio study, and if so, of their precise con-
21 tent. If the county assessor or [chief county fiscal officer]
22 is not satisfied with the study as then proposed to be issued,
23 he may have review of any finding or findings contained therein
24 which formed the basis of the demand for hearing, [as provided
25 in the state administrative procedure act] [by a court of ap-
26 propriate jurisdiction].

27 [(d) For the purposes of this section, the assessor for a
28 multi-county assessment district shall be deemed the assessor
29 in and for every county for which he is in fact the assessor by
30 virtue of the agreement made pursuant to [cite appropriate sec-
31 tion of statute authorizing multi-county assessment districts].]

1 Section 5. Publication of Assessment Ratio Information. Im-
2 mediately on the issuance thereof, the division shall publish
3 each of its assessment ratio studies and shall publish a summary
4 of each such study in convenient form. The division shall take
5 such additional steps as may be appropriate to disseminate to
6 the general public the information contained in its studies.

1 Section 6. Property Tax Equalization. (a) Whenever, in the
2 view of the division, an assessment ratio for a particular class
3 of property within a county deviates to the degree that a uni-
4 form adjustment in the assessment base is necessary for the
5 proper administration of the tax laws, the division shall order
6 the county assessor to make uniform adjustments in the assess-
7 ment base as are necessary to remove such deviation. A devia-
8 tion of 10 percent or more shall require the division to issue
9 such order. The failure of the division to issue an order

10 pursuant to this subsection shall be of no evidentiary signifi-
11 cance in any proceeding for the abatement or modification of an
12 assessment.

13 (b) In any case where a [tax levying unit of government] is
14 situated in more than one county, the state and the [tax levy-
15 ing unit of government] shall apportion their tax levies among
16 the various counties in the same proportion that the current
17 market value of the property subject to the tax of the [tax
18 levying unit of government] in each county bears to the current
19 market value of all property subject to the tax of the [tax
20 levying unit of government]. Such apportionment shall be based
21 upon the current market value determinations derived from the
22 annual assessment ratio studies made by the division. There-
23 after the tax rates of the [tax levying unit of government]
24 shall be fixed in the respective counties in such manner as is
25 calculated to raise the amounts so apportioned when applied to
26 the assessed values therein.

1 Section 7. Separability. [Insert separability clause.]

1 Section 8. Effective Date. [Insert effective date.]

PROPERTY TAX REVIEW AND APPEAL PROCEDURE

In many states the hierarchy of administrative and judicial review and appeal agencies for the protection of the property taxpayers is elaborate; but actual protection under the various systems is illusory because, first, the tribunals to which the taxpayer must appeal are not well constituted and staffed for the purpose and second, the burden of proving his case is too onerous and costly. The small taxpayer, in particular, is helpless if he has no simple, inexpensive, and dependable recourse. While numerous states have been undertaking to improve assessment administration by such means as better state supervision, better training for assessors, statewide revaluations, experimentation with fractional assessment, and the use of assessment ratio studies for equalization purposes, they have tended to ignore the need to improve the procedure for assessment review and appeal.

This legislation provides procedures for the hearing and determination of taxpayer protests of assessments. Such protests would be heard by county assessors or local boards of property tax review or, in the case of state assessed property, by the commissioner of the state tax agency. Appeals could be taken from these initial review agencies to a state tax court, established by the suggested act. At each level of review, emphasis is placed on informality of procedure. At the state tax court level a small claims procedure is established.

The legislation specifically provides that the parties to an assessment protest proceeding may make use of data contained in assessment ratio studies. In any proceeding relating to a protested assessment the court or other review agency is directed to accept as conclusive evidence of inequitable assessment a proven deviation of 10 percent or more from the relevant county assessment ratio and grant appropriate relief.

Since other provisions of the suggested legislation here presented make such assessment ratio studies freely available, the result should be a simplification of evidence gathering and presentation in litigation relating to assessments. The appeals procedure above is patterned along the general lines of the Maryland and Massachusetts review systems.

Suggested Legislation

[Title should conform to state requirements. The following is a suggestion: "An act providing for protests of assessments, establishing a state tax court, and for related purposes."]

(Be it enacted, etc.)

1 Section 1. Jurisdiction to Hear Protest. A taxpayer who
2 desires to protest an assessment of his property may make such
3 protest as provided in this act. Jurisdiction to hear and deter-
4 mine protest of assessments shall be only in the courts and
5 agencies upon whom such jurisdiction is conferred by this act.

1 Section 2. Assessors and Boards of Review. (a) In all
2 counties of less than [] population there shall be a [local
3 board of property tax review] to consist of [specify membership,
4 method of appointment, and term]. Such board shall hear and
5 determine assessment protests, and shall have power to alter or
6 modify any protested assessment in order that it may conform
7 with law. In connection therewith, the board may make such re-
8 view of assessments and order such equalization thereof as may
9 be necessary. At any time when the county assessor has in his
10 regular employ [three] or more appraisers holding appraiser's
11 certificates issued by the division of property taxation [of the
12 state tax agency], hereinafter called "division," one of such
13 appraisers shall sit with and advise the board, but no appraiser
14 shall sit with the board on its hearing of, or advise the board
15 concerning any protest of an assessment of property previously
16 appraised by him.

17 (b) In any county [] or more population, the county as-
18 sessor shall have in his regular employ at least [three] ap-
19 praisers holding appraiser's certificates issued by the division.
20 In any such county, the county assessor shall have the functions
21 and jurisdiction of a [local board of property tax review] and
22 there shall be no such board. In hearing and determining a
23 protest of an assessment the assessor shall be assisted by an
24 appraiser regularly employed in his office who has not previously
25 appraised the property in question.

26 (c) If the assessment function is performed by an assessor
27 acting for and on behalf of more than one county as provided in
28 an agreement made pursuant to [cite appropriate section of state
29 statute authorizing multi-county assessment districts], a protest

30 of assessment shall be heard and determined by the assessor's
31 office functioning under such agreement, if the office has in
32 its regular employ at least [three] appraisers holding apprais-
33 er's certificates from the division or a [local board of prop-
34 erty tax review] established by the agreement.

35 (d) In the case of property assessed by the state, neither
36 a [local board of property tax review] nor a county assessor
37 shall have jurisdiction to hear or determine a protest. Any
38 such protest shall be heard and determined by the [head of the
39 state tax agency].

40 (e) Review of determinations of a [local board of property
41 tax review], a county assessor when acting on a protest of as-
42 sessment, and of determinations of the [head of the state tax
43 agency] when acting on a protest of assessment, may be had only
44 in the state tax court as established in section 4 of this act.

1 Section 3. Initiation of Protests. (a) Within [thirty]
2 days of his receipt of a notice of assessment or reassessment
3 of property, the owner thereof may protest such assessment or
4 reassessment. The protest shall be in writing on a form pro-
5 vided by the [county assessor] [division]. The protest may in-
6 clude or be accompanied by a written statement of the grounds
7 for the protest, and may include a request for a hearing. The
8 protest, together with the accompanying statement, if any, shall
9 be filed with the county assessor having jurisdiction to hear
10 the protest or the [local board of property tax review], as the
11 case may be. Thereupon, such county assessor or [local board
12 of property tax review], if a hearing has been requested, shall
13 fix the time and place where the protest shall be heard and
14 shall serve a notice thereof on the protesting taxpayer.

15 (b) If the taxpayer has requested a hearing, but does not
16 appear in person, he may appear by an agent. Such agent shall
17 have power to appear for and act on behalf of the protest-
18 ing taxpayer only if the protest states the taxpayer's intention
19 so to appear and clearly identifies the agent.

20 (c) Any agent who appears for or with a taxpayer at a hear-
21 ing held pursuant to this section shall not be deemed to be

22 engaged in the practice of any licensed trade or profession by
23 reason of such appearance.

24 (d) At, or in connection with any hearing held pursuant to
25 this section, the protesting taxpayer shall be entitled to the
26 assistance of an agent and such other persons as he may wish.

1 Section 4. Tax Court. (a) There is hereby established the
2 state tax court which, for administrative purposes only, shall
3 be in the [state tax agency], but which shall be an independent
4 administrative tribunal. The court shall consist of a chief
5 judge and [four] associate judges, appointed by the governor
6 [with the consent of the state senate] [with the consent of the
7 state legislature]. The term of each judge of the court shall
8 be [six] years. The initial appointments shall be as follows:
9 the chief judge for a term of [six] years; one associate judge
10 for a term of [two] years; one associate judge for a term of
11 [three] years; one associate judge for a term of [four] years;
12 and one associate judge for a term of [five] years. Vacancies
13 on the court shall be filled for the unexpired term in the same
14 manner as appointments to full terms. During his continuance
15 in office neither the chief judge nor an associate judge shall
16 have any other employment, but shall devote full time to his
17 duties as such judge.

18 (b) Subject only to review by the [state supreme court], the
19 state tax court shall have jurisdiction to determine all appeals
20 from determinations of the [local board of property tax review],
21 the county assessor, and the [head of the state tax agency]
22 relative to protested assessments. The state tax court may
23 affirm, reverse, or modify any determination of the [local board
24 of property tax review], county assessor when acting on a pro-
25 tested assessment, or the [head of the state tax agency] when
26 acting on a protested assessment.

27 (c) Any taxpayer dissatisfied with the disposition of his
28 protested assessment by the [local board of property tax review],
29 county assessor, or [head of the state tax agency] may appeal
30 therefrom to the state tax court by filing with the court a
31 written notice of appeal and serving on the appropriate county

32 assessor or the [head of the state tax agency], as the case may
33 be, a certified copy of such notice. In order to be valid and
34 effective, any such notice shall be filed and served within
35 [thirty] days of the disposition from which the appeal is to be
36 taken.

37 (d) Consistent with this act and [cite statutes applicable
38 to proceedings of administrative tribunals], the state tax court
39 shall provide by rule for practice before it and the conduct of
40 its proceedings.

41 (e) The state tax court may hear and determine all issues
42 of fact and of law de novo, but a determination of a [local
43 board of property tax review], county assessor, or the [head of
44 the state tax agency] shall be affirmed unless contrary to a
45 preponderance of the evidence.

46 (f) If a protested assessment cannot otherwise be brought
47 into conformity with law, the state tax court may order such
48 adjustments with respect to other assessments of property as
49 are necessary to produce full conformity with law.

50 (g) Appeals from determinations of the state tax court may
51 be taken to the [state supreme court] only on questions of law.
52 [Provide procedures for appeals to the state supreme court.]

1 Section 5. Taking of Testimony. (a) Any judge of the state
2 tax court, or any employee of such court, designated in writing
3 for the purpose by the chief judge, may administer oaths, and
4 the court may summon and examine witnesses and require by sub-
5 poena the production of any returns, books, papers, documents,
6 correspondence, and other evidence pertinent to the matter under
7 inquiry, at any designated place of hearing, and may authorize
8 the taking of a deposition before any person competent to admin-
9 ister oaths. In the case of a deposition, the testimony shall
10 be reduced to writing by the person taking the deposition or
11 under his direction and the deposition shall then be subscribed
12 by the deponent.

13 (b) The protesting taxpayer whose assessment is in question
14 and the county assessor or [head of the state tax agency] may
15 obtain an order of the state tax court summoning witnesses or

16 requiring the production of any returns, books, papers, docu-
17 ments, correspondence and other evidence pertinent to the matter
18 under inquiry in the same manner in which witnesses may be sum-
19 moned and evidence may be required to be produced for the pur-
20 pose of trials in the [court of appropriate jurisdiction]. Any
21 witness summoned or whose deposition is taken shall receive the
22 same fees and mileage as witnesses in the [court of appropriate
23 jurisdiction].

1 Section 6. Small Claims. (a) The state tax court shall es-
2 tablish by rule a small claims procedure which, to the greatest
3 extent practicable, shall be informal. The court shall take
4 special care to provide all protesting taxpayers, wherever lo-
5 cated within the state, reasonable and convenient access to the
6 court, and shall sit at such times and places as may be appro-
7 priate to promote such accessibility.

8 (b) Any protesting taxpayer who, pursuant to the disposition
9 of his protest by the county assessor, [local board of property
10 tax review], or [head of the state tax agency], would incur a
11 tax liability of less than \$[1,000.00] by reason of the protested
12 assessment in the first year to which such assessment applies
13 may elect to employ such procedure to appeal from such disposi-
14 tion, upon payment of a \$[2.00] filing fee.

15 (c) The appellant shall file with the state tax court a
16 written statement of the facts in the case, together with a
17 waiver of the right to appeal to the [state supreme court].
18 The state tax court shall cause a notice of the appeal and a
19 copy of such statement to be served on the county assessor or
20 [head of the state tax agency] whose assessment is in question.
21 If the sole defense offered is that the property was not over-
22 assessed, no further pleadings shall be required.

1 Section 7. Appeal to [State Supreme Court]. [Use this sec-
2 tion to provide procedure for appeal of tax court determinations
3 to state supreme court.]

1 Section 8. Effect of Assessment Ratio Evidence. (a) Reports
2 of assessment ratios contained in assessment ratio studies of
3 the division shall be conclusive evidence of what the reported

4 ratio is in fact, unless a party to such proceedings establishes
5 that such ratio is not supported by substantial evidence or was
6 derived or established in a manner contrary to law.

7 (b) In any proceeding relating to a protested assessment it
8 shall be a sufficient defense of such assessment that it is ac-
9 curate within reasonable limites of practicality; but a proven
10 deviation of ten percent or more from the relevant county assess-
11 ment ratio shall establish conclusively the invalidity of such
12 defense.

1 Section 9. Separability. [Insert separability clause.]

1 Section 10. Effective Date. [Insert effective date.]

REAL ESTATE TRANSFER TAX

With repeal of the Federal real estate transfer tax, the states may wish to consider imposing such a tax. Thirty states, the District of Columbia, and a number of local governments already do so: some for revenue purposes only; others for its byproduct value as well--for the information on real estate prices such a tax provides, useful in assessment of real estate for property tax purposes.

The accompanying suggested legislation is based in part on the West Virginia "Realty Transfer Tax" statute (W. Va. Code, Ch. 11, Art. 22). The suggested draft language includes, in addition to the usual provisions for imposition and collection of the tax, with definitions and exemptions, a provision (Section 4) requiring that a sworn statement of the actual selling price or current market value of the transferred property be attached to each deed presented for recordation. A provision of this kind would strengthen administration of the tax and facilitate the ready availability of sales price data for sales-assessment ratio studies in connection with property tax administration.

Suggested Legislation

[Title should conform to state requirements. The following is a suggestion: "An act imposing a real estate transfer tax."]

(Be it enacted, etc.)

- 1 Section 1. Definitions. As used in this act:
- 2 (1) "Deed" means [insert the definition applied in the
- 3 state's law pertaining to real estate].
- 4 (2) "Registrar" means [insert title of local official
- 5 responsible for recording deeds].
- 6 (3) "Value" means: (i) in the case of any deed not a
- 7 gift, the amount of the full actual consideration therefor,

8 paid or to be paid, including the amount of any lien or liens
9 thereon; and (ii) in the case of a gift, or any deed with
10 nominal consideration or without state consideration, the
11 estimated price the property would bring in an open market
12 and under the then prevailing market conditions in a sale
13 between a willing seller and a willing buyer, both conversant
14 with the property and with prevailing general price levels.

1 Section 2. Imposition of Tax. A tax is imposed at the
2 rate of $\frac{\text{L}}{\text{S}}$ for each \$ of value or fraction thereof $\frac{\text{L}}{\text{S}}$
3 $\frac{\text{L}}{\text{S}}$ per centum of the value $\frac{\text{L}}{\text{S}}$, which value is declared in
4 the affidavit required by Section 4, upon the privilege of
5 transferring title to real property.

1 Section 3. Collection of Tax.

2 (a) If any deed evidencing a transfer of title subject to
3 the tax herein imposed is offered for recordation, the $\frac{\text{L}}{\text{R}}$ Regis-
4 trar $\frac{\text{L}}{\text{R}}$ shall ascertain and compute the amount of the tax due
5 thereon and shall collect such amount as prerequisite to
6 acceptance of the deed for recordation.

7 (b) The amount of tax shall be computed on the basis of
8 the value of the transferred property as set forth in the
9 affidavit required by Section 4 of this act.

1 Section 4. Declaration of Value.

2 (a) Each deed evidencing a transfer of title subject to
3 the tax as herein provided shall have appended thereto an

4 affidavit of the parties to the transaction or their legal
5 representatives declaring the value of the property trans-
6 ferred. If the transfer is not subject to the tax as herein
7 provided, the affidavit shall specify the reasons for the
8 exemption.

9 (b) The form of affidavit shall be prescribed by the
10 state tax agency which shall provide an adequate supply of
11 such forms to each Registrar in the state.

12 (c) The Registrar shall transmit two true copies of the
13 affidavit to the Assessor who shall insert the most recent
14 assessed value of each parcel of the transferred property on
15 both copies and shall transmit one copy to the state tax
16 agency.

1 Section 5. Disposition of Proceeds. Insert appropriate
2 language as to disposition of proceeds.¹

1 Section 6. Powers and Duties of state tax agency.

2 (a) The state tax agency may prescribe such rules and
3 regulations as reasonably necessary to facilitate and expedite
4 the imposition, collection, and administration of the tax
5 imposed pursuant to this act.

¹ Disposition of the proceeds is a matter for state policy deter-
mination. Some states will wish to use the entire proceeds for
state purposes. Others will wish to share the real estate trans-
fer tax with their local governments; still others will make the
entire proceeds available to their local governments.

6 (b) If not already provided by applicable statutes
7 insert additional subsections conferring such powers and
8 imposing such duties as the state tax agency may need to
9 compel the production of taxpayer records, to extend the time
10 for the filing of the declaration of value, and to provide
11 for refunding erroneous payments.

1 Section 7. Penalty for Recording Without Tax. Any
2 Registrar who willfully shall record any deed upon which a
3 tax is imposed by this act without collecting the proper
4 amount of tax required by this act based on the declared
5 value indicated in the affidavit appended to such deed shall,
6 upon conviction, be fined fifty dollars (\$50) for each
7 offense.

1 Section 8. Penalty for Falsifying Value. Any person who
2 shall willfully falsify the value of transferred real estate
3 on the affidavit required by Section 4 of this act shall, upon
4 conviction, be subject to a fine of not more than \$1,000 or
5 to imprisonment of not more than one year, or to both such
6 fine and imprisonment for each offense.

1 Section 9. Exemptions. The tax imposed by this act shall
2 not apply to a transfer of title:

- 3 (1) recorded prior to the effective date of this act;
- 4 (2) to the United States of America, this state, or any
5 instrumentality, agency, or subdivision thereof;

- 6 (3) solely in order to provide or release security for
7 a debt or obligation;
- 8 (4) which confirms or corrects a deed previously recorded;
- 9 (5) between husband and wife, or parent and child with
10 only nominal actual consideration therefor;
- 11 (6) on sale for delinquent taxes or assessments;
- 12 (7) on partition;
- 13 (8) pursuant to mergers of corporations;
- 14 (9) by a subsidiary corporation to its parent corporation
15 for no consideration, nominal consideration, or in sole con-
16 sideration of the cancellation or surrender of the subsidiary's
17 stock.

1 Section 10. Effective Date. /Insert effective date./

STATE TAX POLICIES TO COMBAT INTERLOCAL DISPARITIES IN METROPOLITAN AREAS

It is in the public interest that local jurisdictions in metropolitan areas provide their residents and businesses with a reasonably comparable level of basic government services. This is difficult when taxable wealth, income, and business activity as well as the need for governmental services vary drastically among the several jurisdictions comprising the area. It is made doubly difficult when state fiscal policies encourage the proliferation of local governments because the smaller the governmental units the greater the likelihood of wider fiscal disparities among them.

The larger the geographic area for which governmental services are provided, the greater the opportunity to equalize the level of services financed from the fiscal resources of the geographic area. Thus, a broad-based state tax draws funds from all parts of the state, wealthy and poor, in accordance with the way in which its taxable base is distributed. The state can then provide a comparable level of services throughout its area, regardless of where the money is collected. State functional grants-in-aid to local governments can be distributed with the same effect, so as to mitigate interlocal disparities.

The advantages of statewide financing can also be realized by the shared-tax device, provided the proceeds are shared on some equalizing basis. Michigan, for example, distributes part of its sales tax revenue to cities and towns in proportion to population, and most of the remainder to school districts on the basis of an equalization formula. Interlocal disparities are aggravated when a state shares income or consumer taxes with its localities solely on the basis of origin of collections (i.e., residence in the case of personal income taxes; place where the sale is made in the case of consumer taxes) because income and commercial activity are unequally distributed among local jurisdictions. For example, where part of a state income tax is returned to incorporated places on the basis of the residence of taxpayer, as in Wisconsin,¹ wealthy citizens are encouraged to settle in the suburbs and to incorporate satellite communities. By the same token, if state sales tax collections are returned to the jurisdiction in which they originate, large suburban shopping centers beyond city boundaries are encouraged to incorporate into separate municipalities. In both instances, much of the taxable wealth of the central city would be chipped away and its fiscal capacity to provide adequate governmental services diminished.

Increasingly, as the desire for more and better local government services grows and property tax burdens approach economic and legal ceilings, metropolitan communities can be expected to press state legislatures for nonproperty taxing powers. When authorizing such local nonproperty taxes, states should consider their possible

1. Wisconsin Statutes, Chapter 71, Section 71.14.

effect upon local government organization. By authorizing countywide or even metropolitan-areawide local sales or income taxes, the states can discourage proliferation of local governments and relieve some of the fiscal disparities between contiguous localities. Under the county-preemption approach cities are allowed to enact a supplement to the state sales tax only if the county has not done so. Once a countywide sales tax is enacted, however, the city taxes are invalid, and the county tax is shared with all the cities on a per capita basis. Suggested legislation along these lines appears on p. 118.

In contrast, the city-preemption approach to local sales taxation, adopted by California, tends to encourage municipal incorporation.² There, both counties and cities are authorized to impose a supplement to the state sales tax. The county and city sales taxes together may not exceed one percent. If both the county and city levy such a tax, the county is required to allow a credit for the city tax. Thus, a city can preempt the entire local sales tax that originates within its jurisdiction. In these circumstances, it could be advantageous for a group of people living in the unincorporated part of a county to incorporate around a large suburban shopping center and thus retain the sales tax in its own jurisdiction.

When authority for local income or sales taxes is limited to cities, it has the same proliferation-disparity effects as a state-shared tax distributed on an origin basis. Wealthy central city residents subject to local income taxes levied to finance costly public municipal services, such as education, public welfare, and crime prevention, the costs of which are attributable mainly to the economically disadvantaged residents, may well move out. Their local taxes would thereby contribute nothing to the central city from which they earn their livelihood. Michigan has mitigated this problem by coupling the authority for a municipal income tax with the requirement that the proceeds be shared equally by both the city of residence and the city of employment if both levy the tax.³ However, the county or metropolitan-areawide approach to local sales or income taxation is preferable.

The county-preemption approach to local sales taxation is adaptable for use in multi-county metropolitan areas. A state which contains such areas could require concomitant enactment of the local sales tax by all counties in the metropolitan area. Maryland adopted this approach in 1965 when it authorized the city of Baltimore, Baltimore County, and Anne Arundel County, comprising the Baltimore metropolitan area, to impose a sales tax supplement to the state general sales tax by "mutual and unanimous agreement."⁴ Suggested legislation based on the Maryland law appears on p. 121.

2. California Revenue and Taxation Code, Section 7200.

3. Compiled Laws of the State of Michigan, 1948, Sec. 141.501-141.699 (Act 284 of 1964).

4. Annotated Code of Maryland, 1957, Art. 81, Sec. 411A. The communities involved have not acted upon this authorization.

An attempt to accomplish a similar objective in the Denver area was halted by the Colorado Supreme Court. The state legislature adopted an enabling act in 1961 authorizing Denver and the three counties in the Denver metropolitan area to establish a metropolitan capital improvement district to be financed by a 2 percent areawide sales tax.⁵ The Denver Metropolitan Capital Improvement District began to collect the 2 percent sales tax in January 1962, the proceeds to be allocated to the respective jurisdictions on a per capita basis. However, the state Supreme Court declared the state enabling act unconstitutional on the ground that it interfered with the home rule powers granted by the state constitution to one of the municipalities encompassed by the capital improvement district whose voters had rejected the proposal.⁶

This multiple county approach to local sales taxation holds significant promise, particularly in those metropolitan areas where capital improvement programs would be facilitated by areawide handling. Those states considering its usefulness will need to anticipate the implications of their constitutional home rule provisions, possibly by including in their enabling legislation explicit language to waive otherwise applicable home rule provisions in the case of jurisdictions in the affected metropolitan areas.

5. Colorado Laws of 1961, Chapter 179.

6. Four-County Metropolitan Capital Improvement District, et. al. v. The Board of County Commissioners of Adams County, et. al. (1962), 149 Colo. 284, 369 P. (2d) 67.

LOCAL SALES TAX SUPPLEMENT

Where sales are taxed at both the state and local level, a logical administrative device is the tax supplement. The local rate is added to the state rate, both are collected by the state government, and the allocated share of collections is credited to the account of the local taxing jurisdiction.

The tax supplement has important advantages. It uses identical tax definitions (taxpayers, tax base, etc., preferably by reference) for both state and local purposes. Even where state definitions are imperfect, uniformity has important advantages for ease of compliance and economy of tax collection. The local supplement is collected together with the state tax, eliminating the need for duplicate administration, with corresponding alleviation of compliance burdens. Where the state charges the local jurisdiction a fee for collecting the local supplement, these charges supplement state resources appropriated for tax enforcement.

The tax supplement preserves the principle of leaving with local governing boards responsibility for the decision to impose the tax and, within limits prescribed by state law, to set the tax rate. Thus, each jurisdiction retains its freedom to balance the need for the additional local services against the added tax burden.

Because the proceeds of local sales tax supplements accrue by definition to the imposing jurisdiction, problems of allocating among jurisdictions present in grants-in-aid and shared revenues are generally avoided. By the same token, however, variations in need relative to local resources are disregarded except to the extent that latitude is provided in the sharing of countywide collections among incorporated cities and towns as is done in Tennessee.¹

The local sales tax supplement was first used by Mississippi in 1950 and has since spread to eight other states: California, Illinois, New Mexico, New York, Ohio, Texas, Utah, and Virginia.² In four more states (Alabama, Colorado, Oklahoma, and Tennessee), state administration is optional.

The suggested legislation preempts the local sales tax supplement for the unit of government having the largest jurisdiction--the county--on the theory that the larger the geographic area the less the impact of the tax on business competition between trading centers. Where counties do not exercise this authority, cities are authorized to do so.

1. Tennessee Laws of 1963, chapter 329, 1963 Local Option Revenue Act, section 4.

2. California Revenue and Taxation Code; section 7200; Illinois Revised Statutes, section 8-11; Mississippi Code Annotated, section 10111.5; New Mexico Statutes Annotated, section 14-39; New York Tax Law, chapter 60, act 29, subpart B, section 1210; Ohio Laws of 1967, H.B. 919; Texas Laws of 1967, H.B. 207; Utah Code Annotated, section 58-441.49.

The following suggested statutory language provides only for a local sales tax supplement to a state sales tax; it is not a complete sales tax statute. It would be used as an amendment in states that already have a state sales tax and wish to grant sales tax authority to their local governments. Alternatively, it could be incorporated into new legislation authorizing a state sales tax by states considering the adoption of such a tax coupled with the grant of additional authority to local governments to impose nonproperty taxes.

Suggested Legislation

[Title should conform to state requirements. The following is a suggestion: "An act to authorize uniform local sales and use taxes, and to provide for administration by the state."]

(Be it enacted, etc.)

1 Section 1. Short Title. This act may be cited as the "Uni-
2 form Local Sales and Use Tax Law."

1 Section 2.¹ Authorization for Political Subdivisions. Any
2 county may adopt a sales and use tax in accordance with the
3 provisions of this act by action of its local governing board;
4 and any incorporated [city or town] situated within a county
5 which has not imposed a sales and use tax may adopt a sales and
6 use tax in accordance with the provisions of this act by action
7 of its local governing board, but the tax imposed by any city
8 or town shall terminate upon the effective date of any sales
9 and use tax imposed by the county in which the city or town is
10 situated.

1 Section 3. Contents of Local Law or Ordinance. The sales
2 and use tax law or ordinance adopted under this act shall impose
3 a sales tax for the privilege of selling tangible personal prop-
4 erty at retail and a use tax upon the storage, use or other
5 consumption of tangible personal property purchased outside the
6 political subdivision for storage, use, or consumption in the
7 political subdivision, and shall, in addition to any other pro-
8 visions include provisions in substance as follows:

9 (1) A provision for imposing a tax for collection by every

1. See alternative on p. 121 for a local supplement in two or more counties comprising a trading area.

10 retailer in the political subdivision at the rate of [] per-
11 cent of the gross receipts of the retailer from the sale of all
12 tangible personal property sold by him at retail in the political
13 subdivision, and a provision imposing a complementary tax upon
14 the storage, use, or other consumption in the political subdivi-
15 sion of tangible personal property purchased outside the politi-
16 cal subdivision for storage, use, or other consumption in the
17 political subdivision at rate of [] percent of the sales
18 price of the property, but nothing herein shall be construed to
19 make inapplicable any exemptions of particular classes of arti-
20 cles, commodities, or services, in accordance with law.

21 (2) A provision that the storage, use, or other consumption
22 of tangible personal property, the gross receipts from the sale
23 of which have been subject to sales tax under a sales and use
24 tax law or ordinance enacted in accordance with this act by any
25 other county, or incorporated city or town in this state, shall
26 be a credit against the tax due under this act.

27 (3) Provisions incorporating by reference [statutory citation
28 of the state sales and use tax law] except that an additional
29 [seller's permit] shall not be required if one has been or is
30 issued to the seller by the state.

31 (4) A provision that all relevant provisions of [statutory
32 citation of the state sales and use tax law], as they may be
33 from time to time, and not inconsistent with this act shall
34 govern transactions, proceedings, and activities pursuant to
35 the local law or ordinances.

36 (5) A provision designating the [state tax department] to
37 perform all functions incident to the administration of the
38 sales and use tax law or ordinance of the political subdivision.

39 (6) A provision that the amount subject to tax shall not in-
40 clude the amounts of any sales tax or use tax imposed by [statu-
41 tory citation of the state sales and use tax law].

1 Section 4. State Administration. The administration of
2 local sales and use taxes adopted under this act shall be by
3 the [state tax department] which may prescribe forms and reason-
4 able rules and regulations in conformity with this act for the

5 making of returns and for the ascertainment, assessment, and
6 collection of the tax imposed pursuant hereto. The [state tax
7 department] shall keep full and accurate records of all monies
8 received and distributed under this act.

1 Section 5. Distribution of Collections. All sums received
2 and collected on behalf of a particular political subdivision
3 pursuant to this act shall be credited to a special local sales
4 and use tax fund which is hereby established in the state
5 treasury and, after deducting the amount of refunds made, the
6 amounts necessary to defray the cost of collecting the tax, and
7 the administrative expenses incident thereto, shall be paid
8 within [10] days after collection to the political subdivision
9 entitled thereto.

1 [Section 6. Distribution of Collections Among Local Govern-
2 ments. The state legislature may wish to provide that when the
3 county preempts the sales tax field the proceeds be divided
4 among the county and local units of general governments within
5 the county.²]

1 Section 7. Separability. [Insert separability clause.]

1 Section 8. Effective Date. [Insert effective date.]

Local Supplement to a State Sales Tax by Two or More Counties Comprising a Trading Area

In some states the pressure for additional revenue to finance more and costlier government services is felt most acutely by governments making up an economic or trading area. Yet, the shadow of intercommunity competition can effectively restrain local governments in such areas from using a local supplement to the state sales tax. States may wish to consider authorizing counties located within

2. Tennessee (Laws of 1963, chapter 329, 1963 Local Option Revenue Act, section 4) provides that one-half of the proceeds shall be expended and distributed in the same manner as the county property tax for school purposes is expended and distributed. It further provides that the other half shall be distributed as follows: (a) collections in unincorporated areas, to the county general fund; (b) collections in incorporated cities and towns, to the city or town in which the privilege is exercised; (c) provided, however, that a county and city or town may by contract provide for other distribution of the half not allocated for school purposes.

retail trading areas to impose by mutual and unanimous agreement a uniform, areawide supplement to the state sales tax without at the same time extending such authority to all counties or other units of local government throughout the state.

The Maryland legislature adopted this approach in 1965 when it authorized each of the units of local general government in the Baltimore Metropolitan Area, City of Baltimore, and Baltimore and Anne Arundel counties, to impose a supplementary rate to the state sales tax as long as all three jurisdictions did so.³ The Maryland jurisdictions have not implemented the enabling legislation. Similar authority was enacted by the Colorado legislature in 1961 for jurisdictions in the Denver Metropolitan Area.⁴ The Colorado experiment foundered on legal grounds involving municipal home rule powers.

The suggested legislation below presents alternative language for section 2 which would authorize two or more counties making up a trading area to impose concurrently a local supplement to a state sales tax.

1 Section 2. Authorization for Counties Within a Trading Area.

2 (a) County Authorization. A county located in a standard
3 metropolitan statistical area designated as such by the United
4 States Bureau of the Census in the most recent census of popu-
5 lation may adopt a sales and use tax in accordance with the
6 provision of this act by action of its local governing board if
7 the governing boards of each county in its standard metropolitan
8 statistical area within this state by mutual and unanimous agree-
9 ment adopt the identical tax authorized by this act.

10 (b) Limitation on Withdrawal. A county participating under
11 the authority granted in this act may withdraw from such mutual
12 and unanimous agreement by action of its local governing board
13 after first giving at least 120 days notice of the contemplated
14 withdrawal to the [state tax department] and to the governing
15 boards of the other participating counties. The withdrawal shall
16 be effective from and after the [first day of the next succeed-
17 ing fiscal year], and the local laws and ordinances imposing the
18 tax in the other counties of the trading area shall no longer
19 be of any force or effect. Nothing in this subsection shall be

3. Annotated Code of Maryland 1957, article 81, section 411A.

4. Colorado Laws of 1961, chapter 179.

20 construed or applied to prevent or interfere with the collection
21 of tax monies which were lawfully due and payable while the tax
22 was effective, and any money collected by the [state tax depart-
23 ment] after the tax has been repealed and discontinued shall be
24 accounted for and distributed as required in this act.

COLLECTION OF LOCAL NON-PROPERTY TAXES BY THE STATE

Over the past few years an increasing number of states have authorized local governments to levy non-property taxes as a means of securing additional revenues. Today many cities, counties, and even school districts levy the same kinds of taxes that are levied by the state. In order to levy such taxes, local governments typically have set up tax collection machinery which creates added administrative costs and increases the cost of tax compliance to the tax-paying public, while at the same time the effectiveness of local tax collection is hampered because of the limited local funds available for tax administration.

In the sales tax field, states such as California, Illinois, Mississippi, New Mexico, and Utah have, for some time, authorized a state agency to collect locally levied sales taxes. In addition to sales taxes, a number of states permit local governments to levy taxes on income, gasoline, alcoholic beverages, cigarettes and tobacco, amusements, motor vehicles, and others. During 1963, Colorado enacted broad legislation which would permit a state agency to collect any non-property tax for a local government where the state and local government levy the same tax.

The suggested legislation below is based on the Colorado statute. It should clearly be noted that this legislation does not in any sense constitute an authorization for local government to levy non-property taxes. It merely provides for a procedure where the state, on a reimbursable basis, can collect local government non-property taxes where such taxes are otherwise authorized by state law.

Suggested Legislation

[Title should conform to state requirements]

(Be it enacted, etc.)

1 Section 1. Authority to contract. The director of
2 [tax department] is hereby authorized to negotiate and con-
3 tract with any political subdivision of the state for the
4 purpose of arranging for the collection by the [tax depart-
5 ment] of any tax levied by a political subdivision of the
6 state which is also levied and collected by the [tax
7 department] for the state. Such agreements shall include

8 a fee to be paid by the political subdivision to the
9 tax department in such amount as may be necessary fully
10 to cover the cost of collection of the local portion of
11 the tax by the tax department. Pursuant to the agree-
12 ment the director shall transmit to such political
13 subdivisions on or before date all taxes so collected on
14 behalf of such political subdivisions less the agreed
15 upon collection fee.

REPEAL OF TAX ON BUSINESS INVENTORIES AND REIMBURSEMENT
TO LOCAL GOVERNMENTS

There are substantial reasons for abolishing the tax on tangible personal property in any state that can possibly raise revenue in another way. This tax is particularly difficult to administer; and when adequately administered, it is a poor means of measuring either the benefit to or the ability of an individual or business firm. On both these grounds, no other tax is as roundly condemned as this levy.

The concern for a favorable tax image has prompted a number of states to initiate business tax reform to maximize taxpayer certainty and evenhanded treatment, and to minimize those features of the tax system that are particularly discriminatory in character. De-emphasizing the personal property tax, especially on business inventories, is perhaps the most significant step states can take to improve both their business tax climate and their business tax structure. The major obstacle to outright repeal of the personal property tax on business is most frequently lack of available replacement revenue for local governments critically dependent upon property tax receipts.

In recent years Connecticut, Wisconsin, Michigan, Oregon and Arizona have all reduced the local tax on business personalty. When confronted with this issue of revenue replacement, the Oregon state legislature provided for a gradual scaling down of assessments on tangible personal property. The revenue loss to local governments is met from state revenue sources. Wisconsin earmarked a part of the revenue of a new sales tax for this same replacement purpose. New Jersey solved the local revenue replacement problem by reimbursing local governments from revenue derived from raising the state corporation income tax rate and by the enactment of state taxes on machinery and gross receipts. The substitution of other taxes for the highly discriminatory local tax on business personalty is justified not only on equity grounds but also on the basis of improving a state's business tax climate.

The suggested legislation below is based largely on the New Jersey statute.

Suggested Legislation

[Title should conform to state requirements.]

(Be it enacted, etc.)

- 1 Section 1. Repeal of Tax. [Sections (identify those sec-
- 2 tions of the state law pertaining to the tax on business inven-
- 3 tories) of the state property tax code are hereby repealed.]

1 Section 2. Replacement of Revenue. The taxes received from
2 the following: [insert business taxes that are to be distri-
3 buted to political subdivisions] shall be for the benefit of the
4 [insert appropriate political subdivisions] of the state, in
5 replacement of revenues derived by such [insert appropriate
6 political subdivisions] from local taxation of [business inven-
7 tories] as repealed in section 1 of this act.

1 Section 3. Certification by [state tax agency]. The [state
2 tax agency] shall determine the greatest amount received by
3 each [appropriate political subdivisions] from the local levy
4 upon [business inventories] for the three years prior to the
5 repeal of the tax, and shall on or before [insert date] certify
6 to the [state treasurer] the amounts so determined for each
7 [appropriate political subdivisions] and the total amount for
8 all [appropriate political subdivisions].¹

1 Section 4. Additional Certification by [state tax agency].
2 The [state tax agency] shall, on or before [insert date] and
3 on or before [insert date] annually thereafter, determine from
4 the information then available the total amount of revenue (1)
5 that will be raised during the 12-month period ending on or
6 before [insert date] of that calendar year from the taxes set
7 forth in section 2 of this act and (2) that will be available
8 by way of appropriation for the purposes of this act, and shall
9 certify this amount to the [state treasurer].

10 The [state tax agency] shall, on or before [insert date] and
11 on or before [insert date] annually thereafter, certify to the
12 [state treasurer] any changes or adjustments in the certifica-
13 tion filed earlier in the year.

1 Section 5. Allocation of Revenue to [appropriate political
2 subdivisions]. If the amount determined by the [state tax
3 agency] in section 4 hereof shall exceed the amount determined
4 by the [state tax agency] in section 3 hereof, the [state tax

1. In those states where exemption of personal property was optional the state may choose to distribute funds on a per capita basis.

5 agency] shall allocate the excess amount among the [appropriate
6 political subdivisions] of this state in accordance with the
7 following formula:

8 There shall be allocated to each [appropriate political sub-
9 divisions] an amount as will be in the same ratio to the excess
10 amount, as the local property tax levied in the municipality in
11 the preceding calendar year upon commercial, industrial, and
12 farm real estate (excluding railroad property) is to the total
13 taxes levied upon the property in all [appropriate political
14 subdivisions] in the state in the same year.

15 The [state tax agency] shall total the amounts allocated to
16 each [appropriate political subdivisions] under the provisions
17 of this section and shall certify this amount to the [state
18 treasurer] on or before [insert date] and on or before [insert
19 date] annually thereafter.

1 Section 6. Payment by State Treasurer. The [state treas-
2 urer] annually, on or before the date set forth in section 7 of
3 this act, upon the certification of the [state tax agency] and
4 upon the warrant of the [state comptroller] shall pay and dis-
5 tribute to each [appropriate political subdivisions] the amount
6 determined in accordance with the provisions of sections 3 and
7 5 of this act:

8 (1) from the moneys collected from the taxes described
9 in section 2 of this act; and

10 (2) from such other funds as shall be appropriated by
11 law for this purpose.

1 Section 7. Distribution Dates. The distribution required
2 to be made by the [state treasurer] under this act shall be
3 made as follows: the first installment shall be payable annu-
4 ally on [insert date] commencing on [insert date] and shall
5 consist of 1/2 of the amount certified under section 3 hereof;
6 and the second installment shall be payable on the succeeding
7 [insert date] of each year and shall consist of the balance of
8 the amount certified under section 3 hereof plus the [appropri-
9 ate political subdivision's] distributive share of the excess,
10 if any, allocated under section 5 hereof.

1 Section 8. County Equalization Tables. For the purpose of
2 apportioning the amounts to be raised in the respective taxing
3 districts of the county, the [county board of taxation] shall,
4 for each taxing district, include in the equalization table for
5 the county the assumed assessed value of the property represented
6 by the money received by each taxing district pursuant to the
7 provisions of this act.

8 Commencing with the tax year [insert date] and thereafter,
9 the assumed assessed value of such property in each taxing dis-
10 trict shall be determined by the [county board of taxation] in
11 the following manner: (a) the amount of money received by each
12 taxing district during the preceding tax year pursuant to the
13 provisions of this act, shall be divided by the general tax
14 rate of the taxing district for such preceding tax year to ob-
15 tain an assumed assessed value of such property; (b) this
16 assumed assessed value shall be divided by the fraction produced
17 by dividing the aggregate assessed value by the aggregate true
18 value of the real property, exclusive of [centrally assessed
19 property] in the taxing district; and (c) the resulting quotient
20 shall be included in the net valuation of each taxing district
21 on which county taxes are apportioned.

1 Section 9. Appeals. When considering an appeal or review
2 taken by any person or [appropriate political subdivisions] with
3 respect to any of the provisions of this act, the [review court]
4 shall not try or determine the case de novo except in the case
5 of an arithmetical or typographical error in the calculation of
6 the distribution, but the facts shall be considered and deter-
7 mined exclusively upon the record filed with the court. A find-
8 ing, decision, or determination of the [state tax agency] shall
9 not be set aside or disturbed if it complies with the procedural
10 requirements of this act and is supported by substantial, reli-
11 able, and probative evidence.

1 Section 10. Powers of [state tax agency]. (a) The [state
2 tax agency] is authorized to make any rules and regulations,
3 and to require any facts and information from local tax asses-
4 sors, [county boards of taxation] and agencies of the state

5 government as he may deem necessary to carry out the provisions
6 of this act.

7 (b) The [state tax agency] may delegate to any officer or
8 employee of the [state tax agency] any powers as necessary to
9 carry out efficiently the provisions of this act, and the per-
10 son or persons to whom such power has been delegated shall
11 possess and may exercise all of the powers and perform all of
12 the duties herein conferred and imposed upon the [state tax
13 agency].

1 Section 11. Separability. [Insert separability clause.]

1 Section 12. Effective Date. [Insert effective date.]

COOPERATIVE TAX ADMINISTRATION AGREEMENTS

Some 70,000 counties, municipalities, towns, townships, school districts, and special districts now levy and collect taxes. Most employ only property taxes. A substantial number impose also one or more nonproperty taxes including sales, income, and excise taxes.

Local jurisdictions, particularly the smaller ones, find it difficult to finance adequate tax enforcement to obtain first quality taxpayer compliance and tax collections. The cost of tax enforcement in relation to collections is nonetheless high because the number of taxpayers within individual taxing jurisdictions is relatively small and local tax rates are necessarily relatively low.

In those situations where adjoining local jurisdictions employ the same kind of tax, the pooling of tax enforcement efforts and resources can improve tax collections with reduced cost of administration and reduced compliance burdens for taxpayers. The pooled administration of two or more local jurisdictions' taxes has proven successful in the administration of property taxes, as where the county assesses and/or collects the levies of some of the smaller taxing jurisdictions within its borders. It is potentially useful in other tax areas as well.

In a number of states statutory authority for cooperative tax administration is inadequate or totally lacking. The suggested legislation to authorize it is couched in general terms: (1) to embrace both property taxes and different kinds of non-property taxes, and (2) to permit two or more local jurisdictions to provide joint administration or to permit them to contract to administer one another's taxes.

Suggested Legislation

[Title should conform to state requirements]

(Be it enacted, etc.)

1 Section 1. For the purpose of reducing duplication of
2 effort and to provide for more effective tax administration,
3 a political subdivision of this state including a special
4 district or governmental authority may enter into an
5 agreement with other political subdivisions of this state
6 for the assessment and collection of a tax levied by such

7 jurisdictions. The agreement may provide for joint ad-
8 ministration or for administration by one political
9 subdivision on behalf of one or more political subdivisions
10 that are parties to such an agreement and shall provide
11 for the allocation of the cost of such administration among
12 the parties.

STATE SUPPORT OF LOCAL TAX ENFORCEMENT

States can strengthen the finances of local governments by assisting them to collect taxes imposed at the local level. In some situations the state can condition issuance of state licenses and privileges upon compliance with and payment of local taxes. Local administration of personal property taxes on automobiles is measurably eased in states where evidence of their payment is made prerequisite to state registration of motor vehicles. Georgia provides the most recent example of this type of assistance to local tax administration. Similarly, states can condition state motor vehicle registration upon payment of the local motor vehicle registration fee.

The opportunities for state support in the collection of local taxes are particularly good with respect to those activities which are subject to licensing by the state. States usually require annual licenses for certain types of business and occupations. For example, alcoholic beverage wholesalers and retailers are generally required to obtain an annual license. The states could require an affidavit that local personal property taxes have been paid as a precondition to alcoholic beverage license renewal. States also require the payment of an annual renewal fee for corporations generally. As a precondition to the continued exercise of the corporate business, states could require an affidavit certifying that all local personal property and business license fees have been paid. A similar requirement could be made a precondition to the renewal of professional licenses.

While the scope for state support of local tax enforcement is broad, this suggested legislation is designed only to make the payment of local ad valorem and vehicle registration taxes a precondition of state motor vehicle registration.

Suggested Legislation

[Title should conform to state requirements. The following is a suggestion: "An Act to make payment of local taxes on motor vehicles a prerequisite to motor vehicle registration."]

(Be it enacted, etc.)

1 Section 1. No vehicle shall be registered and licensed by
2 the [state motor vehicle licensing authority and its agents]
3 unless a signed statement [tax receipt] accompanies the appli-
4 cation certifying that all county and municipal taxes legally
5 due by the applicant on the vehicle concerned have been paid.

1 Section 2. [Appropriate penalty provision or reference to
2 a statutory citation providing a penalty for making a false
3 statement on the tax return.]

SALES TAX AMENDMENTS TO EASE INTERSTATE TRADE

State sales tax practices are being subjected to searching criticism at the national level. In the 89th Congress bills were introduced to bring the Federal Government into the administration of state sales taxes for the purpose of reducing compliance burdens on multistate firms and removing impediments to interstate commerce. This reflects the political and business concern with the operation of this major state revenue source. States will want to consider ways to disarm this criticism to avoid federal sales tax regulations. To this end, the Advisory Commission on Intergovernmental Relations recommends to the states three steps that would help to safeguard the productivity and fairness of state sales taxes, facilitate accounting for sales taxes by interstate vendors, and ease interstate trade.

The states logically employ use taxes to safeguard avoidance of sales taxes on out of state purchase. An inequity arises, however, when both sales and use tax is imposed on the same transaction because for reasons of convenience or necessity the purchaser takes delivery in the state of sale for subsequent transportation to the state of use. About three-fourths of the sales tax states already have provisions in law to prevent this inequity by allowing a credit for the tax paid in the state where the sale occurred. In the other one-fourth of the states, however, the potential for dual taxation remains. These remaining states are urged to amend their sales tax laws to allow a credit for sales and use taxes previously paid another state by reason of the imposition of a similar tax. This would be accomplished by the enactment of statutory language along the lines of section 1 of the suggested legislation below.

Some states engage in the practice of charging the expenses of sales and use tax audits to a seller who maintains his books and records at an out-of-state place of business. Even where the liability of out-of-state sellers to collect sales and use taxes is uncontested, their cooperativeness would be enhanced if the cost of tax audits were not charged to them. The practice of charging vendors the cost of auditing sales and use tax audits would be prohibited under section 2 of the suggested legislation.

States and localities can facilitate one another's sales tax enforcement activities by exchanging tax records and related information. Some states and localities, however, lack the statutory authority to exchange sales and use tax information or their authority to do so is limited. These states are urged to amend their laws where required to authorize state and local sales tax officials to open additional avenues for improving taxpayer compliance and economies in tax enforcement. Alternatively, the states may want to enact a generally applicable statute to authorize the exchange of information relating to all state and local taxes. Sections 3 and 4 of the suggested legislation would limit the exchange of information to jurisdictions which reciprocate the service and undertake to use the information solely for tax enforcement purposes.

Suggested Legislation

[Title should conform to state requirements.]

(Be it enacted, etc.)

1 Section 1. Credit shall be granted against the tax imposed
2 by [state sales and use tax statutory references] with respect
3 to a person's use in this state of tangible personal property
4 purchased by him in another state. The amount of such credit
5 shall be equal to the tax paid by him to another state by
6 reason of the imposition of a similar tax on his purchase or
7 use of the property. The amount of such credit shall not ex-
8 ceed the tax imposed by this act.

1 Section 2. Notwithstanding any other provision of law, no
2 charge shall be imposed on registered vendors for any expense
3 incurred by this state or its employees in connection with the
4 audit of the books and records of such vendors regardless of
5 where such books and records may be located.

1 Section 3. The [tax commissioner] at his discretion may
2 furnish to the taxing officials of any other state and its
3 political subdivision, the political subdivisions of this
4 state, the District of Columbia, the United States and its
5 territories, any information contained in tax returns and re-
6 ports and related schedules and documents filed pursuant to
7 the tax laws of this state, or in the report of an audit or
8 investigation made with respect thereto, provided that said
9 jurisdictions grant similar privileges to this state and pro-
10 vided further that such information is to be used only for
11 tax purposes.

1 Section 4. The political subdivisions of this state may
2 enter into agreements with the [tax commissioner] to provide
3 for exchange of tax information authorized by section 3 of
4 this act.

INCOME AND SALES TAX AMENDMENT ESTABLISHING
PHYSICAL PRESENCE RULES

The quality of tax administration is becoming a more important tax climate variable as the proportion of business activity conducted by multi-state firms grows and as the demand for greater tax certainty and uniform treatment increases.

In meeting the need of multistate firms for clear-cut and enforceable physical presence rules to govern the determination of their liability for sales and income tax payments, states have exhibited some general reluctance, in part perhaps, in the belief that definitive jurisdictional rules might result in loss of revenue and limit their scope for negotiation.

However, the growing demand for tax certainty and uniform treatment on the part of multistate firms suggests that most jurisdictions would have much to gain by pursuing a policy designed to maximize convenience, certainty, and evenhanded treatment.

These considerations underscore the Commission's earlier recommendations calling for State rehabilitation of local property tax administration, State collection of local sales and income taxes, and State conformity with key Federal income tax definitions.

The following suggested legislation sets out physical presence rules to govern the jurisdictional reach of state income and sales tax administrators. Some states may wish to establish such rules by administrative rather than legislative action.

Suggested Legislation

[Title should conform to state requirements.]

(Be it enacted, etc.)

1 Section 1. Definition. For the purpose of [insert statutory
2 citation of state corporate income tax and state sales and use tax]
3 doing business in this state means:
4 (1) owning, leasing, or otherwise utilizing real property within
5 the state, or
6 (2) owning, leasing or otherwise utilizing within the state
7 personal property which contributes directly or indirectly

8 (but not incidentally)¹ to the production of income, or

9 (3) having one or more employees located in the state, that is,
10 performing services entirely within the state or performing services
11 both within and without the state, but the service performed without
12 the state is incidental to the service performed within the state, or

13 (4) regularly accepting orders, regularly making contracts or
14 regularly conducting substantial business activities within the
15 state through employees.²

1 Section 2. Enforcement. The [tax commissioner] is authorized
2 to make rules and regulations and to require the reporting of informa-
3 tion necessary to enforce the provisions of this act.

1. The U. S. Supreme Court held in the National Bellas Hess case on May 8, 1967, that an out-of-state mail order firm may not be required to collect the use tax when its only involvement with the taxing state consists of mailing catalogs to customers in that state and sending them merchandise by mail or common carrier. (National Bellas Hess, Inc. v. Department of Revenue)

2. A corporation shall not be considered to have a business location for income tax purposes within a state if Title I of the Act of September 14, 1959 (Public Law 86-272) is applicable to such corporation.

STATE TAX CONCESSIONS FOR NEW INDUSTRY

The growing state desire to share in the fruits of national economic growth has altered the pragmatic thinking that underpins state business tax policies. There is still keen concern lest taxes drive industry "out," or that the tax system will get too far out of line with those of neighboring jurisdictions. This defensive tax psychology is now being supplemented by aggressive tax strategies designed to bring industry "in." State legislative bodies have singled out manufacturing plants for special tax concessions in the belief that growth in manufacturing employment will have the multiplier effect--additional jobs in marketing, transportation and finance.

Although the practice of granting special tax concession does not constitute a serious problem for our federal system so long as the economy sustains full employment, interstate competition for industrial payrolls could take on a rather ruthless character should the economy dip into a major recession. In view of the rising state interest in promoting economic development, even a "flattening out" of the economy could be expected to generate considerable demand that the state compete more aggressively by stepping up its efforts on the tax concession front.

Present state tax inducement strategies cut across the entire benefit spectrum ranging from the most general, designed to extend benefits to most or all firms, to the highly particular--tailored to benefit a single firm. General benefit policies include those that promote (a) taxpayer convenience (state collection of local sales tax levies), (b) taxpayer certainty (clear-cut jurisdictional rules to govern the reach of state and local sales and income tax collectors; the substitution of state administered taxes for the local tax on business inventories), and (c) taxpayer equity (state equalization of local property tax assessments). Across the board reductions in business taxes also stand out as rather costly and politically hazardous examples of the nondiscriminatory means for improving the jurisdiction's business tax climate.

The familiar state authorized tax concession--the property, sales, or income tax reduction granted by the legislature to designated classes of taxpayers--stands about midway between the general and the particular benefit extremes. In this case the legislature not only designates the beneficiary class (i.e., any firm that meets the definition of a "new industry" or that constructs a "research and development facility"), it also prescribes the amount and duration of the tax reduction. In sharp contrast to the general benefit approach for improving the business tax climate, this type of "class" legislation is fairly discriminatory.

The state negotiated tax concession contract with individual firms, however, stands out as the extreme case of a particular benefit, and the most discriminatory method that a state can employ to

entice a potential industrial prospect into its jurisdiction. Louisiana's recent "breakthrough" on this front serves as the case in point. In December 1966, the state legislature authorized the Louisiana Council on New Industry, with certain safeguards, to negotiate contracts with manufacturers which in effect will allow Louisiana to meet the best (lowest) tax offer of any other state in which a manufacturer contemplates locating.

While the negotiated contract can be justified on efficiency grounds--the most enticement "bang" for each tax reduction "buck"--the apparent efficiency of this most highly discriminatory and selective method for zeroing in on potential industrial targets could quickly trigger retaliatory actions that would both subvert the interests of intergovernmental comity and taxpayer equity.

The practice of making special tax concession to new industry can have baneful effects on our federal system by setting in motion a self-defeating cycle of competitive tax undercutting and irrational discriminations among business firms. Therefore, states should avoid policies calculated to provide special tax advantages or concessions to selected groups of business firms, and frame their business tax policies along general rather than special benefit lines.

EXCHANGE OF TAX RECORDS AND INFORMATION

Administrative cooperation between federal, state and local tax administrations has had legislative and executive endorsement, in principle, at both state and federal levels for more than a generation. Its application, however, has been rather limited to date despite the significant dividends it can yield in terms of increased revenues, enforcement cost economies, and improved taxpayer compliance.

The case for intergovernmental cooperation among state and local tax administrations and between them and the federal government is self-apparent. Tax information assembled by one can be useful to one or more of the others. Moreover, just as taxpayers' respect for federal tax administration has complementary benefits for state administrations, so improved state and local tax enforcement eases the federal task. Conversely, each discouragement to under-reporting of federal tax liability increases the odds against under-reporting to state and local governments and vice versa.

The exchange of tax records and information among states and between the states and the Federal Internal Revenue Service is basic to intergovernmental efforts to secure better reporting by taxpayers. The Revenue Act of 1926 and subsequent Congressional enactments contain explicit authority for giving state tax officials access to federal tax returns. In some states, however, statutory authority for the exchange of tax information is limited and may even be completely lacking as to a specific tax.

Accordingly, states are urged to examine their existing statutes relative to the exchange of tax information with tax officials of other jurisdictions so as to insure that they are clear-cut and adequate. Consideration might also be given to the enactment of a generally applicable statute which would uniformly authorize the exchange of information as to all taxes imposed in the state instead of enacting such authority separately in connection with each different tax. The suggested legislation limits the exchange of information to jurisdictions which reciprocate the service and undertake to use the information solely for tax enforcement purposes.

Suggested Legislation

7Title should conform to state requirements7

(Be it enacted, etc.)

- 1 Section 1. The 7tax commissioner7 at his discretion may
- 2 furnish to the taxing officials of any other state and its

3 political subdivisions, the political subdivisions of this
4 state, the District of Columbia, the United States and its
5 territories, Canada and the Provinces of Canada any infor-
6 mation contained in tax returns and reports and related
7 schedules and documents filed pursuant to the tax laws of
8 this state, or in the report of an audit or investigation
9 made with respect thereto, provided that said jurisdictions
10 grant similar privileges to this state and provided further
11 that such information is to be used only for tax purposes.

1 Section 2. The political subdivisions of this state may
2 enter into agreements with the Tax Commissioner to provide
3 for exchange of tax information authorized by Section 1 of
4 this act.

UNIFORM PERSONAL INCOME TAX STATUTE

The personal income tax 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 another third tax them at relatively low effective rates. The tax produces about \$5 billion for the 33 states with income taxes. In contrast, state and local sales taxes produce about \$10 billion and property taxes about \$27 billion. In the aggregate the personal income tax provides only about 15 percent of all state and 8 percent of all state and local taxes. Therefore, most states now derive little benefit from the unique growth potential of this tax.

The personal income tax is the brightest prospective revenue source available to states for closing the gap between rising expenditure needs and the revenue productivity of their tax systems. Since World War II, state and local expenditures have been growing at the rate of 8 to 9 percent per year while the principal state and local revenue producers--general retail sales and property taxes--increase at only about half this rate and roughly in proportion to the gross national product. Greater reliance on personal income taxes will strengthen the revenue position of the states as the national economy continues to grow.

The personal income tax has other important attributes. It permits a larger share of the tax burden to be adjusted to the size of the family through an exemption system. It typically results in equal treatment of individuals and households with equal income, a characteristic that grows in importance as the margin between people's incomes and their consumer expenditures widens and as family homesteads become less and less indicative of tax-paying ability. The personal income tax also provides the most effective way for exempting the disadvantaged members in American society--the poor--from some of the growing burden of state and local taxes. This attribute takes on increasing importance as national policy objectives encompassed in the anti-poverty program gain dominance, as the significance of the state and local sector in total government operations increases, and as the weight of national payroll taxes to finance social security programs grows heavier.

The national government now obtains over \$60 billion, more than half of its tax revenue, from the personal income tax. Of the American people's annual tax payments on their personal incomes, 93 percent is to the federal government, only 7 percent to state and local governments. The universality and dominance of the federal income tax has already prompted most income tax states to conform their income tax laws to the federal code in the interest of minimizing taxpayer inconvenience, and administrative costs. The prospect of increased state use of income taxation further underscores the case for conforming state personal income tax laws to the Federal Internal Revenue Code.

The definition of net income derived from business and professional activity lends itself uniquely to federal-state income tax conformity. The basic questions in this area are best resolved in accord with the rules of good business practice. The definition of net income from business operations is in fact, largely an exercise in articulating the rules of accountancy. Because federal law in this regard is already quite explicit, state independence with respect to the definition of net income can result in taxpayer inconvenience and administrative complexity. For this reason, the Advisory Commission on Intergovernmental Relations has recommended that the states endeavor to bring their income tax laws into harmony with the federal definition of adjusted gross income.

Aside from the special treatment of income from government obligations required by the doctrine of intergovernmental tax immunities, the income portion of most taxpayers' state returns could be completed by copying a single figure from the federal return (line 9 of Federal Form #1040), under the approach taken in this suggested legislation. States would, at the same time, retain the requisite flexibility with respect to determining personal deductions and exemptions as well as adjusted gross income modifications designed to promote tax equity, maximize the tax base, and minimize the likelihood of adverse effects on state tax revenues resulting from unforeseen changes in federal tax policy.

To facilitate the adoption of a state income tax law conforming in all essential respects to appropriate Federal Internal Revenue Code provisions, this suggested legislation incorporates in one comprehensive act the provisions necessary to deal consistently with partnerships, estates, trusts, beneficiaries, and decedents, as well as individuals. The legislation includes the definition of residence (section 1(b)) recommended by the Advisory Commission for adoption by all income tax states in order to preclude multiple taxation and to eliminate tax avoidance. It also contains a provision (title II, part I, section 11) for crediting residents of the state for income tax paid another state, a practice now followed by two-thirds of the income tax states in the interest of consistency with tax collection at the source and the avoidance of double taxation of the same income.

The ultimate objective of federal-state income tax comity is a condition that would enable the taxpayer to satisfy both state and federal filing requirements with a single tax return. The realization of such a goal, however, is unlikely without state and federal authority to experiment on a limited geographical basis. The Advisory Commission has recommended that in order to encourage experimentation with federal collection of state income taxes, the Congress authorize the Internal Revenue Service and that the legislatures of states using personal income taxes authorize their governors, to enter into mutually acceptable agreements for federal collection of state income taxes. Legislation was introduced in

the 89th Congress (H.R. 14997) to give federal officials the necessary authority. This suggested legislation provides authorization for the governor to enter into an agreement for federal collection of the state income tax (title VIII, part VII, section 112).

Continuing revenue pressures, against the background of the recent substantial increases in property tax rates, are enhancing local government interest in other tax sources, including the individual income tax. Local governments in seven states (Alabama, Kentucky, Maryland, Missouri, Michigan, Ohio, and Pennsylvania) may impose income taxes. The first four-mentioned states also levy state personal income taxes but the number of their localities using income taxes is quite limited. Michigan, Ohio, and Pennsylvania, none of which levies a state personal income tax, have permitted local income taxation to proliferate. The states have a useful and significant coordinating role to play in the administration of local income taxes as well as in other nonproperty taxes, as noted elsewhere in these state legislative proposals. (See Local Sales Tax Supplement.)

While income taxes are preferable to sales and many other types of taxes because they can be structured to distribute their burden in conformity with ability to pay and with necessary regard for the taxpayer's family obligations, they have important limitations for use at the local level. These limitations grow more compelling as the economies of the different sections of the country become more and more interdependent. Increasingly, our people live in one jurisdiction and work in another. Increasingly, our people supplement their wages and salaries from local sources with investment and earned income from other parts of the state and from other states. In deference to these considerations local jurisdictions that now use these taxes generally limit them to income from wages and salaries. In doing so, they forego some of the advantages of the income tax in terms of ability to pay.

These kinds of considerations explain the Advisory Commission's preference for state rather than locally imposed personal income taxes. Local jurisdictions' need for revenue to supplement those from property, sales, and other local tax sources are best met by state financial aid allocated with appropriate regards for variations in local needs and fiscal resources.

Where it is desired to supplement local resources with revenues from a tax on personal incomes and this cannot be effectuated through a state levy, income taxes imposed below the state level are a possible alternative. Such taxes, however, are preferably levied over as large an area as possible, ideally coinciding with the boundaries of the economic or metropolitan area and as a supplement ("piggy-back") to the state's tax and collected with it. The county meets this area requirement where its boundaries coincide with the boundaries of a metropolitan area.

In multi-county economic or metropolitan areas, the preferred method is a uniform income tax applicable to the entire area. In

these cases, as in the case of a countywide tax shared with incorporated and unincorporated jurisdictions, the division of collections is likely to pose difficulties. Such difficulties could be avoided by reserving the proceeds of the income tax for financing a significant areawide program or function in which the constituent jurisdictions have a common interest, as for example, in higher education, recreation, or water supply. Where the direct use of income tax collections for a common program or function is not practicable, a sharing between the jurisdiction of employment and the jurisdiction of residence, as in Michigan, is a reasonable second choice. It is incontrovertible, however, that the smaller the income tax jurisdiction the more difficult it becomes to satisfy the dictates of tax fairness. While the state can protect its taxpayers with multi-state income tax sources against double taxation through tax credits and other arrangements, this is impracticable with respect to double taxation by local jurisdictions without jeopardy to the administrative ease and efficiency objectives of the local supplement device. The suggested legislation provides for a multi-county personal income tax supplement to the state income tax (title IX). States desiring to reserve their revenue yield for an areawide program or function could do so by an appropriate modification of section 123. In single county taxing areas, the certification provisions of section 120 can be appropriately modified.

Suggested Legislation

[Title should conform to state requirements.]

(Be it enacted, etc.)

TITLE I

IMPOSITION OF TAX

1 Section 1. (a) Imposition and Rate of Tax. A tax is here-
2 by imposed for each taxable year on the entire taxable income
3 of every resident of this state and on the taxable income of
4 every nonresident which is derived from sources within this
5 state. The amount of the tax shall be determined in accor-
6 dance with the following table:

7	If the taxable income is:	The tax is:
8	Not over \$[]	[]% of the taxable income
9	Over \$[] but not over	\$[] plus []% of the
10	\$[]	excess over \$[]
11	Over \$[] but not over	\$[] plus []% of the
12	\$[]	excess over \$[]

13 (b) Resident and Nonresident Defined. For purposes of this
14 act:

16 taxable income computed without regard to the standard de-
17 duction.

18 (d) Optional Tax Does Not Apply. The optional tax imposed
19 by this section does not apply to any individual who is in-
20 eligible to elect the optional tax provided in the Internal
21 Revenue Code of the United States, nor to estates or trusts.

22 (e) Determination of Taxable Income. In the case of a
23 taxpayer who makes the election referred to in this section,
24 taxable income means adjusted gross income as modified by
25 section 6 less the standard deduction provided in section 8
26 and the deduction for personal exemptions provided in section
27 10.

1 Section 4. Meaning of Terms. Any term used in this act
2 shall have the same meaning as when used in a comparable con-
3 text in the laws of the United States relating to federal in-
4 come taxes, unless a different meaning is clearly required.
5 Any reference in this act to the laws of the United States
6 shall mean the provisions of the Internal Revenue Code of
7 1954, and amendments thereto, and other provisions of the laws
8 of the United States relating to federal income taxes, as the
9 same may be or become effective, at any time or from time to
10 time, for the taxable year.

(Alternate form--to avoid invalidity on the ground
of illegal delegation)

1 Section 4. Meaning of Terms. Any term used in this act
2 shall have the same meaning as when used in a comparable
3 context in the laws of the United States relating to federal
4 income taxes, unless a different meaning is clearly required.
5 Any reference in this act to the laws of the United States
6 shall mean the provisions of the Internal Revenue Code of
7 1954, and amendments thereto, in effect on [December 31, 19]
8 and other provisions of the laws of the United States relating
9 to federal income taxes in effect on [December 31, 19], or
10 at the option of the taxpayer it shall mean the provisions of
11 the Internal Revenue Code of 1954 and amendments thereto and

12 other provisions of the laws of the United States relating to
13 federal income taxes as they may be in effect for the taxable
14 year.

TITLE II

COMPUTATION OF TAXABLE INCOME

Part I - Resident Individuals

1 Section 5. Taxable Income. The entire taxable income of
2 a resident of this state shall be his federal adjusted gross
3 income as defined in the laws of the United States with the
4 modifications and less the deductions and personal exemptions
5 provided in this part.

1 Section 6. Modifications. (a) Additions. There shall be
2 added to federal adjusted gross income: (1) interest or
3 dividends on obligations or securities of any state or of a
4 political subdivision or authority thereof (other than this
5 state and its political subdivisions and authorities); and
6 (2) interest or dividends on obligations of any authority,
7 commission, instrumentality, territory or possession of the
8 United States which by the laws of the United States are
9 exempt from federal income tax but not from state income
10 taxes.

11 (b) Subtractions. There shall be subtracted from federal
12 adjusted gross income interest or dividends on obligations of
13 the United States and its territories and possessions or of
14 any authority, commission or instrumentality of the United
15 States to the extent includible in gross income for federal
16 income tax purposes but exempt from state income taxes under
17 the laws of the United States, provided that the amount sub-
18 tracted under this subsection shall be reduced by any interest
19 on indebtedness incurred to carry the obligations or securities
20 described in this subsection, and by any expenses incurred in
21 the production of interest or dividend income described in
22 this subsection to the extent that such expenses including

23 amortizable bond premiums are deductible in determining
24 federal adjusted gross income.

25 (c) Fiduciary Adjustment. There shall be added to or
26 subtracted from federal adjusted gross income, as the case may
27 be, the taxpayer's share of the fiduciary adjustment determined
28 under section 34.

29 (d) Cross Reference. For modifications required to be
30 made by a partner relating to items of income, gain, loss or
31 deduction of a partnership, see title VI.

1 Section 7. Deduction. The deduction of a resident indi-
2 vidual shall be his standard deduction unless he elects to
3 itemize his deductions as provided in section 9.

1 Section 8. Standard Deduction. The standard deduction of
2 a resident individual or of a resident husband and wife who
3 file a joint return shall be 10 percent of his or their
4 adjusted gross income as modified by this part, or \$1,000,
5 whichever is less. The standard deduction of a married per-
6 son who files a separate return shall not exceed \$500.

1 Section 9. Itemized Deductions. (a) General. If a
2 resident individual has itemized his deductions from adjusted
3 gross income in determining his federal taxable income, he
4 may elect in determining his taxable income under this act to
5 deduct the sum of such itemized deductions (other than deduc-
6 tions for personal exemptions):

7 (1) Reduced by any amount thereof representing (i)
8 income taxes imposed by this state or any other taxing juris-
9 diction and (ii) interest or expenses incurred in the produc-
10 tion of income exempt from tax under this act and

11 (2) Increased by the amount of interest or expense
12 incurred in the production of income taxable under this act
13 but exempt from federal income tax (and which has not been
14 deducted in determining federal adjusted gross income).

15 (b) Husband and Wife. A husband and wife, both of whom
16 are required to file returns under this act shall be allowed
17 to itemize their deductions only if both elect to do so. The

18 total of itemized deductions of a husband and wife whose fed-
19 eral taxable income is determined on a joint return but whose
20 taxable incomes are determined separately for purposes of this
21 act, may be taken by either or divided between them as they
22 may elect.

1 Section 10. Personal Exemptions and Credits. (a) Per-
2 sonal Exemptions. A resident shall be allowed an exemption
3 of \$[600] for each exemption to which he is entitled for the
4 taxable year for federal income tax purposes.

5 (b) A Credit for Sales Tax Paid on Food [and Drugs].

6 (i) General. There shall also be allowed to resident indi-
7 viduals as a credit against the tax imposed by this act, a
8 food [and drug] sales tax credit equal to \$[]¹ multiplied
9 by the number of allowable personal exemptions claimed for
10 individuals who are residents, exclusive of the extra exemp-
11 tions allowable for age or blindness. A refund shall be
12 allowed to the extent that the food [and drug] sales tax
13 credit exceeds the income tax payable by the resident individ-
14 ual for the taxable year.

15 (ii) Limitation on Claim. No individual who may be
16 claimed as a personal exemption on another individual's re-
17 turn shall be entitled to a food [and drug] sales tax credit
18 or refund for himself. If a food [and drug] sales tax credit
19 or refund is claimed on more than one return for the same
20 individual, the [tax commissioner] is authorized to determine
21 the individual entitled to claim the credit or refund provided
22 herein.

23 (iii) Exemptions Prorated. If personal exemptions
24 are prorated under other provisions of this act, then the food
25 [and drug] sales tax credit or refund shall be proportionately
26 prorated.

27 (iv) Sales Tax Presumed Paid. Any individual, other
28 than a person who for more than six months of the taxable year

1. E.g., \$6 where sales tax is 2%; \$9 where sales tax is 3%;
\$12 where sales tax is 4%.

29 is a resident patient or inmate of a public institution or
30 an organization exempt from tax as a charitable institution,
31 who maintains a permanent place of abode within this state,
32 spending in the aggregate more than 6 months of the taxable
33 year within this state, shall be conclusively presumed to have
34 paid or paid with respect to such personal exemptions retail
35 sales and use taxes imposed by this state equal to the maxi-
36 mum food [and drug] sales tax credit allowable.

37 (v) Procedure for Credit of Refund of Tax. The
38 credits or refunds for sales taxes allowed by this section
39 shall be claimed on the income tax returns provided for in
40 this act, or in the case of an individual not having taxable
41 income in this state on such forms or claims for refunds as
42 the [tax commissioner] shall prescribe.

1 Section 11. Credit for Income Tax Paid to Another State.

2 (a) Resident Individual. A resident individual shall be
3 allowed a credit against the tax otherwise due under this act
4 for the amount of any income tax imposed on him for the tax-
5 able year by another state of the United States or a political
6 subdivision thereof or the District of Columbia on income
7 derived from sources therein and which is also subject to tax
8 under this act.

9 (b) Limitation on Credit. The credit provided under this
10 section shall not exceed the proportion of the tax otherwise
11 due under this act that the amount of the taxpayer's adjusted
12 gross income derived from sources in the other taxing juris-
13 diction bears to his entire adjusted gross income as modified
14 by this part.

1 Section 12. Dual Residence; Reduction of Tax. If the tax-

2 payer is regarded as a resident both of this state and another
3 jurisdiction for purposes of personal income taxation, the
4 [tax commissioner] shall reduce the tax on that portion of the
5 taxpayer's income which is subjected to tax in both juris-
6 dictions solely by virtue of dual residence, provided that the
7 other taxing jurisdiction allows a similar reduction. The

8 reduction shall be in an amount equal to that portion of the
9 lower of the two taxes applicable to the income taxed twice
10 which the tax imposed by this state bears to the combined
11 taxes of the two jurisdictions on the income taxed twice.

Part II - Nonresident Individuals

1 Section 13. Nonresident Individuals-Taxable Income. The
2 taxable income of a nonresident individual shall be that part
3 of his federal adjusted gross income derived from sources
4 within this state determined by reference to section 15 less
5 the deductions and personal exemptions provided in this part.

1 Section 14. Husband and Wife. (a) Separate Federal Return.
2 If the federal taxable income of husband or wife (both non-
3 residents of this state) is determined on a separate federal
4 return, their taxable incomes in this state shall be separately
5 determined.

6 (b) Joint Federal Return. If the federal taxable income
7 of husband and wife (both nonresidents) is determined on a
8 joint federal return, their tax shall be determined in this
9 state on their joint taxable income.

10 (c) One Spouse a Nonresident. If either husband or wife
11 is a nonresident and the other a resident, separate taxes
12 shall be determined on their separate taxable incomes in this
13 state on such forms as the [tax commissioner] shall prescribe
14 unless both elect to determine their joint taxable income in
15 this state as if both were residents. If a husband and wife
16 file a joint federal income tax return but determine their
17 taxable income in this state separately, they shall compute
18 their taxable incomes in this state as if their federal ad-
19 justed gross incomes had been determined separately.

1 Section 15. Adjusted Gross Income From Sources In This
2 State. (a) General. The adjusted gross income of a non-
3 resident derived from sources within this state shall be the
4 sum of the following: (1) the net amount of items of income,
5 gain, loss, and deduction entering into his federal adjusted

6 gross income which are derived from or connected with sources
7 in this state including (i) his distributive share of partner-
8 ship income and deductions determined under section 43 and
9 (ii) his share of estate or trust income and deductions
10 determined under section 39, and (2) the portion of the
11 modifications described in section 6(a) and (b) which relate
12 to income derived from sources in this state, including any
13 modifications attributable to him as a partner.

14 (b) Attribution. Items of income, gain, loss, and de-
15 duction derived from or connected with sources within this
16 state are those items attributable to: (1) the ownership
17 or disposition of any interest in real or tangible personal
18 property in this state; and (2) a business, trade, profession,
19 or occupation carried on in this state.

20 (c) Intangibles. Income from intangible personal property
21 including annuities, dividends, interest, and gains from the
22 disposition of intangible personal property, shall constitute
23 income derived from sources within this state only to the
24 extent that such income is from property employed in a business,
25 trade, profession, or occupation carried on in this state.

26 (d) Deductions for Losses. Deductions with respect to
27 capital losses, net long-term capital gains, and net operating
28 losses shall be based solely on income, gains, losses and
29 deductions derived from or connected with sources in this
30 state, under regulations to be prescribed by the [tax com-
31 missioner] but otherwise shall be determined in the same
32 manner as the corresponding federal deductions.

33 (e) Small Business Corporation. For a nonresident indi-
34 vidual who is a shareholder of a corporation which is an
35 electing small business corporation for federal income tax
36 purposes, the undistributed taxable income of such corporation
37 shall not constitute income derived from sources within this
38 state and a net operating loss of such corporation shall not
39 constitute a loss or deduction connected with sources in
40 this state.

41 (f) Apportionment and Allocation. If a business, trade,
42 profession, or occupation is carried on partly within and
43 partly without this state, the items of income and deduction
44 derived from or connected with sources within this state shall
45 be determined by apportionment and allocation under regula-
46 tions to be prescribed by the [tax commissioner].

47 (g) Service in Armed Forces. Compensation paid by the
48 United States for service in the armed forces of the United
49 States performed by a nonresident shall not constitute income
50 derived from sources within this state.

1 Section 16. Standard Deduction. The standard deduction of
2 a nonresident individual or husband and wife who file a joint
3 return shall be 10 percent of his or their adjusted gross
4 income from sources within this state or \$1,000, whichever
5 is less. The standard deduction of a nonresident married
6 person who files a separate return shall not exceed \$500.

1 Section 17. Itemized Deductions. (a) General. If the
2 federal taxable income of a nonresident individual is deter-
3 mined by itemizing deductions from his federal adjusted gross
4 income, he may elect to deduct his itemized deductions con-
5 nected with income derived from sources within this state in
6 lieu of taking the standard deduction. Subject to the limita-
7 tion in subsection (b), the itemized deductions of a nonresident
8 individual shall be the same as for a resident individual
9 determined under section 9. A husband and wife both of whom
10 are required to file returns under this act shall be allowed
11 to itemize deductions connected with income derived from
12 sources within this state only if both elect to itemize their
13 deductions.

14 (b) Limitation. If the amount of adjusted gross income
15 a nonresident individual would be required to report under
16 section 5 if he were a resident, exceeds by more than \$100
17 the amount of adjusted gross income he receives from sources
18 within this state, his itemized deductions shall be limited
19 by the percentage which his adjusted gross income from sources

20 within this state is to the adjusted gross income he would be
21 required to report if he were a resident. For purposes of
22 this apportionment, a nonresident individual may elect to
23 treat his federal adjusted gross income as adjusted gross in-
24 come from sources within this state unless the amount of the
25 modifications increasing federal adjusted gross income under
26 section 6 would exceed \$100.

1 Section 18. Personal Exemptions. A nonresident individual
2 shall be allowed the same personal exemptions allowed to resi-
3 dent individuals under section 10(i).

TITLE III

WITHHOLDING OF TAX

1 Section 19. Employer to Withhold Tax from Wages.

2 (a) General. Every employer maintaining an office or trans-
3 acting business within this state and making payment of any
4 wages taxable under this act to a resident or nonresident
5 individual shall deduct and withhold from such wages for each
6 payroll period a tax computed in such manner as to result,
7 so far as practicable, in withholding from the employee's
8 wages during each calendar year an amount substantially
9 equivalent to the tax reasonably estimated to be due from the
10 employee under this act with respect to the amount of such
11 wages included in his adjusted gross income during the calen-
12 dar year. The method of determining the amount to be with-
13 held shall be prescribed by regulations of the [tax commis-
14 sioner]. This section shall not apply to payments by the
15 United States for service in the armed forces of the United
16 States.

17 (b) Withholding Exemptions. For purposes of this section:

18 (1) An employee shall be entitled to the same number of
19 withholding exemptions as the number of withholding exemp-
20 tions to which he is entitled for federal income tax with-
21 holding purposes. An employer may rely upon the number of
22 federal withholding exemptions claimed by the employee,

23 except where the employee claims a different number of with-
24 holding exemptions in this state;

25 (2) The amount of each exemption in this state shall be
26 \$[600] whether the individual is a resident or a nonresident.

27 (c) Withholding Agreements. The [tax commissioner] may
28 enter into agreements with the tax departments of other states
29 (which require income tax to be withheld from the payment of
30 wages and salaries) so as to govern the amounts to be withheld
31 from the wages and salaries of residents of such states under
32 provisions of this chapter. Such agreements may provide for
33 recognition of anticipated tax credits in determining the
34 amounts to be withheld and, under regulations prescribed by
35 the [tax commissioner], may relieve employers in this state
36 from withholding income tax on wages and salaries paid to non-
37 resident employes. The agreements authorized by this subsec-
38 tion are subject to the condition that the tax department of
39 such other states grant similar treatment to residents of this
40 state.

1 Section 20. Information Statement for Employee. Every
2 employer required to deduct and withhold tax under this act
3 from the wages of an employee, or who would have been required
4 so to deduct and withhold tax if the employee had claimed no
5 more than one withholding exemption, shall furnish to each such
6 employee in respect to the wages paid by such employer to such
7 employee during the calendar year on or before February 15 of
8 the succeeding year, or, if his employment is terminated before
9 the close of such calendar year, within thirty days from the date
10 on which the last payment of wages is made, a written statement
11 as prescribed by the [tax commissioner] showing the amount of
12 wages paid by the employer to the employee, the amount deducted
13 and withheld as tax, and such other information as the [tax
14 commissioner] shall prescribe.

1 Section 21. Credit for Tax Withheld. Wages upon which tax
2 is required to be withheld shall be taxable under this chapter
3 as if no withholding were required, but any amount of tax

4 actually deducted and withheld under this chapter in any
5 calendar year shall be deemed to have been paid to the [tax
6 commissioner] on behalf of the person from whom withheld, and
7 such person shall be credited with having paid that amount of
8 of tax for the taxable year beginning in such calendar year.
9 For a taxable year of less than 12 months, the credit shall be
10 made under regulations of the [tax commissioner].

1 Section 22. Employer's Return and Payment of Tax Withheld.
2 (a) General. Every employer required to deduct and withhold
3 tax under this act shall, for each calendar quarter, on or
4 before the fifteenth day of the month following the close of
5 such calendar quarter, file a withholding return as prescribed
6 by the [tax commissioner] and pay over to the [tax commissioner]
7 or to a depository designated by the [tax commissioner], the
8 taxes so required to be deducted and withheld, except that for
9 the fourth quarter of the calendar year, the return shall be
10 filed and the taxes paid on or before January 31 of the suc-
11 ceeding year. Where the aggregate amount required to be de-
12 ducted and withheld by any employer for a calendar month ex-
13 ceeds \$[500], the employer shall by the fifteenth day of the
14 succeeding month pay over such aggregate amount to the [tax
15 commissioner] or to a depository designated by the [tax com-
16 missioner]. The amount so paid shall be allowed as a credit
17 against the liability shown on the employer's quarterly with-
18 holding return required by this section. Where the aggregate
19 amount required to be deducted and withheld by any employer
20 is less than \$[100] in a calendar quarter, the [tax commissioner]
21 may by regulation permit an employer to file a withholding
22 return on or before July 31 for the semi-annual period ending
23 on June 30 and on or before January 31 of the succeeding year
24 for the semi-annual period ending on December 31. The [tax
25 commissioner] may, if he believes such action necessary for the
26 protection of the revenue, require any employer to make such
27 return and pay him the tax deducted and withheld at any time,
28 or from time to time. Where the amount of wages paid by an

29 employer is not sufficient under this chapter to require the
30 withholding of tax from the wages of any of his employees, the
31 [tax commissioner] may by regulation permit such employer to
32 file an annual return on or before January 31 of the succeeding
33 calendar year.

34 (b) Deposit in Trust for [Tax Commissioner]. Whenever any
35 employer fails to collect, truthfully account for, pay over the
36 tax, or make returns of the tax as required by this section,
37 the [tax commissioner] may serve a notice requiring such em-
38 ployer to collect the taxes which became collectible after
39 service of such notice, to deposit such taxes in a bank ap-
40 proved by the [tax commissioner], in a separate account, in
41 trust for and payable to the [tax commissioner], and to keep
42 the amount of such tax in such account until paid over to the
43 [tax commissioner]. Such notice shall remain in effect until
44 a notice of cancellation is served by the [tax commissioner].

1 Section 23. Employer's Liability for Withheld Taxes. Every
2 employer required to deduct and withhold tax under this act is
3 hereby made liable for such tax. For purposes of assessment
4 and collection, any amount required to be withheld and paid
5 over to the [tax commissioner], and any additions to tax,
6 penalties and interest with respect thereto, shall be con-
7 sidered the tax of the employer. Any amount of tax actually
8 deducted and withheld under this act shall be held to be a
9 special fund in trust for the [tax commissioner]. No employee
10 shall have any right of action against his employer in respect
11 to any money deducted and withheld from his wages and paid over
12 to the [tax commissioner] in compliance or in intended compliance
13 with this act.

1 Section 24. Employer's Failure to Withhold. If an employer
2 fails to deduct and withhold tax as required, and thereafter the
3 tax against which such tax may be credited is paid, the tax so
4 required to be deducted and withheld shall not be collected from
5 the employer, but the employer shall not be relieved from lia-
6 bility for any additions to tax penalties or interest otherwise
7 applicable in respect to such failure to deduct and withhold.

TITLE IV

ACCOUNTING PERIODS AND METHODS OF ACCOUNTING

1 Section 25. Period for Computation of Taxable Income.

2 (a) General. For purposes of the tax imposed by this act,
3 a taxpayer's taxable year shall be the same as his taxable
4 year for federal income tax purposes.

5 (b) Change of Taxable Year. If a taxpayer's taxable year
6 is changed for federal income tax purposes, his taxable year
7 for purposes of the tax imposed by this act shall be similarly
8 changed. If a change in taxable year results in a taxable
9 period of less than 12 months, the standard deduction and the
10 deduction for personal exemption allowed by this act shall be
11 prorated under regulations prescribed by the [tax commissioner].

12 (c) Termination of Taxable Year for Jeopardy. Notwith-
13 standing the provisions of subsections (a) and (b), if the
14 [tax commissioner] terminates the taxpayer's taxable year under
15 section 103 (relating to tax in jeopardy), the tax shall be
16 computed for the period determined by such action.

1 Section 26. Methods of Accounting. (a) Same as Federal.

2 For purposes of the tax imposed by this act, a taxpayer's method
3 of accounting shall be the same as his method of accounting for
4 federal income tax purposes. If no method of accounting has
5 been regularly used by the taxpayer, taxable income for purposes
6 of this act shall be computed under such method that in the
7 opinion of the [tax commissioner] fairly reflects income.

8 (b) Change of Accounting Methods. If a taxpayer's method
9 of accounting is changed for federal income tax purposes, his
10 method of accounting for purposes of this act shall similarly be
11 changed.

1 Section 27. Adjustments. In computing a taxpayer's taxable
2 income for any taxable year under a method of accounting different
3 from the method under which the taxpayer's taxable income for
4 the previous year was computed, there shall be taken into account
5 those adjustments which are determined, under regulations pres-
6 cribed by the [tax commissioner], to be necessary solely by

7 reason of the change in order to prevent amounts from being
8 duplicated or omitted.

1 Section 28. Limitation on Additional Tax. (a) Change
2 Other Than to Installment Method. If a taxpayer's method of
3 accounting is changed, other than from an accrual to an in-
4 stallment method, any additional tax which results from ad-
5 justments determined to be necessary solely by reason of the
6 change shall not be greater than if such adjustments were
7 ratably allocated and included for the taxable year of the
8 change and the preceding taxable years, not in excess of two,
9 during which the taxpayer used the method of accounting from
10 which the change is made.

11 (b) Change from Accrual to Installment Method. If a tax-
12 payer's method of accounting is changed from an accrual to an
13 installment method, any additional tax for the year of such
14 change of method and for any subsequent year which is attribut-
15 able to the receipt of installment payments properly accrued in
16 a prior year, shall be reduced by the portion of tax for any
17 prior taxable year attributable to the accrual of such instal-
18 lment payments, under regulations prescribed by the [tax com-
19 missioner].

TITLE V

ESTATES, TRUSTS, BENEFICIARIES, AND DECEDENTS

Part I - General

1 Section 29. Imposition of Tax. The tax imposed by this
2 act on individuals shall apply to the taxable income of estates
3 and trusts.

1 Section 30. Computation and Payment. The taxable income of
2 an estate or trust shall be computed in the same manner as in
3 the case of an individual except as otherwise provided by this
4 subchapter. The tax shall be computed on such taxable income
5 and shall be paid by the fiduciary.

1 Section 31. Tax Not Applicable. (a) Associations Taxable
2 as Corporations. An association, trust or other unincorporated

3 organization which is taxable as a corporation for federal
4 income tax purposes shall not be subject to tax under this act.

5 (b) Exempt Associations, Trusts, and Organizations. An
6 association, trust, or other unincorporated organization which
7 by reason of its purposes or activities is exempt from federal
8 income tax shall be exempt from the tax imposed by this act
9 except with respect to its unrelated business taxable income.

Part II - Resident Estates and Trusts

1 Section 32. Resident Estate or Trust Defined. A resident
2 estate or trust means: (1) the estate of a decedent who at
3 his death was domiciled in this state; (2) a trust created by
4 will of a decedent who at his death was domiciled in this state;
5 or (3) a trust created by, or consisting of property of, a
6 person domiciled in this state.

1 Section 33. Taxable Income of Resident Estate or Trust. The
2 taxable income of a resident estate or trust means its federal
3 taxable income modified by the addition or subtraction, as the
4 case may be, of its share of the fiduciary adjustment determined
5 under section 34.

1 Section 34. Fiduciary Adjustment. (a) Fiduciary Adjustment
2 Defined. The fiduciary adjustment shall be the net amount of
3 the modifications described in section 6 (including subsection
4 (c) if the estate or trust is a beneficiary of another estate or
5 trust) which relates to items of income or deduction of an
6 estate or trust.

7 (b) Shares of Fiduciary Adjustment. The respective shares
8 of an estate or trust and its beneficiaries (including solely
9 for the purpose of this allocation, nonresident beneficiaries)
10 in the fiduciary adjustment shall be in proportion to their
11 respective shares of federal distributable net income of the
12 estate or trust. If the estate or trust has no federal dis-
13 tributable net income for the taxable year, the share of each
14 beneficiary in the fiduciary adjustment shall be in proportion
15 to his share of the estate or trust income for such year, under

16 local law or the terms of the instrument, which is required to
17 be distributed currently and any other amounts of such income
18 distributed in such year. Any balance of the fiduciary ad-
19 justment shall be allocated to the estate or trust.

20 (c) Alternate Attribution of Adjustment. The [tax com-
21 missioner] may by regulation authorize the use of such other
22 methods of determining to whom the items comprising the fiduci-
23 ary adjustment shall be attributed, as may be appropriate and
24 equitable, on such terms and conditions as the [tax commissioner]
25 may require.

1 Section 35. Credit for Income Tax of Another State. A
2 resident estate or trust shall be allowed the credit provided
3 in section 11 (relating to an income tax imposed by another
4 state) except that the limitation shall be computed by refer-
5 ence to the taxable income of the estate or trust.

1 Section 36. Credit to Beneficiary for Accumulation
2 Distribution. (a) General. A resident beneficiary of a trust
3 whose adjusted gross income includes all or part of an accumu-
4 lation distribution by such trust, as defined in section 665
5 of the Internal Revenue Code, shall be allowed a credit against
6 the tax otherwise due under this act for all or a proportionate
7 part of any tax paid by the trust under this act for any pre-
8 ceding taxable year which would not have been payable if the
9 trust had in fact made distribution to its beneficiaries at the
10 times and in the amounts specified in section 666 of the
11 Internal Revenue Code.

12 (b) Limitation on Credit. The credit under this section
13 shall not reduce the tax otherwise due from the beneficiary
14 under this act to an amount less than would have been due if
15 the accumulation distribution or his part thereof were excluded
16 from his adjusted gross income.

Part III - Nonresident Trusts and Estates

1 Section 37. Nonresident Estate or Trust Defined. A non-
2 resident estate or trust means an estate or trust which is not a

3 resident.

1 Section 38. Taxable Income of a Nonresident Estate or
2 Trust. (a) General Rules. For purposes of this part:

3 (1) Items of income, gain, loss, and deduction mean
4 those derived from or connected with sources in this state.

5 (2) Items of income, gain, loss, and deduction entering
6 into the definition of federal distributable net income in-
7 cludes such items from another estate or trust of which the
8 first estate or trust is a beneficiary.

9 (3) The source of items of income, gain, loss, or de-
10 duction shall be determined under regulations prescribed by
11 the [tax commissioner] in accordance with the general rules
12 in section 15 as if the estate or trust were a nonresident
13 individual.

14 (b) Determination of Taxable Income. The taxable income
15 of a nonresident estate or trust consists of (i) its share of
16 items of income, gain, loss, and deduction which enter into
17 the federal definition of distributable net income; (ii) in-
18 creased or reduced by the amount of any items of income, gain,
19 loss, or deduction which are recognized for federal income tax
20 purposes but excluded from the federal definition of distribut-
21 able net income of the estate or trust; (iii) less the amount
22 of the deduction for its federal exemption.

1 Section 39. Share of a Nonresident Estate, Trust or Its
2 Beneficiaries in Income From Sources in This State. (a) General

3 Rule. The share of a nonresident estate or trust of items of
4 income, gain, loss, and deduction entering into the definition
5 of distributable net income and the share for purpose of sec-
6 tion 15 of a nonresident beneficiary of any estate or trust in
7 estate or trust income, gain, loss, and deduction shall be
8 determined as follows:

9 (i) To the amount of items of income, gain, loss, and
10 deduction which enter into the definition of distributable net
11 income there shall be added or subtracted, as the case may be,
12 the modifications described in section 6 to the extent they

13 relate to items of income, gain, loss, and deduction which also
14 enter into the definition of distributable net income. No
15 modification shall be made under this section which has the
16 effect of duplicating an item already reflected in the defi-
17 nition of distributable net income.

18 (ii) The amount determined under the preceding paragraph
19 shall be allocated among the estate or trust and its benefici-
20 aries (including, solely for the purpose of this allocation,
21 resident beneficiaries) in proportion to their respective
22 shares of federal distributable net income. The amounts so
23 allocated shall have the same character as for federal income
24 tax purposes. Where an item entering into the computation of
25 such amounts is not characterized for federal income tax pur-
26 poses, it shall have the same character as if realized directly
27 from the source from which realized by the estate or trust, or
28 incurred in the same manner as incurred by the estate or trust.

29 (iii) If the estate or trust has no federal distributable
30 net income for the taxable year, the share of each beneficiary
31 in the net amount determined under paragraph (a)(i) of this
32 section shall be in proportion to his share of the estate or
33 trust income for such year, under local law or the terms of
34 the instrument, which is required to be distributed currently
35 and any other amounts of such income distributed in such year.
36 Any balance of such net amount shall be allocated to the estate
37 or trust.

38 (b) Alternate Methods. The [tax commissioner] may by
39 regulation establish such other method or methods of determin-
40 ing the respective shares of the beneficiaries and of the
41 estate or trust in its income derived from sources in this
42 state, and in the modifications related thereto, as may be
43 appropriate and equitable.

1 Section 40. Credit to Beneficiary for Accumulation
2 Distribution. A nonresident beneficiary of a trust whose ad-
3 justed gross income derived from sources in this state includes
4 all or part of an accumulation distribution by such trust, as

5 defined in section 665 of the Internal Revenue Code, shall be
6 allowed a credit against the tax otherwise due under this
7 act, computed in the same manner and subject to the same limi-
8 tation as provided by section 36 with respect to a resident
9 beneficiary.

TITLE VI

PARTNERS AND PARTNERSHIPS

1 Section 41. Entity not Taxable. A partnership as such
2 shall not be subject to the tax imposed by this act. Persons
3 carrying on business as partners shall be liable for the tax
4 imposed by this act only in their separate or individual
5 capacities.

1 Section 42. Resident Partner - Adjusted Gross Income. (a)
2 Modification in Determining the Adjusted Gross Income of a
3 Resident Partner. Any modification described in section 9
4 which relates to an item of partnership income, gain, loss, or
5 deduction shall be made in accordance with the partner's dis-
6 tributive share, for federal income tax purposes, of the item
7 to which the modification relates. Where a partner's distri-
8 butive share of any such item is not required to be taken into
9 account separately for federal income tax purposes, the partner's
10 distributive share of such item shall be determined in accordance
11 with his distributive share, for federal income tax purposes, of
12 partnership taxable income or loss generally.

13 (b) Character of Items. Each item of partnership income,
14 gain, loss, or deduction shall have the same character for a
15 partner under this act as it has for federal income tax pur-
16 poses. Where an item is not characterized for federal income
17 tax purposes, it shall have the same character for a partner
18 as if realized directly from the source from which realized by
19 the partnership or incurred in the same manner as incurred by
20 the partnership.

21 (c) Tax Avoidance or Evasion. Where a partner's distri-
22 butive share of an item of partnership income, gain, loss, or

23 deduction is determined for federal income tax purposes by a
24 special provision in the partnership agreement with respect to
25 such item, and the principal purpose of such provision is the
26 avoidance or evasion of tax under this act, the partner's dis-
27 tributive share of such item and any modification required with
28 respect thereto shall be determined in accordance with his dis-
29 tributive share of the taxable income or loss of the partnership
30 generally (that is, exclusive of those items requiring separate
31 computation under the provisions of section 702 of the Internal
32 Revenue Code).

1 Section 43. Nonresident Partner - Adjusted Gross Income
2 From Sources in This State. (a) General. In determining the
3 adjusted gross income of a nonresident partner of any partner-
4 ship, there shall be included only that part derived from or
5 connected with sources in this state of the partner's distri-
6 butive share of items of partnership income, gain, loss, and
7 deduction entering into his federal adjusted gross income, as
8 such part is determined under regulations prescribed by the
9 [tax commissioner] in accordance with the general rules in
10 section 15.

11 (b) Itemized Deductions. If a nonresident partner of any
12 partnership elects to itemize his deductions in determining his
13 taxable income in this state, there shall be attributed to him
14 his distributive share of partnership items of deduction from
15 federal adjusted gross income which are deductible by him under
16 section 17.

17 (c) Special Rules as to Sources in This State. In determin-
18 ing the sources of a nonresident partner's income, no effect
19 shall be given to a provision in the partnership agreement which:

20 (i) characterizes payments to the partner as being for
21 services or for the use of capital, or allocated to the partner,
22 as income or gain from sources outside this state, a greater
23 proportion of his distributive share of partnership income or
24 gain than the ratio of partnership income or gain from sources
25 outside this state to partnership income or gain from all sources,
26 except as authorized in subsection (e); or

27 (ii) allocates to the partner a greater proportion of
28 a partnership item of loss or deduction connected with sources
29 in this state than his proportionate share, for federal income
30 tax purposes, of partnership loss or deduction generally, except
31 as authorized in subsection (e).

32 (d) Partner's Modifications. Any modification described in
33 subsections (a) and (b) of section 6, which relates to an item
34 of partnership income, gain, loss, or deduction, shall be made
35 in accordance with the partner's distributive share, for federal
36 income tax purposes of the item to which the modification relates,
37 but limited to the portion of such item derived from or connected
38 with sources in this state.

39 (e) Alternate Methods. The [tax commissioner] may, on appli-
40 cation, authorize the use of such other methods of determining a
41 nonresident partner's portion of partnership items derived from
42 or connected with sources in this state, and the modifications
43 related thereto, as may be appropriate and equitable, on such
44 terms and conditions as he may require.

45 (f) Application of Rules for Resident Partners to
46 Nonresident Partners. A nonresident partner's distributive
47 share of items of income, gain, loss, or deduction shall be
48 determined under subsection (a) of section 42. The character
49 of partnership items for a nonresident partner shall be determi-
50 ned under subsection (b) of section 42. The effect of a special
51 provision in a partnership agreement, other than a provision
52 referred to in subsection (c) of this section, having as a
53 principal purpose the avoidance or evasion of tax under this
54 act shall be determined under subsection (c) of section 42.

TITLE VII

RETURNS, DECLARATIONS AND PAYMENTS

Part I - Income Tax Returns

1 Section 44. Persons Required to Make Returns of Income.

2 An income tax return with respect to the tax imposed by this
3 act shall be made by the following:

- 4 (a) Every resident individual,
5 (1) who is required to file a federal income tax return
6 for the taxable year, or
7 (2) who has adjusted gross income of more than \$[600]
8 if single or more than \$[1,200] if married, or
9 (3) who having attained the age of 65 before the close
10 of his taxable year has adjusted gross income of more than
11 \$[1,200] if single and more than \$[1,800] if married and his
12 spouse has not attained the age of 65 and more than \$[2,400]
13 if both have attained the age of 65 before the close of the
14 taxable year.
- 15 (b) Every nonresident individual,
16 (1) who has adjusted gross income from sources in this
17 state of more than \$[600] if single and \$[1,200] if married, or
18 (2) who having attained the age of 65 before the close
19 of his taxable year has adjusted gross income from sources
20 within this state of more than \$[1,200] if single and more than
21 \$[1,800] if married and his spouse has not yet attained the age
22 of 65 and more than \$[2,400] if both have attained the age of
23 65 before the close of the taxable year.
- 24 (c) Every resident estate or trust which is required to file
25 a federal income tax return.
- 26 (d) Every nonresident estate which has gross income of
27 \$[600] or more for the taxable year from sources within this
28 state.
- 29 (e) Every nonresident trust which for the taxable year has
30 from sources within this state,
31 (1) any taxable income,
32 (2) gross income of \$[600] or more regardless of the
33 amount of taxable income.

1 Section 45. Joint Returns by Husband and Wife. (a) General.

2 A husband and wife may make a joint return with respect to the
3 tax imposed by this act even though one of the spouses has
4 neither gross income nor deductions except that:

- 5 (1) no joint return shall be made under this act if
6 the spouses are not permitted to file a joint federal income

7 tax return.

8 (2) if the federal income tax liability of either spouse
9 is determined on a separate federal return their income tax
10 liabilities under this act shall be determined on separate
11 returns.

12 (3) if the federal income tax liabilities of husband
13 and wife, other than a husband and wife described in subsection
14 (b) of this section, are determined on a joint federal return,
15 they shall file a joint return under this act and their tax
16 liabilities shall be joint and several.

17 (4) if neither spouse is required to file a federal
18 income tax return and either or both are required to file an
19 income tax return under this act, they may elect to file
20 separate or joint returns and pursuant to such election their
21 liabilities shall be separate or joint and several.

22 (b) One spouse a Nonresident. If either husband or wife
23 is a resident and the other is a nonresident, they shall file
24 separate income tax returns in this state on such forms as may
25 be required by the [tax commissioner] in which event their tax
26 liabilities shall be separate; but they may elect to determine
27 their joint taxable income as if both were residents and in
28 such case, their liabilities shall be joint and several.

1 Section 46. Returns by Fiduciaries. (a) Decedents. An
2 income tax return for any deceased individual shall be made
3 and filed by his executor, administrator, or other person
4 charged with the care of his property. A final return of a
5 decedent shall be due when it would have been due if the
6 decedent had not died.

7 (b) Individuals Under a Disability. An income tax return
8 for an individual who is unable to make a return by reason of
9 minority or other disability shall be made and filed by his duly
10 authorized agent, his committee, guardian, conservator, fiduciary
11 or other person charged with the care of his person or property
12 other than a receiver in possession of only a part of the
13 individual's property.

14 (c) Estates and Trusts. The income tax return of an
15 estate or trust shall be made and filed by the fiduciary thereof.

16 (d) Joint Fiduciaries. If two or more fiduciaries are
17 acting jointly, the return may be made by any one of them.

18 (e) Cross Reference: For provisions relating to information
19 returns by partnerships, see section 59.

1 Section 47. Notice of Qualification as Receiver. Every
2 receiver, trustee in bankruptcy, assignee for benefit of
3 creditors, or other like fiduciary, shall give notice of his
4 qualification as such to the [tax commissioner], as may be re-
5 quired by regulation.

1 Section 48. Change of Status as Resident or Nonresident
2 During Year. If an individual changes his status during his
3 taxable year from resident to nonresident or from nonresident
4 to resident, the [tax commissioner] may by regulation
5 require him to file one return for the portion of the year
6 during which he is a resident and one for the portion of the
7 year during which he is a nonresident.

1 Section 49. Taxable Income as Resident and Nonresident.
2 (a) Except as provided in subsection (b) of this section,
3 the taxable income of the individual shall be determined as
4 provided in section 5 for residents and section 13 for non-
5 residents as if the individual's taxable year for federal
6 income tax purposes were limited to the period of his resident
7 and nonresident status respectively.

8 (b) There shall be included in determining taxable income
9 from sources within or without this state, as the case may
10 be, income, gain, loss, or deduction accrued prior to the
11 change of status even though not otherwise includible or
12 allowable in respect of the period prior to such change, but
13 the taxation or deduction of items accrued prior to the change
14 of status shall not be affected by the change.

1 Section 50. Minimum Tax and Prorating of Exemptions. Where
2 two returns are required to be filed as provided in section 48:

3 (1) personal exemptions and the standard deduction shall be

4 prorated between the two returns, under regulations prescribed
5 by the [tax commissioner], to reflect the proportions of the
6 taxable year during which the individual was a resident and a
7 nonresident, and

8 (2) the total of the taxes due thereon shall not be less
9 than would be due if the total of the taxable incomes reported
10 on the two returns were includible in one return.

1 Section 51. Time and Place for Filing Returns and Paying
2 Tax. The income tax return required by this act shall be filed
3 on or before the fifteenth day of the fourth month following the
4 close of the taxpayer's taxable year. A person required to make
5 and file a return under this act shall, without assessment,
6 notice or demand, pay any tax due thereon to the [tax com-
7 missioner] on or before the date fixed for filing such return
8 (determined without regard to any extension of time for filing
9 the return). The [tax commissioner] shall prescribe by regu-
10 lation the place for filing any return, declaration, statement
11 or other document required pursuant to this chapter and for the
12 payment of any tax.

1 Section 52. Declarations of Estimated Tax. (a) Requirement
2 of Declaration. Every resident and nonresident individual shall
3 make a declaration of his estimated tax for the taxable year, in
4 such form as the [tax commissioner] may prescribe if his ad-
5 justed gross income (in the case of a nonresident from sources
6 within this state), other than from wages on which tax is with-
7 held under this act, can reasonably be expected to exceed
8 \$[500] plus the sum of the personal exemptions to which he is
9 entitled.

10 (b) Estimated Tax Defined. The term "estimated tax" means
11 the amount which the individual estimates to be his income tax
12 under this act for the taxable year less the amount which he
13 estimates to be the sum of any credits allowable for tax with-
14 held.

15 (c) Joint Declaration of Husband and Wife. If they are
16 eligible to do so for federal tax purposes, a husband and wife

17 may make a joint declaration of estimated tax as if they were
18 one taxpayer, in which case the liability with respect to the
19 estimated tax shall be joint and several. If a joint decla-
20 ration is made but husband and wife elect to determine their
21 taxes under this chapter separately, the estimated tax for
22 such year may be treated as the estimated tax of either husband
23 or wife, or may be divided between them, as they may elect.

24 (d) Amendment of Declaration. An individual may amend a
25 declaration under regulations prescribed by the [tax com-
26 missioner].

27 (e) Return or Declaration as Amendment. If on or before
28 January 31 (or February 15 in the case of an individual re-
29 ferred to in subsection (b) of section 53) of the succeeding
30 taxable year an individual files his return for the taxable
31 year for which the declaration is required, and pays in full
32 the amount shown on the return as payable, such return (1) shall
33 be considered as his declaration if no declaration was required
34 to be filed during the taxable year, but is otherwise required
35 to be filed on or before January 15, or (2) shall be considered
36 as the amendment permitted by subsection (d) to be filed on or
37 before January 15 if the tax shown on the return is greater than
38 the estimated tax shown in a declaration previously made.

39 (f) Short Taxable Year. An individual having a taxable
40 year of less than twelve months shall make a declaration in
41 accordance with regulations of the [tax commissioner].

42 (g) Declaration for Individual Under a Disability. The
43 declaration of estimated tax for an individual under a dis-
44 ability shall be made and filed in the manner provided in sub-
45 section (b) of section 46 for an income tax return.

1 Section 53. Time for Filing Declaration of Estimated Tax.

2 (a) Time for Filing. A declaration of estimated tax of an
3 individual other than a farmer shall be filed on or before
4 April 15 of the taxable year, except that if the requirements of
5 section 52 are first met:

6 (1) after April 1 and before June 2 of the taxable year,
7 the declaration shall be filed on or before June 15, or

8 (2) after June 1 and before September 2 of the taxable
9 year, the declaration shall be filed on or before September 15,
10 or

11 (3) after September 1 of the taxable year, the decla-
12 ration shall be filed on or before January 15 of the succeeding
13 year.

14 (b) Declaration by Farmer. A declaration of estimated tax
15 required by section 52 from an individual having an estimated
16 adjusted gross income from farming in this state for the taxable
17 year which is at least two-thirds of his total estimated ad-
18 justed gross income taxable in this state for the taxable year,
19 may be filed at any time on or before January 15 of the suc-
20 ceeding taxable year, in lieu of the time otherwise prescribed.

21 (c) Declaration of Estimated Tax of \$[50] or Less. A
22 declaration of estimated tax of an individual having a total
23 estimated tax for the taxable year of \$[50] or less may be
24 filed at any time on or before January 15 of the succeeding
25 taxable year under regulations prescribed by the [tax com-
26 missioner].

27 (d) Fiscal Year. In the application of this section and
28 the preceding section to the case of a taxable year beginning
29 on any date other than January 1, there shall be substituted,
30 for the months specified in this section and the preceding sec-
31 tion, the months which correspond thereto.

1 Section 54. Payments of Estimated Tax. (a) General. The
2 estimated tax with respect to which a declaration is required
3 under this act shall be paid as follows:

4 (1) If the declaration is filed on or before April 15
5 of the taxable year, the estimated tax shall be paid in four
6 equal installments. The first installment shall be paid at
7 the time of the filing of the declaration, the second and third
8 on June 15 and September 15, respectively, of the taxable year,
9 and the fourth on January 15 of the succeeding taxable year.

10 (2) If the declaration is filed after April 15 and not
11 after June 15 of the taxable year, and is not required to be

12 filed on or before April 15 of the taxable year, the estimated
13 tax shall be paid in three equal installments. The first in-
14 stallment shall be paid at the time of the filing of the de-
15 clarations, the second on September 15, of the taxable year, and
16 the third on January 15 of the succeeding taxable year.

17 (3) If the declaration is filed after June 15 and not
18 after September 15 of the taxable year, and is not required to
19 be filed on or before June 15 of the taxable year, the estimated
20 tax shall be paid in two equal installments. The first in-
21 stallment shall be paid at the time of the filing of the de-
22 clarations, and the second on January 15 of the succeeding
23 taxable year.

24 (4) If the declaration is filed after September 15 of
25 the taxable year and is not required to be filed on or before
26 September 15 of the taxable year, the estimated tax shall be
27 paid in full at the time of the filing of the declaration.

28 (5) If the declaration is filed after the time prescribed
29 in section 53 (including cases in which an extension of time for
30 filing the declaration has been granted), paragraphs (2), (3),
31 and (4) of this subsection shall not apply, and there shall be
32 paid at the time of such filing all installments of estimated
33 tax which would have been payable on or before such time if the
34 declaration had been filed within the time prescribed in section
35 53, and the remaining installments shall be paid at the time at
36 which, and in the amounts in which they would have been payable
37 if the declaration had been so filed.

38 (b) Farmers. If an individual referred to in subsection (b)
39 of section 53 (relating to income from farming) makes a de-
40 clarations of estimated tax after September 15 of the taxable year
41 and on or before January 15 of the succeeding taxable year, the
42 estimated tax shall be paid in full at the time of the filing of
43 the declaration.

44 (c) Amendments of Declaration. If any amendment of a de-
45 clarations is filed, the remaining installments, if any, shall be
46 ratably increased or decreased, as the case may be, to reflect

47 the increase or decrease in the estimated tax by reason of
48 such amendment, and if any amendment is made after September 15
49 of the taxable year, any increase in the estimated tax by reason
50 thereof shall be paid at the time of making such amendment.

51 (d) Application to Short Taxable Years. The application of
52 this section to taxable years of less than 12 months shall be in
53 accordance with regulations prescribed by the [tax commissioner].

54 (e) Fiscal Years. In the application of this section to the
55 case of a taxable year beginning on any date other than January 1,
56 there shall be substituted, for the months specified in this
57 section, the months which correspond thereto.

58 (f) Installments Paid in Advance. At the election of the
59 individual, any installment of the estimated tax may be paid
60 prior to the date prescribed for its payment.

61 (g) Payment of Account. Payment of the estimated income tax
62 or any installment thereof, shall be considered payment on account
63 of the income tax imposed under this act for the taxable year.

1 Section 55. Extension of Time for Filing and Payment.

2 (a) General. The [tax commissioner] may grant a reasonable
3 extension of time for payment of tax or estimated tax or any
4 installment thereof, or for filing any return, declaration,
5 statement, or other document required pursuant to this chapter,
6 on such terms and conditions as he may require. Except for a
7 taxpayer who is outside the United States, no such extension for
8 filing any return, declaration, statement, or document, shall
9 exceed six months.

10 (b) Security. If any extension of time is granted for payment
11 of any amount of tax, the [tax commissioner] may require the tax-
12 payer to furnish a bond or other security in an amount not ex-
13 ceeding twice the amount for which the extension of time for
14 payment is granted, on such terms and conditions as the [tax
15 commissioner] may require.

1 Section 56. Change of Election. Any election expressly
2 authorized by this act may be changed on such terms and con-
3 ditions as the [tax commissioner] may prescribe by regulation.

1 Section 57. Signing of Returns and Other Documents.

2 (a) General. Any return, declaration, statement or other
3 document required to be made pursuant to this act shall be
4 signed in accordance with regulations or instructions pres-
5 cribed by the [tax commissioner]. The fact that an individual's
6 name is signed to a return, declaration, statement or other
7 document, shall be prima facie evidence for all purposes that
8 the return, declaration, statement or other document was actually
9 signed by him.

10 (b) Partnerships. Any return, statement or other document
11 required of a partnership shall be signed by one or more partners.
12 The fact that a partner's name is signed to a return, statement
13 or other document, shall be prima facie evidence for all purposes
14 that such partner is authorized to sign on behalf of the partner-
15 ship.

16 (c) Certifications. The making or filing of any return,
17 declaration, statement or other document or copy thereof re-
18 quired to be made or filed pursuant to this act, including a
19 copy of a federal return, shall constitute a certification by
20 the person making or filing such return, declaration, statement
21 or other document or copy thereof that the statements contained
22 therein are true and that any copy filed is a true copy.

Part II - Information Returns

1 Section 58. General Requirements Concerning Returns, Notices,
2 Records and Statements. The [tax commissioner] may prescribe
3 regulations as to the keeping of records, the content and form
4 of returns and statements and the filing of copies of federal
5 income returns and determinations. The [tax commissioner] may
6 require any person, by regulation or notice served on such person,
7 to make such returns, render such statements, or keep such
8 records, as the [tax commissioner] may deem sufficient to show
9 whether or not such person is liable under this act for tax or
10 for the collection of tax.

1 Section 59. Partnership Return. Every partnership having a
2 resident partner or having any income derived from sources in
3 this state, determined in accordance with the applicable rules
4 of section 15 as in the case of a nonresident individual, shall
5 make a return for the taxable year setting forth all items of
6 income, gain, loss, and deduction, and the names and addresses
7 of the individuals whether residents or nonresidents who would
8 be entitled to share in the net income if distributed and the
9 amount of the distributive share of each individual and such
10 other pertinent information as the [tax commissioner] may pre-
11 scribe by regulations and instructions. Such return shall be
12 filed on or before the fifteenth day of the fourth month follow-
13 ing the close of each taxable year. For purposes of this sec-
14 tion, "taxable year" means a year or period which would be a
15 taxable year of the partnership if it were subject to tax under
16 this act.

1 Section 60. Information Returns. The [tax commissioner] may
2 prescribe regulations and instructions requiring returns of in-
3 formation to be made and filed on or before February 28 of each
4 year by any person making payment or crediting in any calendar
5 year the amounts of \$[600] or more (\$[10] or more in the case of
6 interest or dividends) to any person who may be subject to the
7 tax imposed under this act. Such returns may be required of
8 any person, including lessees or mortgagors of real or personal
9 property, fiduciaries, employers, and all officers and employees
10 of this state, or of any municipal corporation or political sub-
11 division of this state, having the control, receipt, custody,
12 disposal or payment of dividends, interest, rents, salaries,
13 wages, premiums, annuities, compensations, remunerations,
14 emoluments or other fixed or determinable gains, profits, or
15 income, except interest coupons payable to bearer. A dupli-
16 cate of the statement as to tax withheld on wages, required to
17 be furnished by an employer to an employee, shall constitute
18 the return of information required to be made under this sec-
19 tion with respect to such wages.

1 Section 61. Report of Change in Federal Taxable Income. If
2 the amount of a taxpayer's federal taxable income reported on
3 his federal income tax return for any taxable year is changed
4 or corrected by the United States Internal Revenue Service or
5 other competent authority, or as the result of a renegotiation
6 of a contract or subcontract with the United States, the tax-
7 payer shall report such change or correction in Federal taxable
8 income within ninety days after the final determination of such
9 change, correction, or renegotiation, or as otherwise required
10 by the [tax commissioner], and shall concede the accuracy of
11 such determination or state wherein it is erroneous. Any tax-
12 payer filing an amended federal income tax return shall also
13 file within ninety days thereafter an amended return under this
14 act, and shall give such information as the [tax commissioner]
15 may require. The [tax commissioner] may by regulation prescribe
16 such exceptions to the requirements of this section as he deems
17 appropriate.

TITLE VIII

PROCEDURE AND ADMINISTRATION

Part I - Deficiencies

1 Section 62. Examination of Return. (a) Deficiency or
2 Overpayment. As soon as practical after the return is filed,
3 the [tax commissioner] shall examine it to determine the correct
4 amount of tax. If the [tax commissioner] finds that the amount
5 of tax shown on the return is less than the correct amount, he
6 shall notify the taxpayer of the amount of the deficiency pro-
7 posed to be assessed. If the [tax commissioner] finds that the
8 tax paid is more than the correct amount, he shall credit the
9 overpayment against any taxes due under this act by the taxpayer
10 and refund the difference.

11 (b) No Return Filed. If the taxpayer fails to file an
12 income tax return, the [tax commissioner] shall estimate the
13 taxpayer's taxable income and the tax thereon on from any

14 available information and notify the taxpayer of the amount pro-
15 posed to be assessed as in the case of a deficiency.

16 (c) Notice of Deficiency. A notice of deficiency shall set
17 forth the reason for the proposed assessment. The notice may
18 be mailed by certified or registered mail to the taxpayer at his
19 last known address. In the case of a joint return, the notice
20 of deficiency may be a single joint notice except that if the
21 [tax commissioner] is notified by either spouse that separate
22 residences have been established he shall mail joint notices
23 to each spouse. If the taxpayer is deceased or under a legal
24 disability, a notice of deficiency may be mailed to his last
25 known address unless the [tax commissioner] has received notice
26 of the existence of a fiduciary relationship with respect to such
27 taxpayer.

1 Section 63. Assessment Final if no Protest. Ninety days
2 after the date on which it was mailed (150 days if the taxpayer
3 is outside the United States), a notice of proposed assessment
4 of a deficiency shall constitute a final assessment of the
5 amount of tax specified together with interest, additions to
6 tax and penalties except only for such amounts as to which the
7 taxpayer has filed a protest with the [tax commissioner].

1 Section 64. Protest by Taxpayer. Within 90 days (150 days
2 if the taxpayer is outside the United States) after the mailing
3 of a deficiency notice, the taxpayer may file with the [tax
4 commissioner] a written protest against the proposed assessment
5 in which he shall set forth the grounds on which the protest
6 is based. If a protest is filed, the [tax commissioner] shall
7 reconsider the assessment of the deficiency and, if the tax-
8 payer has so requested, shall grant the taxpayer or his author-
9 ized representatives an oral hearing.

1 Section 65. Notice of Determination After Protest. Notice
2 of the [tax commissioner's] determination shall be mailed to the
3 taxpayer by certified or registered mail and such notice shall
4 set forth briefly the [tax commissioner's] findings of fact and
5 the basis of decision in each case decided in whole or in part
6 adversely to the taxpayer.

1 Section 66. Action of [Tax Commissioner] Final. The action
2 of the [tax commissioner] on the taxpayer's protest is final
3 upon the expiration of 90 days from the date when he mails
4 notice of his action to the taxpayer unless within this period
5 the taxpayer seeks judicial review of the [tax commissioner's]
6 determination.

1 Section 67. Burden of Proof in Proceedings Before the [Tax
2 Commissioner]. In any proceeding before the [tax commissioner]
3 under this act the burden of proof shall be on the taxpayer
4 except for the following issues, as to which the burden of proof
5 shall be on the [tax commissioner]:

6 (1) whether the taxpayer has been guilty of fraud with
7 attempt to evade tax,

8 (2) whether the petitioner is liable as the transferee of
9 property of a taxpayer (but not to show that the taxpayer was
10 liable for the tax).

11 (3) whether the taxpayer is liable for any increase in a
12 deficiency where such increase is asserted initially after the
13 notice of deficiency was mailed and a protest under section 64
14 filed, unless such increase in deficiency is the result of a
15 change or correction of federal taxable income required to be
16 reported under section 61, and of which change or correction
17 the [tax commissioner] had no notice at the time he mailed the
18 notice of deficiency.

1 Section 68. Evidence of Related Federal Determination.
2 Evidence of a federal determination relating to issues raised
3 in a proceeding under section 64 shall be admissible, under
4 rules established by the [tax commissioner].

1 Section 69. Mathematical Error. In the event that the
2 amount of tax is understated on the taxpayer's return due to
3 a mathematical error, the [tax commissioner] shall notify the
4 taxpayer that an amount of tax in excess of that shown on the
5 return is due and has been assessed. Such a notice of ad-
6 ditional tax due shall not be considered a notice of a de-
7 ficiency assessment nor shall the taxpayer have any right of
8 protest of appeal as in the case of a deficiency assessment

9 based on such notice, and the assessment and collection of the
10 amount of tax erroneously omitted in the return is not pro-
11 hibited by any provision of this act.

1 Section 70. Waiver of Restriction. The taxpayer at any
2 time, whether or not a notice of deficiency has been issued,
3 shall have the right to waive the restrictions on assessment
4 and collection of the whole or any part of the deficiency by
5 a signed notice in writing filed with the [tax commissioner].

1 Section 71. Assessment of Tax. (a) Date of Assessment.
2 The amount of tax which is shown to be due on the return
3 (including revisions for mathematical errors) shall be deemed
4 to be assessed on the date of filing of the return including
5 any amended returns showing an increase of tax. In the case
6 of a return properly filed without the computation of the tax,
7 the tax computed by the [tax commissioner] shall be deemed to be
8 assessed on the date when payment is due. If a notice of
9 deficiency has been mailed, the amount of the deficiency shall
10 be deemed to be assessed on the date provided in section 63 if
11 no protest is filed; or, if a protest is filed then upon the
12 date when the determination of the [tax commissioner] becomes
13 final. If an amended return or report filed pursuant to sec-
14 tion 61 concedes the accuracy of a federal change or correction,
15 any deficiency in tax under this act resulting therefrom shall
16 be deemed to be assessed on the date of filing such report or
17 amended return and such assessment shall be timely notwith-
18 standing any other provisions of this act. Any amount paid
19 as a tax or in respect of a tax, other than amounts withheld
20 at the source or paid as estimated income tax, shall be deemed
21 to be assessed upon the date of receipt of payment, notwith-
22 standing any other provision of this act.

23 (b) Other Assessment Powers. If the mode or time for the
24 assessment of any tax under this act, including interest, ad-
25 ditions to tax and penalties is not otherwise provided for, the
26 [tax commissioner] may establish the same by regulation.

27 (c) Supplemental Assessment. The [tax commissioner] may, at
28 any time within the period prescribed for assessment, make a

29 supplemental assessment, subject to the provisions of sec-
30 tion 62 where applicable, whenever it is found that any as-
31 sessment is imperfect or incomplete in any material aspect.

32 (d) Cross Reference. For assessment in case of jeopardy,
33 see section 103.

1 Section 72. Limitations on Assessment. (a) General.

2 Except as otherwise provided in this act, a notice of a pro-
3 posed deficiency assessment shall be mailed to the taxpayer
4 within three years after the return was filed. No deficiency
5 shall be assessed or collected with respect to the year for
6 which the return was filed unless the notice is mailed within
7 the three year period or the period otherwise fixed.

8 (b) Omission of More Than 25 Percent of Income. If the
9 taxpayer omits from gross income an amount properly includible
10 therein which is in excess of 25 percent of the amount of gross
11 income stated in the return, a notice of a proposed deficiency
12 assessment may be mailed to the taxpayer within six years after
13 the return was filed. For purposes of this subsection, there
14 shall not be taken into account any amount which is omitted in
15 the return if such amount is disclosed in the return, or in a
16 statement attached to the return, in a manner adequate to
17 apprise the [tax commissioner] of the nature and amount of
18 such item.

19 (c) No Return Filed or Fraudulent Return. If no return is
20 filed or a false and fraudulent return is filed with intent to
21 evade the tax imposed by this act, a notice of deficiency may
22 be mailed to the taxpayer at any time.

23 (d) Failure to Report Federal Change. If a taxpayer fails
24 to comply with the requirement of section 61 by not reporting
25 a change or correction increasing his federal taxable income,
26 or in not reporting a change or correction which is treated in
27 the same manner as if it were a deficiency for federal income
28 tax purposes, or in not filing an amended return, a notice of
29 deficiency may be mailed to the taxpayer at any time.

30 (e) Report of Federal Change or Correction. If the taxpayer
31 shall pursuant to section 61 report a change or correction or

32 file an amended return increasing his federal taxable income or
33 report a change or correction which is treated in the same
34 manner as if it were a deficiency for federal income tax pur-
35 poses, the assessment (if not deemed to have been made upon the
36 filing of the report or amended return) may be made at any time
37 within two years after such report or amended return was filed.

38 (f) Extension by Agreement. Where, before the expiration
39 of the time prescribed in this section for the assessment of a
40 deficiency, both the [tax commissioner] and the taxpayer shall
41 have consented in writing to its assessment after such time, the
42 deficiency may be assessed at any time prior to the expiration of
43 period agreed upon. The period so agreed may be extended by
44 subsequent agreement in writing made before the expiration of
45 the period previously agreed upon.

46 (g) Time Return Deemed Filed. For purposes of this section
47 an income tax return filed before the last day prescribed by law
48 or by regulation promulgated pursuant to law for the filing there-
49 of, shall be deemed to be filed on such last day. If a return
50 or withholding tax for any period ending with or within a calendar
51 year is filed before April 15 of the succeeding calendar year,
52 such return shall be deemed to be filed on April 15 of such suc-
53 ceeding calendar year.

1 Section 73. Recovery of Erroneous Refund. An erroneous re-
2 fund shall be considered an underpayment of tax on the date made,
3 and an assessment of a deficiency arising out of an erroneous re-
4 fund may be made at any time within two years from the making of
5 the refund, except that the assessment may be made within five
6 years from the making of the refund if it appears that any part
7 of the refund was induced by fraud or the misrepresentation of
8 of a material fact.

9 Section 74. Interest on Underpayments. (a) General. If
10 any amount of tax imposed by this act, including tax withheld
11 by an employer, is not paid on or before the last date pre-
12 scribed for payment, interest on such amount at the rate of
13 6 percent per annum shall be paid for the period from such last

14 date to date paid. No interest shall be imposed if the
15 amount due is less than one dollar nor shall this section apply
16 to any failure to pay estimated income tax under section 54.

17 (b) Last Date Prescribed for Payment. For purposes of this
18 section, the last date prescribed for the payment of tax shall
19 be determined without regard to any extension of time.

20 (c) Suspension of Waiver of Restrictions. If the taxpayer
21 has filed a waiver of restrictions on the assessment of a
22 deficiency and if notice and demand by the [tax commissioner]
23 for payment of such deficiency is not made within 30 days after
24 the filing of such waiver, interest shall not be imposed on such
25 deficiency for the period beginning immediately after such 30th
26 day and ending with the date of notice and demand.

27 (d) Interest Treated as Tax. Interest prescribed under this
28 section on any tax including tax withheld by an employer shall
29 be paid on notice and demand and shall be assessed, collected
30 and paid in the same manner as taxes. Any reference in this
31 act to the tax imposed by this act shall be deemed also to refer
32 to interest imposed by this section on such tax.

33 (e) Interest on Penalties, or Additions to Tax. Interest
34 shall be imposed under this section in respect to any penalty,
35 or addition to tax only if such penalty or addition to tax is
36 not paid within 10 days of the notice and demand therefor, and
37 in such case interest shall be imposed only for the period from
38 the date of the notice and demand to the date of payment.

39 (f) Payments Made Within 10 Days After Notice and Demand.
40 If notice and demand is made for the payment of any amount due
41 under this act and if such amount is paid within 10 days
42 after the date of such notice and demand, interest under this
43 section on the amount so paid shall not be imposed for the
44 period after the date of such notice and demand.

45 (g) Satisfaction by Credits. If any portion of a tax is
46 satisfied by credit of an overpayment, then no interest shall
47 be imposed under this section on the portion of the tax so
48 satisfied for any period during which if the credit had not

49 been made, interest would have been allowable with respect to
50 such overpayment.

51 (h) Interest on Erroneous Refund. Any portion of the tax
52 imposed by this act or any interest, penalty, or addition
53 to tax which has been erroneously refunded and which is re-
54 coverable by the [tax commissioner] shall bear interest at the
55 rate of 6 percent per annum from the date of payment of the
56 refund.

57 (i) Limitation on Assessment and Collection. Interest
58 prescribed under this section may be assessed and collected
59 at any time during the period within which the tax, penalty,
60 or addition to tax to which such interest relates may be
61 assessed and collected respectively.

Part II - Additions to Tax and Penalties

1 Section 75. Failure to File Tax Returns. (a) Failure to
2 File Tax Return. In case of failure to file any return re-
3 quired under this act on the date prescribed therefor (determi-
4 ned with regard to any extension of time for filing), unless it
5 is shown that such failure is due to reasonable cause and not
6 due to willful neglect, there shall be added to the amount re-
7 quired to be shown as tax on such return 5 percent of the amount
8 of such tax if the failure is not for more than one month, with
9 an additional 5 percent for each additional month or fraction
10 thereof during which such failure continues, not exceeding
11 25 percent in the aggregate. For purposes of this section,
12 the amount of tax required to be shown on the return shall be
13 reduced by the amount of any part of the tax which is paid on
14 or before the date prescribed for payment of the tax and by
15 the amount of any credit against the tax which may be claimed
16 upon the return.

17 (b) Failure to File Certain Information Returns. In case
18 of each failure to file a statement of payment to another
19 person required under the authority of this act including the
20 duplicate statement of tax withheld on wages on the date

21 prescribed therefor (determined with regard to any extension
22 of time for filing), unless it is shown that such failure is
23 due to a reasonable cause and not to willful neglect, there
24 shall be paid upon notice and demand by the [tax commissioner]
25 and in the same manner as by the person so failing to file the
26 statement, a penalty of \$2.00 for each statement not so filed,
27 but the total amount imposed on the delinquent person for all
28 such failures during any calendar year shall not exceed \$2,000.

1 Section 76. Failure to Pay Tax. (a) Deficiency Due to
2 Negligence. If any part of a deficiency is due to negligence
3 or intentional disregard of rules and regulations (but without
4 intent to defraud) there shall be added to the tax an amount
5 equal to 5 percent of the deficiency.

6 (b) Fraud. If any part of a deficiency is due to fraud,
7 there shall be added to the tax an amount equal to 50 percent
8 of the deficiency. This amount shall be in lieu of any amount
9 determined under subsection (a).

10 (c) Failure by Individual to File Declaration or Under-
11 payment of Estimated Tax. If any taxpayer fails to file a
12 declaration of estimated tax or fails to pay all or any part
13 of an installment of any tax, he shall be deemed to have made
14 an underpayment of estimated tax. The [tax commissioner] may
15 prescribe by regulation the method for determining the amount
16 of the underpayment and the period of the underpayment.

17 (d) Nonwillful Failure to Pay Withholding Tax. If any
18 employer, without intent to evade or defeat any tax imposed by
19 this act or the payment thereof, shall fail to make a return
20 and pay a tax withheld by him at the time required by or under
21 the provisions of this act, such employer shall be liable for
22 such taxes and shall pay the same together with interest thereon
23 and the addition to tax provided in subsection (a), and such
24 interest and addition to tax shall not be charged to or collected
25 from the employee by the employer. The [tax commissioner] shall
26 have the same rights and powers for the collection of such tax,
27 interest, and addition to tax against such employer as are now

28 prescribed by this act for the collection of tax against an
29 individual taxpayer.

30 (e) Willful Failure to Collect and Pay Over Tax. Any
31 person required to collect, truthfully account for, and pay over
32 the tax imposed by this act who willfully fails to collect such
33 tax or truthfully account for and pay over such tax or willfully
34 attempts in any manner to evade or defeat the tax or the payment
35 thereof, shall, in addition to other penalties provided by law
36 be liable to a penalty equal to the total amount of the tax
37 evaded, or not collected, or not accounted for and paid over.
38 No addition to tax under subsections (a) or (b) of this section
39 shall be imposed for any offense to which this subsection applies.

40 (f) Additional Penalty. Any person who with fraudulent intent
41 shall fail to pay, or to deduct or withhold and pay, any tax, or
42 to make, render, sign, or certify any return or declaration of
43 estimated tax, or to supply any information within the time
44 required by or under this act, shall be liable to a penalty
45 of not more than \$1,000, in addition to any other amounts re-
46 quired under this act, to be imposed, assessed and collected by
47 the [tax commissioner].

48 (g) Additions Treated as Tax. The additions to tax and
49 penalties provided by this act shall be paid upon notice and
50 demand and shall be assessed, collected, and paid in the same
51 manner as taxes and any reference in this act to income tax or
52 the tax imposed by this act shall be deemed also to refer to
53 additions to the tax, and penalties provided by this section.
54 For purposes of the deficiency procedures provided in section
55 62, this subsection shall not apply to:

56 (1) any addition to tax under subsection (a) of
57 section 75 except as to that portion attributable to a de-
58 ficiency;

59 (2) any addition to tax for failure to file a decla-
60 ration or underpayment of estimated tax as provided in sub-
61 section (c) of this section;

62 (3) any additional penalty under subsection (f) of this
63 section.

64 (h) Determination of Deficiency. For purposes of subsections
65 (a) and (b) related to deficiencies due to negligence or fraud,
66 the amount shown as the tax by the taxpayer upon his return shall
67 be taken into account in determining the amount of the deficiency
68 only if such return was filed on or before the last day prescribed
69 for the filing of such return, determined with regard to any ex-
70 tension of time for such filing.

71 (i) Person Defined. For purposes of subsections (e) and (f)
72 the term person includes an individual, corporation or partner-
73 ship, or an officer or employee of any corporation (including
74 a dissolved corporation), or a member or employee of any partner-
75 ship, who as such officer, employee or member is under a duty to
76 perform the act in respect of which the violation occurs.

1 Section 77. False Information with Respect to Withholding
2 Allowance. In addition to any other penalty provided by law,
3 if any individual in claiming a withholding allowance states
4 (1) as the amount of the wages shown on his return for any tax-
5 able year an amount less than such wages actually shown, or
6 (2) as the amount of the itemized deductions referred to in
7 section 9 shown on the return for any taxable year an amount
8 greater than such deductions actually shown, he will pay a
9 penalty of \$50 for such statement, unless:

10 (1) such statement did not result in a decrease in the
11 amounts deducted and withheld, or

12 (2) the taxes imposed with respect to the individual under
13 this act for the succeeding taxable year do not exceed the sum
14 of: (i) the credits against such taxes, and (ii) the payments
15 of estimated tax which are considered payments on account of
16 such taxes.

17 Section 62 relating to deficiency procedure shall not apply in
18 respect to the assessment or collection of any penalty imposed
19 by this section.

Part III - Credits and Refunds

1 Section 78. Authority to Make Credits or Refunds. (a) General.
2 Rule. The [tax commissioner] within the applicable period of

3 limitations may credit an overpayment of income tax and interest
4 on such overpayment against any liability in respect of any tax
5 imposed by the tax laws of this state on the person who made the
6 overpayment, and the balance shall be refunded by the treasurer
7 out of the proceeds of the tax retained by him for such general
8 purposes.

9 (b) Excessive Withholding. If the amount allowable as a
10 credit for tax withheld from the taxpayer exceeds his tax to
11 which the credit relates, the excess shall be considered an
12 overpayment.

13 (c) Overpayment by Employer. If there has been an over-
14 payment of tax required to be deducted and withheld under sec-
15 tion 19, refund shall be made to the employer only to the extent
16 that the amount of the overpayment was not deducted and withheld
17 by the employer.

18 (d) Credits Against Estimated Tax. The [tax commissioner]
19 may prescribe regulations providing for the crediting against
20 the estimated income tax for any taxable year of the amount
21 determined to be an overpayment of the income tax for a pre-
22 ceding taxable year.

23 (e) Assessment and Collection After Limitation Period. If
24 any amount of income tax is assessed or collected after the ex-
25 piration of the period of limitations properly applicable thereto,
26 such amount shall be considered an overpayment.

1 Section 79. Abatements. (a) General Rule. The [tax com-
2 missioner] is authorized to abate the unpaid portion of the
3 assessment of any tax or any liability in respect thereof, which
4 (1) is excessive in amount, or (2) is assessed after the ex-
5 piration of the period of limitations properly applicable thereto,
6 or (3) is erroneously or illegally assessed.

7 (b) No Claim by Taxpayer. No claim for abatement shall be
8 filed by a taxpayer in respect of an assessment of any tax
9 imposed under this act.

10 (c) Small Tax Balances. The [tax commissioner] is authorized
11 to abate the unpaid portion of the assessment of any tax, or any

12 liability in respect thereof, if he determines under uniform
13 rules prescribed by him that the administration and collection
14 costs involved would not warrant collection of the amount due.

1 Section 80. Limitations on Credit or Refund. (a) General.

2 A claim for credit or refund of an overpayment of any tax imposed
3 by this act shall be filed by the taxpayer within three years
4 from the time the return was filed or two years from the time
5 the tax was paid whichever of such periods expires the later;
6 or if no return was filed by the taxpayer, within two years
7 from the time the tax was paid. No credit or refund shall be
8 allowed or made after the expiration of the period of limitation
9 prescribed in this subsection for the filing of a claim for
10 credit or refund, unless a claim for credit or refund is filed
11 by the taxpayer within such period.

12 (b) Limit on Amount of Claim or Refund. If the claim is
13 filed by the taxpayer during the three-year period prescribed in
14 subsection (a), the amount of the credit or refund shall not
15 exceed the portion of the tax paid within the three years
16 immediately preceding the filing of the claim plus the period
17 of any extension of time for filing the return. If the claim
18 is not filed within such three-year period, but is filed within
19 the two-year period, the amount of the credit or refund shall
20 not exceed the portion of the tax paid during the two years
21 immediately preceding the filing of the claim. If no claim is
22 filed, the credit or refund shall not exceed the amount which
23 would be allowable under either of the preceding sentences, as
24 the case may be, if a claim was filed on the date the credit or
25 refund is allowed.

26 (c) Extension of Time by Agreement. If an agreement for
27 an extension of the period for assessment of income taxes is
28 made within the period prescribed in subsection (a) for the
29 filing of a claim for credit or refund, the period for filing
30 claim for credit or for making credit or refund if no claim is
31 filed, shall not expire prior to six months after the expiration
32 of the period within which an assessment may be made pursuant

33 to the agreement or any extension thereof. The amount of such
34 credit or refund shall not exceed the portion of the tax paid
35 after the execution of the agreement and before the filing of
36 the claim or the making of the credit or refund, as the case
37 may be, plus the portion of the tax paid within the period which
38 would be applicable under subsection (a) if a claim had been
39 filed on the date the agreement was executed.

40 (d) Notice of Change or Correction of Federal Income. If
41 a taxpayer is required by section 61 to report a change or
42 correction in federal taxable income reported on his federal
43 income tax return, or to report a change or correction which
44 is treated in the same manner as if it were an overpayment for
45 federal income tax purposes, or to file an amended return with
46 the [tax commissioner], claim for credit or refund of any
47 resulting overpayment of tax shall be filed by the taxpayer
48 within two years from the time the notice of such change or
49 correction or such amended return was required to be filed with
50 the [tax commissioner]. If the report or amended return re-
51 quired by section 61 is not filed within the 90-day period
52 therein specified, interest on any resulting refund or credit
53 shall cease to accrue after such 90th day. The amount of such
54 credit or refund shall not exceed the amount of the reduction
55 in tax attributable to such federal change, correction, or items
56 amended on the taxpayer's amended federal income tax return.
57 This subsection shall not affect the time within which or the
58 amount for which a claim for credit or refund may be filed apart
59 from this subsection.

60 (e) Special Rules. The following rules shall apply:

61 (1) If the claim for credit or refund relates to an
62 overpayment of tax on account of the deductibility by the tax-
63 payer of a debt as a debt which became worthless or a loss from
64 worthlessness of a security or the effect that the deductibility
65 of a debt or of a loss has on the application to the taxpayer of
66 a carry-over, the claim may be made, under regulations prescribed
67 by the [tax commissioner] within seven years from the date

68 prescribed by law for filing the return for the year with
69 respect to which the claim is made.

70 (2) If the claim for credit or refund relates to an
71 overpayment attributable to a net operating loss carry-back,
72 the claim may be made, under regulations prescribed by the
73 [tax commissioner] within the period which ends with the
74 expiration of the 15th day of the 40th month following the
75 end of the taxable year of the net operating loss which resulted
76 in such carry-back or the period prescribed in subsection (c)
77 in respect of such taxable year, whichever expires later.

1 Section 81. Interest on Overpayment. (a) General. Under
2 regulations prescribed by the [tax commissioner] interest shall
3 be allowed and paid at the rate of 6 percent per annum upon any
4 overpayment in respect of the tax imposed by this act. No
5 interest shall be allowed or paid if the amount thereof is less
6 than \$1.00.

7 (b) Date of Return or Payment. For purposes of this section:

8 (1) Any return filed before the last day prescribed
9 for the filing thereof shall be considered as filed on such last
10 day determined without regard to any extension of time granted
11 the taxpayer;

12 (2) Any tax paid by the taxpayer before the last day
13 prescribed for its payment, any income tax withheld from the
14 taxpayer during any calendar year and any amount paid by the
15 taxpayer as estimated income tax for a taxable year shall be
16 deemed to have been paid by him on the fifteenth day of the
17 fourth month following the close of his taxable year to which
18 such amount constitutes a credit or payment.

19 (c) Return and Payment of Withholding Tax. For purposes
20 of this section with respect to any withholding tax;

21 (1) If a return for any period ending with or within
22 a calendar year is filed before April 15 of the succeeding
23 calendar year, such return shall be considered filed on April 15
24 of such succeeding calendar year; and

25 (2) If a tax with respect to remuneration paid during
26 any period ending with or within a calendar year is paid before

27 April 15 of the succeeding calendar year, such tax shall be
28 considered paid on April 15 of such succeeding calendar year.

29 (d) Refund Within Three Months. If any overpayment of tax
30 imposed by this act is refunded within three months after the
31 last date prescribed (or permitted by extension of time) for
32 filing the return of such tax or within three months after the
33 return was filed, whichever is later, no interest shall be
34 allowed under this section on overpayment.

1 Section 82. Refund Claim. Every claim for refund shall be
2 filed with the [tax commissioner] in writing and shall state
3 the specific grounds upon which it is founded. The [tax com-
4 missioner] may grant the taxpayer or his authorized repre-
5 sentatives an opportunity for an oral hearing if the taxpayer
6 so requests.

1 Section 83. Notice of Denial. If the [tax commissioner]
2 disallows a claim for refund, he shall notify the taxpayer
3 accordingly. The action of the [tax commissioner] denying a
4 claim for refund is final upon the expiration of 90 days from
5 the date when he mails notice of his action to the taxpayer
6 unless within this period the taxpayer seeks judicial review
7 of the [tax commissioner's] determination.

1 Section 84. Refund Claim Deemed Disallowed. If the [tax
2 commissioner] fails to mail a notice of action on any refund
3 claim within six months after the claim is filed, the taxpayer
4 may, prior to notice of action on the refund claim, consider
5 the claim disallowed.

Part IV - Judicial Review - Suits for Refunds

1 Section 85. Review of Determination of [Tax Commissioner].
2 A determination by the [tax commissioner] on a taxpayer's
3 protest against the proposed assessment of a deficiency shall
4 be subject to judicial review at the instance of any taxpayer af-
5 fected thereby [either in the manner provided by law for the review
6 of final decisions or determinations of administrative agencies

7 of this state or by a de novo review in a court of appropriate
8 jurisdiction].²

1 Section 86. Judicial Review Exclusive Remedy in Deficiency
2 Proceedings. The review of a determination of the [tax com-
3 missioner] provided by section 85 shall be the exclusive remedy
4 available to any taxpayer for the judicial review of the action
5 of the [tax commissioner] in respect to the assessment of a
6 proposed deficiency. No injunction or other legal or equitable
7 process shall issue in any suit, action or proceeding in any
8 court against this state or against any office of this state to
9 prevent or enjoin the assessment or collection of any tax imposed
10 under this act.

1 Section 87. Assessment Pending Review - Review Bond. The
2 [tax commissioner] may assess a deficiency after the expiration
3 of the period specified in section 66 notwithstanding that an
4 application for judicial review in respect of such deficiency has
5 been made by the taxpayer, unless the taxpayer at or before the
6 time his application for review is made, has paid the deficiency,
7 or has deposited with the [tax commissioner] the amount of the
8 deficiency or has filed with the [tax commissioner] a bond, in
9 the amount of the deficiency being contested including interest
10 and other amounts as well as all costs and charges which may
11 accrue against him in the prosecution of the proceeding and
12 issued by a person authorized under the laws of this state to
13 act as surety, conditioned upon the payment of the deficiency
14 including interest and other amounts as finally determined and
15 such costs and charges.

1 Section 88. Proceedings After Review. (a) Credit, Refund or
2 Abatement. If the amount of a deficiency determined by the
3 [tax commissioner] is disallowed in whole or in part by the court
4 of review, the amount so disallowed shall be credited or re-
5 funded to the taxpayer without the making of a claim therefor, or,
6 if payment has not been made, shall be abated.

2. These provisions will have to be drafted to be consistent
with judicial remedies available in comparable proceedings.

7 (b) Deficiency Disallowed - Costs. If the deficiency
8 determined by the [tax commissioner] is disallowed, the tax-
9 payer shall have his costs. If the deficiency is disallowed
10 in part, the court in its discretion may award the taxpayer a
11 proportion of his costs.

12 (c) Assessment Final. An assessment of a proposed de-
13 ficiency by the [tax commissioner] shall become final upon the
14 expiration of the period specified in section 63 for filing a
15 written protest against the proposed assessment if no such
16 protest has been filed within the time provided; or if the
17 protest provided in section 64 has been filed, upon the ex-
18 piration of time provided for filing an application for ju-
19 dicial review, or upon the final judgment of the reviewing
20 court or upon the rendering by the [tax commissioner] of a
21 decision pursuant to the mandate of the reviewing court. Not-
22 withstanding the foregoing, for the purpose of making an
23 application for the review of a determination of the [tax com-
24 missioner], the determination shall be deemed final on the
25 date the notice of decision is sent by certified mail or re-
26 gistered mail to the taxpayer as provided in section 65.

1 Section 89. Suit for Refund. Except in cases involving the
2 proposed assessment of a deficiency, any taxpayer who claims
3 that the tax he has paid under this act is void in whole or in
4 part, may bring an action, upon the grounds set forth in his
5 claim for refund, against the [tax commissioner] for the
6 recovery or the whole or any part of the amount paid. Such
7 suit against the [tax commissioner] may be instituted in the
8 [district, county, circuit court of appropriate jurisdiction
9 where the taxpayer resides or in the capital city]. [If neces-
10 sary, insert appropriate provision for defense of action either
11 by the attorney general or counsel for the tax commissioner.]

1 Section 90. No Suit Prior to Filing Claim. No suit shall
2 be maintained for the recovery of any tax imposed by this act
3 alleged to have been erroneously paid until a claim for refund
4 has been filed with the [tax commissioner] as provided in

5 section 82 and the [tax commissioner] has denied the refund
6 or has filed to mail a notice of action on the claim within
7 six months after the claim was filed.

1 Section 91. Limitation on Suit for Refund. The action
2 authorized in section 90 shall be filed within three years from
3 the last date prescribed for filing the return or within one year
4 from the date the tax was paid, or within 90 days after the
5 denial of a claim for refund by the [tax commissioner] or within
6 90 days after the refund claim has been deemed to be disallowed
7 because of the failure of the [tax commissioner] to mail a
8 notice of action within six months after the claim was filed
9 whichever period expires the later.

1 Section 92. Judgement for Taxpayer. In any action for a
2 refund, the court may render judgment for the taxpayer for any
3 part of the tax, interest penalties or other amounts found to
4 be erroneously paid, together with interest on the amount of
5 the overpayment. The amount of any judgment against the [tax
6 commissioner] shall first be credited against any taxes, interest,
7 penalties or other amounts due from the taxpayer under the tax
8 laws of this state and the remainder refunded by the [state
9 treasurer].

Part V - Miscellaneous Enforcement Provisions

1 Section 93. Timely Mailing. If any claim, statement, notice,
2 petition, or other document including, to the extent authorized
3 by the [tax commissioner] a return or declaration of estimated
4 tax, required to be filed within a prescribed period or on or
5 before a prescribed date under the authority of any provision
6 of this act is, after such period of such date, delivered by
7 United States mail to the [tax commissioner], or the officer or
8 person therein with which or with whom such document is required
9 to be filed, the date of the United States postmark stamped on
10 the envelope shall be deemed to be the date of delivery. This
11 section shall apply only if the postmark date falls within the
12 prescribed period or on or before the prescribed date for the

13 filing of such document, determined with regard to any ex-
14 tension granted for such filing, and only if such document
15 was deposited in the mail, postage prepaid, properly addressed
16 to the [tax commissioner], office, officer or person therein
17 with which or with whom the document is required to be filed.
18 If any document is sent by United States registered mail, such
19 registration shall be prima facie evidence that such document
20 was delivered to the [tax commissioner], or the office, officer
21 or person to which or to whom it is addressed. To the extent that
22 the [tax commissioner] shall prescribe by regulation, certified
23 mail may be used in lieu of registered mail under this section.
24 This section shall apply in the case of postmarks not made by
25 the United States Post Office only if and to the extent provided
26 by regulations of the [tax commissioner]. When the last day
27 prescribed under the authority of this act, including any ex-
28 tension of time, for performing any act falls on Saturday,
29 Sunday, or a legal holiday in this state, the performance of
30 such act shall be considered timely if it is performed on the
31 next succeeding day which is not a Saturday, Sunday or a legal
32 holiday.

1 Section 94. Collection Procedures. (a) General. The tax
2 imposed by this act shall be collected by the [tax commissioner],
3 and he may establish the mode or time for the collection of any
4 amount due under this act if not otherwise specified. The [tax
5 commissioner] shall, on request, give a receipt for any amount
6 collected under this act. The [tax commissioner] may authorize
7 incorporated banks or trust companies which are depositaries or
8 fiscal agents of this state to receive and give a receipt for
9 any tax imposed under this act, in such manner, at such times,
10 and under such conditions as he may prescribe; and the [tax
11 commissioner] shall prescribe the manner, times and conditions
12 under which the receipt of tax by such banks and trust companies
13 is to be treated as payment of tax to the [tax commissioner].

14 (b) Notice and Demand. The [tax commissioner] shall as soon
15 as practicable give notice to each person liable for any amount

16 of tax, addition to tax, additional amount, penalty or interest,
17 which has been assessed but remains unpaid, stating the amount
18 and demanding within 10 days of the date of the notice and
19 demand payment thereof. Such notice shall be left at the
20 dwelling place or usual place of business of such person or
21 shall be sent by mail to such person's last known address.
22 Except where the [tax commissioner] determines that collection
23 would be jeopardized by delay, if any tax is assessed prior to
24 the last date, including any date fixed by extension, prescribed
25 for payment of such tax, payment of such tax shall not be
26 demanded until after such date.

27 (c) Cross-Reference: For requirements of payment without
28 assessment, notice or demand of amount shown to be due on
29 return, see section 51.

1 Section 95. Issuance of Warrant. If any person liable to
2 pay any tax, addition to tax, penalty, or interest imposed
3 under this act neglects or refuses to pay the same within ten
4 days after notice and demand, the [tax commissioner] may issue
5 a warrant directed to the [sheriff] of any county of this state
6 or to his own representative commanding him to levy upon and
7 sell such person's real and personal property for the payment
8 of the amount assessed, with the cost of executing the warrant,
9 and to return such warrant to the [tax commissioner] and to
10 pay him the money collected by virtue thereof within 60 days
11 after receipt of the warrant. If the [tax commissioner] finds
12 that collection of the tax is in jeopardy, notice and demand
13 for immediate payment of such tax may be made by the [tax
14 commissioner] and upon failure or refusal to pay such tax the
15 [tax commissioner] may issue a warrant without regard to the
16 ten-day waiting period provided in this section.

1 Section 96. Lien of Tax. If any tax imposed by this act
2 is not paid when due, the [tax commissioner] may file in the
3 office of any [county recorder] a certificate specifying the
4 amount of the tax, addition to tax, penalty and interest due,
5 the name and last known address of the taxpayer liable for the

6 amount and the fact that the [tax commissioner] has complied
7 with all the provisions of this act in the assessment of the
8 tax. From the time of the filing, the amount set forth in the
9 certificate constitutes a lien upon all property of the tax-
10 payer in the county then owned by him or thereafter acquired
11 by him in the period before the expiration of the lien. The
12 lien provided herein has the same force, effect and priority
13 as a judgment lien and continues for ten years from the date
14 of recording unless sooner released or otherwise discharged.

1 Section 97. Extension; Release of Lien. Within ten years
2 from the date of the recording or within ten years from the
3 date of the last extension of the lien in the manner provided
4 herein, the lien may be extended by recording in the office
5 of the [county recorder] of any county, a new certificate. The
6 [tax commissioner] may, at any time, release all or any portion
7 of the property subject to any lien provided for in this act or
8 subordinate the lien to other liens if he determines that the
9 taxes are sufficiently secured by a lien on other property of
10 the taxpayer or that the release or subordination of the lien
11 will not endanger or jeopardize the collection of the taxes.

1 Section 98. Taxpayer Not a Resident. When notice and
2 demand for the payment of a tax is given to a nonresident and
3 it appears to the [tax commissioner] that it is not practicable
4 to locate property of the taxpayer sufficient in amount to
5 cover the amount of tax due, he shall send a copy of the
6 certificate provided for in section 96 to the taxpayer at his
7 last known address together with a notice that such certificate
8 has been filed with the [county recorder]. Thereafter, the
9 [tax commissioner] may authorize the institution of any action
10 or proceeding to collect or enforce such claim in any place
11 and by any procedure that a civil judgment of a court of record
12 of this state could be collected or enforced. The [tax com-
13 missioner] may also in his discretion, designate agents or
14 retain counsel outside this state for the purpose of collecting
15 outside this state any taxes due under this act from taxpayers

16 who are not residents of this state; and he may fix the com-
17 pensation of such agents and counsel to be paid out of money
18 appropriated or otherwise lawfully available for payment there-
19 of and he may require of them bonds or other security for the
20 faithful performance of their duties. The [tax commissioner]
21 is authorized to enter into agreements with the tax departments
22 of other states and the District of Columbia for the collection
23 of taxes from persons found in this state who are delinquent
24 in the payment of income taxes imposed by those states or the
25 District of Columbia on condition that the agreeing states and
26 the District of Columbia afford similar assistance in the
27 collection of taxes from persons found in those jurisdictions
28 who are delinquent in the payment of taxes imposed under this
29 act.

1 Section 99. Action for Recovery of Taxes. The [tax com-
2 missioner] within six years after the assessment of any tax may
3 bring an action in any court of competent jurisdiction within
4 or without this state in the name of the people of this state
5 to recover the amount of any taxes, additions to tax, penalties
6 and interest due and unpaid under this act. In such action, the
7 certificate of the [tax commissioner] showing the amount of the
8 delinquency shall be prima facie evidence of the levy of the tax,
9 of the delinquency, and of the compliance by the [tax commissioner]
10 with all the provisions of this act in relation to the assessment
11 of the tax.

1 Section 100. Income Tax Claims of Other States. The courts
2 of this state shall recognize and enforce liabilities for
3 personal income taxes lawfully imposed by any other state which
4 extends a like comity to this state, and the duly authorized
5 officer of any such state may sue for the collection of such a
6 tax in the courts of this state. A certificate by the secre-
7 tary of state of such other state that an officer suing for the
8 collection of such a tax is duly authorized to collect the tax
9 shall be conclusive proof of such authority. For the purposes
10 of this section, the word "taxes" shall include additions to tax
11 (interest and penalties, and liability for such taxes, additions

12 to tax), interest and penalties shall be recognized and enforced
13 by the courts of this state to the same extent that the laws of
14 such other state permit the enforcement in its courts of liability
15 for such taxes, additions to tax, interest and penalties due this
16 state under this act.

1 Section 101. Order to Compel Compliance. (a) Failure to
2 File Tax Return. If any person willfully refuses to file an
3 income tax return required by this act, the [tax commissioner]
4 may apply to a judge of the [court of appropriate jurisdiction]
5 for the county in which the taxpayer (or other person required
6 to file an income tax return) resides, for an order directing
7 such person to file the required return. If a person fails
8 or refuses to obey such order, he shall be guilty of contempt
9 of court.

10 (b) Failure to Furnish Records or Testimony. If any person
11 willfully refuses to make available any books, papers, records
12 or memoranda for examination by the [tax commissioner] or his
13 representative or willfully refuses to attend and testify,
14 pursuant to the powers conferred on the [tax commissioner] by
15 section 110(c) of this act, the [tax commissioner] may apply to
16 a judge in the [court of appropriate jurisdiction] for the
17 county where such person resides, for an order directing that
18 person to comply with the [tax commissioner's] request for
19 books, papers, records or memoranda or for his attendance and
20 testimony. If the books, papers, records or memoranda re-
21 quired by the [tax commissioner] are in the custody of a
22 corporation, the order of the court may be directed to any
23 principal officer of such corporation. If a person fails
24 or refuses to obey such order, he shall be guilty of contempt
25 of court.

1 Section 102. Transferees. (a) General. The liability, at
2 law or in equity, of a transferee of property of a taxpayer
3 for any tax, addition to tax, penalty or interest due the [tax
4 commissioner] under this act, shall be assessed, paid and
5 collected in the same manner and subject to the same provisions

6 and limitations as in the case of the tax to which the liability
7 relates except as hereinafter provided in this section. The
8 term transferee includes donee, heir, legatee, devisee, and
9 distributee.

10 (b) Period of Limitation. In the case of the liability of
11 an initial transferee, the period of limitation for assessment
12 of any liability is within one year after the expiration of
13 period of limitation against the transferor; in the case of the
14 liability of a transferee of a transferee, within one year after
15 the expiration of the period of limitation against the preceding
16 transferee, but not more than three years after the expiration
17 of the period of limitation for assessment against the original
18 transferor; except that if before the expiration of the period
19 of limitation for the assessment of the liability of the trans-
20 feree, a proceeding for the collection of the liability has been
21 begun against the initial transferor or the last preceding trans-
22 feree, respectively, then the period of limitation for assessment
23 of the liability of the transferee shall expire one year after
24 the proceeding is terminated.

25 (c) Extension by Agreement. If before the expiration of the
26 time provided in this section for the assessment of the liability
27 the [tax commissioner] and the transferee have both consented in
28 writing to its assessment after such time, the liability may be
29 assessed at any time prior to the expiration of the period agreed
30 upon or an extension thereof. For the purpose of determining the
31 period of limitation on credit or refund to the transferee of over-
32 payments of tax made by such transferee of overpayments of tax
33 made by the transferor of which the transferee is legally en-
34 titled to credit or refund, such agreement and any extension
35 thereof shall be deemed an agreement or extension referred to in
36 subsection (c) of section 80. If the agreement is executed after
37 the expiration of the period of limitation for assessment against
38 the taxpayer with reference to whom the liability of such trans-
39 feree arises, then in applying the limitations under subsection
40 (b) of section 80 on the amount of the credit or refund, the
41 periods specified in subsection (a) of section 80 shall be
42 increased by the period from the date of such expiration to

43 the date of the agreement.

44 (d) Transferor Deceased. If any person is deceased, the
45 period of limitation for assessment against such person shall
46 be the period that would be in effect had death not occurred.

1 Section 103. Jeopardy Assessments. (a) Filing and Notice.
2 If the [tax commissioner] finds that the assessment or the
3 collection of a tax or a deficiency for any year, current or
4 past, will be jeopardized in whole or in part by delay, he
5 may mail or issue notice of his finding to the taxpayer, to-
6 gether with a demand for immediate payment of the tax or the
7 deficiency declared to be in jeopardy, including additions to
8 tax, interest and penalties.

9 (b) Termination of Taxable Year. In the case of a tax
10 for a current period, the [tax commissioner] shall declare the
11 taxable period of the taxpayer immediately terminated and his
12 notice and demand for a return and immediate payment of the tax
13 shall relate to the period declared terminated, including therein
14 income accrued and deductions incurred up to the date of termi-
15 nation if not otherwise properly includible or deductible in
16 respect of the period.

17 (c) Collection. A jeopardy assessment is immediately due
18 and payable, and proceedings for collection may be commenced at
19 once. The taxpayer, however, may stay collection and prevent
20 the jeopardy assessment from becoming final by filing, within
21 ten days after the date of mailing or issuing the notice of
22 jeopardy assessment, a request for reassessment, accompanied
23 by a bond or other security in the amount of the assessment
24 including additions to tax, penalties, and interest as to
25 which the stay of collection is sought. If a request for
26 reassessment, accompanied by a bond or other security on the
27 appropriate amount, is not filed within the ten-day period,
28 the assessment becomes final.

29 (d) Proceeding on Reassessment. If a request for re-
30 assessment accompanied by a bond or other security, is filed
31 within the ten-day period, the [tax commissioner] shall re-
32 consider the assessment and, if the taxpayer has so requested

33 in his petition, the [tax commissioner] shall grant him or his
34 authorized representatives an oral hearing. The [tax com-
35 missioner's] action on the request for reassessment becomes
36 final upon the expiration of thirty days from the date when
37 he mails notice of his action to the taxpayer, unless within
38 that thirty-day period, the taxpayer files an application to
39 seek judicial review of the [tax commissioner's] determination.

40 (e) Presumptive Evidence of Jeopardy. In any proceeding
41 brought to enforce payment of taxes made due and payable by
42 this section, the finding of the [tax commissioner] under sub-
43 section (a) of this section is for all purposes presumptive
44 evidence that the assessment or collection of the tax or de-
45 ficiency was in jeopardy.

46 (f) Abatement if Jeopardy Does Not Exist. The [tax com-
47 missioner] may abate the jeopardy assessment if he finds that
48 jeopardy does not exist.

1 Section 104. Bankruptcy or Receivership. (a) Immediate
2 Assessment. Upon the adjudication of bankruptcy of any tax-
3 payer in any bankruptcy proceeding or the appointment of a
4 receiver for any taxpayer in any receivership proceeding before
5 any court of the United States or any state or territory or of
6 the District of Columbia, any deficiency (together with ad-
7 ditions to tax and interest provided by law) determined by the
8 [tax commissioner] may be immediately assessed.

9 (b) Adjudication of Claims. Claims for the deficiency and
10 such additions to tax and interest may be presented, for ad-
11 judication in accordance with law, to the court before which
12 the bankruptcy or receivership proceeding is pending, despite
13 the pendency of a protest before the [tax commissioner] under
14 section 64. No protest against a proposed assessment shall be
15 filed with the [tax commissioner] after the adjudication of
16 bankruptcy or appointment of the receiver.

17 (c) Cross Reference: For the requirement of notice to the
18 [tax commissioner] of the qualification of a trustee in
19 bankruptcy, receiver, assignee for the benefit of creditors, or
20 other like judiciary, see section 47.

Part VI - Criminal Offenses

1 Section 105. Attempt to Evade or Defeat Tax. Any person
2 who willfully attempts in any manner to evade or defeat any
3 tax imposed by this act or the payment thereof shall, in ad-
4 dition to other penalties provided by law, be guilty of a
5 felony and, upon conviction thereof, shall be fined not more
6 than \$[5,000], or imprisoned not more than [5] years, or both,
7 together with the costs of prosecution.

1 Section 106. Failure to Collect or Pay Over. Any person
2 required under this act to collect, truthfully account for,
3 and pay over any tax imposed by this act who willfully fails
4 to collect or truthfully account for and pay over such tax
5 shall, in addition to other penalties provided by law, be
6 guilty of a felony and, upon conviction thereof, shall be
7 fined not more than \$[5,000], or imprisoned not more than [5]
8 years, or both, together with the costs of prosecution.

1 Section 107. Failure to File Return, Supply Information,
2 Pay Tax. Any person required under this act to pay any tax or
3 estimated tax, or required by this act or regulation prescribed
4 thereunder to make a return (other than a return of estimated
5 tax), keep any records, or supply any information, who will-
6 fully fails to pay such tax or estimated tax, make such return,
7 keep such records, or supply such information, at the time or
8 times required by law or regulations, shall, in addition to
9 other penalties provided by law, be guilty of a misdemeanor
10 and, upon conviction thereof, shall be fined not more than
11 \$[5,000], or imprisoned not more than [one] year, or both,
12 together with the costs of prosecution.

1 Section 108. False Statements. Any person who willfully
2 makes and subscribes any return, statement or other document,
3 which contains or is verified by a written declaration that it
4 is made under the penalties of perjury, and which he does not
5 believe to be true and correct as to every material matter; or
6 willfully aids or procures the preparation or presentation in

7 a matter arising under the provisions of this act of a return,
8 affidavit, claim or other document which is fraudulent or is
9 false as to any material matter shall be guilty of a felony
10 and, upon conviction thereof, shall be fined not more than
11 \$[5,000], or imprisoned not more than [3] years, or both,
12 together with the costs of prosecution.

1 Section 109. Limitations. Any prosecution under this act
2 shall be instituted within three years after the commission
3 of the offense, provided that if such offense is the failure
4 to do an act required by or under the provisions of this
5 act to be done before a certain date, a prosecution for such
6 offense may be commenced not later than [3] years after such
7 date. The failure to do any act required by or under the
8 provisions of this act shall be deemed an act committed in
9 part at the principal office of the [tax commissioner]. Any
10 prosecution under this act may be conducted in any county
11 where the person or corporation to whose liability the proceeding
12 relates resides, or has a place of business or in any county
13 in which such crime is committed. The attorney general shall
14 have concurrent jurisdiction with the [district] attorney in
15 the prosecution of any offenses under this act.

Part VII - Powers of [Tax Commissioner]

1 Section 110. (a) General. The [tax commissioner] shall
2 administer and enforce the tax imposed by this act and he is
3 authorized to make such rules and regulations and to require
4 such facts and information to be reported, as he may deem
5 necessary to enforce the provisions of this act. The [tax
6 commissioner] may for enforcement and administrative purposes
7 divide the state into a reasonable number of districts in
8 which branch offices may be maintained.

9 (b) Returns and Forms. The [tax commissioner] may prescribe
10 the form and contents of any return or other document required
11 to be filed under the provisions of this act.

12 (c) Examination of Books and Witnesses. The [tax com-
13 missioner] for the purpose of ascertaining the correctness of

14 any return, or for the purpose of making an estimate of taxable
15 income of any person, shall have power to examine or to cause
16 to have examined, by any agent or representative designated
17 by him for that purpose, any books, papers, records or memo-
18 randa bearing upon the matters required to be included in the
19 return, and may require the attendance of the person rendering
20 the return or any officer or employee of such person, or the
21 attendance of any other person having knowledge in the premises,
22 and may take testimony and require proof material for his
23 information, with power to administer oaths to such person or
24 persons.

25 (d) Secrecy of Returns and Information. Except in ac-
26 cordance with proper judicial order or as otherwise provided
27 by law, it shall be unlawful for the [tax commissioner] or
28 any officer or employee of the [tax department], any person
29 engaged or retained by such [department] on an independent
30 contract basis, or any person who, pursuant to this section,
31 is permitted to inspect any report or return or to whom a
32 copy, an abstract or a portion of any report or return is
33 furnished, to divulge or make known in any manner the amount
34 of income or any particulars set forth or disclosed in any
35 report or return required under this act. The officers
36 charged with the custody of such reports and returns shall not
37 be required to produce any of them or evidence of anything
38 contained in them in any action or proceeding in any court,
39 except on behalf of the [tax commissioner] in an action or
40 proceeding under the provisions of the tax law to which he
41 is a party, or on behalf of any party to any action or pro-
42 ceeding under the provisions of this act when the reports or
43 facts shown thereby are directly involved in such action or
44 proceeding, in either of which events the court may require
45 the production of, and may admit in evidence, so much of said
46 reports or of the facts shown thereby, as are pertinent to
47 the action or proceeding and no more. Nothing herein
48 shall be construed to prohibit the delivery to a taxpayer

49 or his duly authorized representative of a certified copy
50 of any return or report filed in connection with his tax or to
51 prohibit the publication of statistics so classified as to pre-
52 vent the identification of particular reports or returns and
53 the items thereof, or the inspection by the attorney general
54 or other legal representatives of the state of the report or
55 return of any taxpayer who shall bring an action to review the
56 tax based thereon, or against whom an action or proceeding for
57 collection of tax has been instituted. Any person who violates
58 the provisions of this subsection shall be guilty of a misde-
59 meanor and, upon conviction thereof, shall be fined not more
60 than \$[1,000] or imprisoned not more than [one] year, or both,
61 in the discretion of the court, together with costs of pro-
62 secution. If the offender is an officer or employee of the
63 state, he shall be dismissed from office and be ineligible to
64 hold any public office in this state for a period of [5] years
65 thereafter.

66 (e) Reports and Returns Preserved. Reports and returns
67 required to be filed under this act shall be preserved for
68 [3] years and thereafter until the [tax commissioner] orders
69 them to be destroyed.

70 (f) Cooperation with the United States and Other States.
71 Notwithstanding the provisions of subsection (d), the [tax
72 commissioner] may permit the secretary of the treasury of the
73 United States or his delegates, or the proper officer of any
74 state imposing an income tax upon the incomes of individuals, or
75 the authorized representative of either such officer, to inspect
76 the income tax returns of any individuals, or may furnish to such
77 officer or his authorized representative an abstract of the return
78 of income of any individual or supply him with information con-
79 cerning an item of income contained in any return, or disclosed
80 by the report of any investigation of the income or return of
81 income of any individual, but such permission shall be granted
82 only if the statutes of the United States or of such other
83 state, as the case may be, grant substantially similar privileges

84 to the [tax commissioner] of this state as the officer charged
85 with the administration of the tax imposed by this act.

86 (g) Cooperation With Other Tax Officials of This State.

87 The [tax commissioner] may permit other tax officials of this
88 state to inspect the tax returns and reports filed under this
89 act but such inspection shall be permitted only for purposes
90 of enforcing a tax law and only to the extent and under the
91 conditions prescribed by the regulations of the [tax com-
92 missioner].

1 Section 111. Closing Agreements. (a) [Tax Commissioner]
2 Authorized. The [tax commissioner], or any person authorized
3 in writing by him, is authorized to enter into an agreement
4 with any person relating to the liability of such person (or
5 of the person or estate for whom he acts) in respect to the
6 tax imposed by this act for any taxable period.

7 (b) Finality. If such agreement is approved by the [state
8 auditor] within such time as may be stated in such agreement or
9 later agreed to, such agreement shall be final and conclusive
10 and, except upon a showing of fraud or malfeasance, or mis-
11 representation of a material fact:

12 (1) the case shall not be reopened as to matters
13 agreed upon or the agreement modified by any officer, employee
14 or agent of this state, and

15 (2) in any suit, action or proceeding under such
16 agreement, or any determination, assessment, collection, payment,
17 abatement, refund, or credit made in accordance therewith, shall
18 not be annulled, modified, set aside or disregarded.

19 Section 112. Governor May Contract with Secretary of the
20 Treasury for Collection of Tax. The governor or his delegate
21 is authorized in his discretion to enter into an agreement with
22 the secretary of the treasury of the United States or his
23 delegate, under which, to the extent provided by the terms of
24 the agreement, the secretary or his delegate will administer,
25 enforce and collect such income tax on behalf of the state.
26 The cost of the services performed by the secretary or his

27 delegate in administering, enforcing or collecting an income
28 tax under the terms of such an agreement may be paid from the
29 appropriations for the general operations of the [tax depart-
30 ment].

1 Section 113. Governor May Contract With Secretary of Treas-
2 ury for Administration of Federal Tax. The governor or his
3 delegate is authorized in his discretion to enter into an
4 agreement with the secretary of the treasury of the United
5 States or his delegate under which, to the extent provided by
6 the terms of the agreement, the governor or his delegate will
7 undertake to conduct on behalf of the United States any ad-
8 ministrative, enforcement or collection function in respect
9 to the federal income tax on individuals. Such agreement shall
10 make provision for the payment by the United States of cost of
11 the services performed on its behalf.

1 Section 114. Armed Forces Relief Provisions (a) Time of
2 Performance. The period of service in the armed forces of
3 the United States in combat zone plus any period of continu-
4 ous hospitalization outside this state attributable to such
5 service plus the next 180 days shall be disregarded in determi-
6 ning, under regulations to be promulgated by the [tax com-
7 missioner], whether any act required by this act was performed
8 by a taxpayer or his representative within the time prescribed
9 therefor.

10 (b) Death Attributable to Service in Combat Zone. In the
11 case of any individual who dies during an induction period
12 while in active service as a member of the armed forces of the
13 United States, if such death occurred while the individual was
14 serving in a combat zone or as a result of wounds, disease, or
15 injury incurred while so serving, the tax imposed by this act
16 shall not apply with respect to the taxable year in which falls
17 the date of his death, or with respect to any prior taxable
18 year ending on or after the first day he so served in a combat
19 zone.

20 Section 115. Effective Date. This act shall take effect
21 immediately and shall be applicable with respect to items of

22 income, deduction, loss or gain accruing in taxable years
23 ending on or after [January 1, 19] but only to the extent
24 such items have been earned, received, incurred or accrued on
25 or after [January 1, 19]. For the purpose of facilitating
26 the administration of the tax imposed by this act during the
27 transitional period, the [tax commissioner] shall provide by
28 regulation for the filing of returns in respect to taxable
29 periods of less than 12 calendar months ending after [January 1,
30 19] and prior to [December 31, 19].

1 Section 116. Separability. [Insert separability clause.]

2 Section 117. Disposition of Revenues. [Insert appropriate
3 language for disposition of revenues.]

TITLE IX

AUTHORIZATION FOR A COUNTY SUPPLEMENT TO THE STATE INCOME TAX

1 Section 118. Title. This part may be cited as the "Uniform
2 County Income Tax Law."

1 Section 119. Authorization. Any county, by action of its
2 local governing board, may adopt by reference the provisions of
3 the state income tax imposed by titles I through VIII, except
4 that a county located in a Standard Metropolitan Statistical
5 Area, designated as such by the U. S. Bureau of the Census in
6 most recent census of population, may adopt an income tax only
7 if the governing board of each county in that Standard Metropoli-
8 tan Statistical Area within this state by mutual and unanimous
9 agreement adopts the identical tax authorized by this act.

1 Section 120. Certification and Withdrawal of the County
2 Income Tax. Any county enacting an income tax in accordance
3 with this act shall certify to the [tax commissioner] the date
4 of adoption of the ordinance imposing an income tax, the rate
5 of the tax, and the date when the enactment becomes effective.

6 A county imposing an income tax in accordance with the provi-
7 sions of this act may repeal its income tax only after first

8 giving at least [120] days notice of the contemplated repeal
9 of its income tax to the [state tax department] and, in the
10 case of counties within a Standard Metropolitan Statistical
11 Area, to the governing boards of other participating counties.
12 The withdrawal shall be effective from and after the first day
13 of the next calendar year and in the absence of a mutual and
14 unanimous agreement among all counties in the Standard Metropoli-
15 tan Statistical Area the income tax imposed by each county shall
16 be discontinued and repealed in all counties. Nothing in this
17 section shall be construed or applied to prevent or interfere
18 with the collection of tax monies which were lawfully due and
19 payable when the tax was effective and any money collected
20 after the tax has been repealed and discontinued shall be ac-
21 counted for and distributed as required in this act.

1 Section 121. Rate of County Income Tax. In lieu of the
2 rates applicable to taxable incomes set forth in section 1 of
3 this act the income tax imposed by any county adopting by
4 reference the state income tax shall not exceed [20] percent
5 of the liability determined for state income tax purposes.¹

1 Section 122. State Administration of the County Income Tax.
2 The income tax imposed under the provisions of this act in any
3 county shall be administered by the [state tax commissioner].
4 Revenues collected under county income taxes shall be accounted
5 for separately and shall be paid into a separate fund to be
6 distributed to the counties imposing such taxes after deducting
7 an amount to cover the necessary and legitimate additional
8 expenditures incurred by the [tax commissioner] in administering
9 the county income taxes. The rules and regulations promulgated
10 in accordance with the state income tax shall apply to the county
11 income taxes except when, in the judgment of the [tax commissioner],
12 such rules would be inconsistent or not feasible of proper adminis-
13 tration.

1. In order to prevent counties from experiencing revenue windfalls or losses as a result of changes in state income tax rates, legislatures may wish to consider authorizing the [tax commissioner] to proportionately increase or reduce the county income tax limitation.

1 Section 123. Distribution of Collections Among Local
2 Governments. All sums received and collected on behalf of a
3 particular political subdivision pursuant to this act shall
4 be credited to a special Local Income Tax Fund which is hereby
5 established in the State Treasury, and after deducting the
6 amount of refunds made, the amounts necessary to defray the
7 cost of collecting tax, and the administrative expenses
8 incident thereto, shall be paid within [10] days after col-
9 lection to the political subdivision entitled thereto.

1 Section 124. Separability. [Insert separability clause.]

2 Section 125. Effective Date. [Insert effective date.]

- Coordination of State and Federal Inheritance, Estate and Gift Taxes. Report A-1. January 1961. 134 p., printed.
- Investment of Idle Cash Balances by State and Local Governments. Report A-3. January 1961. 61 p., printed. (Out of print; summary available.)
- Investment of Idle Cash Balances by State and Local Governments--A Supplement to Report A-3. January 1965. 16 p., offset.
- Governmental Structure, Organization, and Planning in Metropolitan Areas. Report A-5. July 1961. 83 p., U. S. House of Representatives, Committee on Government Operations, Committee Print, 87th Congress, 1st Session.
- State and Local Taxation of Privately Owned Property Located on Federal Areas: Proposed Amendment to the Buck Act. Report A-6. June 1961. 34 p., offset. (Out of print summary available.)
- Intergovernmental Cooperation in Tax Administration. Report A-7. June 1961. 20 p., offset.
- Periodic Congressional Reassessment of Federal Grants-in-Aid to State and Local Governments. Report A-8. June 1961. 67 p., offset. (Reproduced in Appendix of hearings on S. 2114 before the U. S. Senate, Subcommittee on Intergovernmental Relations of the Committee on Government Operations, January 14, 15, and 16, 1964, 88th Congress, 2d Session.)
- Local Nonproperty Taxes and the Coordinating Role of the State. Report A-9. September 1961. 68 p., offset.
- Alternative Approaches to Governmental Reorganization in Metropolitan Areas. Report A-11. June 1962. 88 p., offset.
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- Transferability of Public Employee Retirement Credits Among Units of Government. A-16. March 1963. 92 p., offset.
- *The Role of the States in Strengthening the Property Tax. Report A-17. June 1963. Volume I (187 p.) and Volume II (182 p.), printed (\$1.25 each).
- Industrial Development Bond Financing. Report A-18. June 1963. 96 p., offset.
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- Grant-in-Aid Programs Encated by the 2nd Session of the 88th Congress--A Supplement to Report A-19. March 1965. 22 p., offset.
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- Statutory and Administrative Controls Associated with Federal Grants for Public Assistance. Report A-21. May 1964. 108 p., printed.
- The Problem of Special Districts in American Government. Report A-22. May 1964. 112 p., printed.
- The Intergovernmental Aspects of Documentary Taxes. Report A-23. September 1964. 29 p., offset.
- State-Federal Overlapping in Cigarette Taxes. Report A-24. September 1964. 62 p., offset.
- Metropolitan Social and Economic Disparities: Implications for Intergovernmental Relations in Central Cities and Suburbs. Report A-25. January 1965. 253 p., offset.
- Relocation: Unequal Treatment of People and Businesses Displaced by Governments. Report A-26. January 1965. 141 p., offset.
- Federal-State Coordination of Personal Income Taxes. Report A-27. October 1965. 203 p., offset.
- Building Codes: A Program for Intergovernmental Reform. Report A-28. January 1966. 103 p., offset.
- *Intergovernmental Relations in the Poverty Program. Report A-29. April 1966. 278 p., offset (\$1.50).
- *State-Local Taxation and Industrial Location. Report A-30. April 1967. 114 p., offset. (\$0.60).
- Fiscal Balance in the American Federal System. Report A-31. (In press) (two volumes).
- Factors Affecting the Voter Reactions to Governmental Reorganization in Metropolitan Areas. Report M-15. May 1962. 80 p., offset.
- *Measures of State and Local Fiscal Capacity and Tax Effort. Report M-16. October 1962. 150 p., printed (\$1.00).
- *Performance of Urban Functions: Local and Areawide. Report M-21. September 1963. 281 p., offset (\$1.50).
- *Tax Overlapping in the United States. Report M-23. July 1964. 235 p., printed (\$1.50).
- State Technical Assistance to Local Debt Management. Report M-26. January 1965. 80 p., offset.
- *A Handbook for Interlocal Agreements and Contracts. Report M-29. March 1967. 197 p., offset (\$1.00).
- Metropolitan America: Challenge To Federalism. Report M-31. August 1966. 176 p., offset.
- Metropolitan Councils of Governments. Report M-32. August 1966. 69 p., offset.
- 1968 State Legislative Program of the Advisory Commission on Intergovernmental Relations. Report M-35. September 1967. 629 p., offset.
- Annual Report, Ninth. Report M-36. January 1968. 43 p., offset.
- State and Local Taxes, Significant Features, 1968. Report M-37. January 1968.

^{1/} Single copies of reports may be obtained without charge from the Advisory Commission on Intergovernmental Relations, Washington, D. C. 20575. Multiple copies of items marked with asterisk (*) may be purchased from the Superintendent of Documents, Government Printing Office, Washington, D.C. 20402.

