

SALES-TAX DATA

1943

COMPILED BY THE
STAFF OF THE JOINT COMMITTEE ON
INTERNAL REVENUE TAXATION
AND PRINTED PURSUANT TO
SECTION 5011 (C) OF
THE INTERNAL REVENUE CODE



NOTE: This compilation contains merely data and reaches no conclusions as to the merits or demerits of a general sales tax.

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EXPLANATORY NOTE

The data contained herein is presented for the purpose of analyzing general sales taxes. The compilation does not purport to be all-inclusive, but it is believed it will be useful to the committee in consideration of the general sales tax problem.

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PART I

- A. ESTIMATES OF RETAIL SALES TAX BASES
- B. INFORMATION ON EXISTING FEDERAL
TAXES ON COMMODITIES
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A. ESTIMATES OF RETAIL SALES TAX BASES

TABLE 1.—*Sales tax bases*

[Billions of dollars]

Item	Calendar years		Fiscal year 1944 ¹
	1942	1943 ¹	
Sales of retail stores.....	56.4	49.0	45.0
Less:			
Sales to other retailers and governmental units, service receipts of retailers, and trade-in allowances.....	3.0	1.9	1.7
Equals:			
Net sales of goods for private use at retail stores.....	53.4	47.1	43.3
For consumer use.....	46.7	43.0	40.1
For farm business use.....	2.4	1.9	1.8
For other business use.....	4.3	2.2	1.4
Add:			
Sales of finished goods (not for resale) other than by retailers.....	13.2	8.1	6.9
For consumer use ²	4.9	3.7	3.4
For farm business use.....	.9	.8	.8
For other business use:			
Construction materials.....	1.5	.6	.4
Producers' durable equipment privately financed.....	4.3	1.9	1.4
Nondurable goods.....	1.6	1.1	.9
Equals:			
Sales tax base including commodities now subject to tax.....	66.6	55.2	50.2
For consumer use.....	51.6	46.7	43.5
For farm business use.....	3.3	2.7	2.6
For other business use.....	11.7	5.8	4.1
Supplementary data:			
Retail value of goods now subject to Federal excise taxes.....	19.4	16.2	14.5
Food sales.....	20.4	20.5	20.1
For home consumption.....	16.1	15.5	14.9
Restaurant meals, etc.....	4.3	5.0	5.2

¹ Estimated.

² Includes sales of retailers not covered in Census of Retail Trade.

Source: U. S. Department of Commerce.

TABLE 2.—*Retail value of goods now subject to Federal tax*

[Billions of dollars]

	Calendar years			Fiscal year 1944
	1939	1942	1943	
Manufacturers' excise tax:				
Alcoholic beverages.....	3.1	4.7	5.4	5.5
Beer and wine.....	1.9	2.5	2.8	2.8
Distilled spirits.....	1.2	2.2	2.6	2.7
Tobacco.....	1.9	2.4	2.6	2.6
Gasoline.....	3.8	4.4	3.2	2.7
Automobiles, ¹ trucks, parts, etc.....	4.1	2.5	1.7	1.1
All other ²	2.9	4.0	2.4	1.8
Taxed at retail: Jewelry, furs, and toilet preparations.....	.8	1.4	.9	.8
Total taxed.....	16.6	19.4	16.2	14.5

¹ Includes sales of new and used cars, parts, and accessories, less trade-in allowances.

² Includes lubricating oils, phonograph records, musical instruments, luggage, electric, gas, and oil appliances, business and store machines, optical equipment, etc., electric light bulbs and tubes, radios, phonographs, etc., refrigerators, air conditioners, etc., sporting goods, and firearms, shells, and cartridges.

Primary Source: 1939 data in general based on Census of Manufactures and Census of Business, Retail Trade. Data for other years based on latest information obtained from numerous sources and in particular the War Production Board and the Office of Price Administration.

Secondary Source: U. S. Department of Commerce.

B. INFORMATION ON EXISTING FEDERAL TAXES ON COMMODITIES

TABLE 1.—Existing rates of Federal manufacturers' excise, retailers' excise, import, liquor, tobacco, and miscellaneous taxes

MANUFACTURERS' EXCISE TAXES

[Based on manufacturers' sale price except where otherwise stated]

	Rate
1. Automobiles (chassis-body):	
(a) Passenger cars, trailers	7 percent.
(b) Trucks, trailers, busses	5 percent.
(c) Tractors (highway)	Do.
2. Automobile parts and accessories (except tires and tubes).	Do.
3. Automobile radio and components	10 percent.
4. Business and store machines, except retail cash registers.	Do.
5. Cameras and photographic apparatus and equipment:	
(a) Generally, except cameras weighing more than 4 pounds.	25 percent.
(b) Unexposed film, photographic plates, and sensitized paper.	15 percent.
6. Electric, gas, and oil appliances	10 percent.
7. Electric light bulbs and tubes	5 percent.
8. Firearms, shells, and cartridges	11 percent.
9. Gasoline	1½ cents per gallon.
10. Lubricating oils	6 cents per gallon.
11. Luggage	10 percent.
12. Matches:	
(a) Ordinary	2 cents per 1,000.
(b) Fancy wooden	5½ cents per 1,000.
(c) White phosphorus (stamp tax)	2 cents per 100.
13. Motorcycles	7 percent.
14. Musical instruments:	
(a) Generally, except organs contracted for before Oct. 1, 1941.	10 percent.
15. Phonographs, parts and records	Do.
16. Pistols and revolvers	11 percent.
17. Radio receiving parts and sets	10 percent.
18. Refrigerators, refrigerating equipment and components:	
(a) Household type	Do.
(b) Air conditioners	Do.
19. Sporting goods and equipment	Do.
20. Tires	5 cents per pound.
21. Tubes	9 cents per pound.

RETAILERS' EXCISE TAX

[Based on retailers' sales price]

	Rate
1. Cosmetics and toilet preparations	10 percent.
2. Furs and fur articles	Do.
3. Jewelry, etc.	Do.

IMPORT TAXES

	Rate
1. Coal, coke, and briquettes	10 cents per 100 pounds.
2. Copper bearing ores and concentrates	4 cents per pound of copper content.
3. Fish and animal oils	3 cents per pound.
4. Lumber	\$3 per 1,000 feet.
5. Oils: First domestic processing ¹	3 cents per pound.

¹ Palm oil used in manufacture of iron or steel products, or tin plate or terneplate is exempt from tax (sec. 621, 1942 act).

IMPORT TAXES—Continued

6. Petroleum and derivatives:
- (a) Crude petroleum..... ½ cent per gallon.
 - (b) Fuel oil derived from petroleum..... Do.
 - (c) Gas oil derived from petroleum..... Do.
 - (d) Gasoline and motor fuel..... 2½ cents per gallon.
 - (e) Lubricating oil..... 4 cents per gallon.
 - (f) Paraffin and other wax products..... 1 cent per pound.
7. Seeds:
- (a) Hempseed..... 1.24 cents per pound.
 - (b) Perilla seed..... 1.38 cents per pound.
 - (c) Kapok seed..... 2 cents per pound.
 - (d) Rapeseed..... Do.
 - (e) Sesame seed..... 1.18 cents per pound.
8. Certain vegetable oils..... 4½ cents per pound.

LIQUOR TAXES

- | | <i>Rate</i> |
|---|--------------------------------------|
| 1. Distilled spirits (including brandy)..... | \$6 per proof gallon or wine gallon. |
| 2. Imported perfumes containing distilled spirits.... | \$6 per wine gallon. |
| 3. Additional tax on rectified spirits and wines..... | 30 cents per proof gallon. |
| 4. Still wines (including vermouth, artificial wines, and compounds): | |
| (a) Up to 14 percent alcohol by volume..... | 10 cents per wine gallon. |
| (b) More than 14 percent and up to 21 percent. | 40 cents per wine gallon. |
| (c) More than 21 percent and up to 24 percent. | \$1 per wine gallon. |
| (d) More than 24 percent..... | Taxed as distilled spirits. |
| 5. Sparkling and artificially carbonated wines, liquors, etc.: | |
| (a) Each bottle of champagne or sparkling wine. | 10 cents per ½ pint. |
| (b) Each bottle artificially carbonated wines. | 5 cents per ½ pint. |
| (c) Liqueurs, cordials, etc..... | 5 cents per ½ pint. |
| NOTE.—Any of foregoing containing more than 24 percent of alcohol by volume taxed as distilled spirits. | |
| 6. Beer and other fermented liquors..... | \$7 per barrel of 31 gallons. |

TOBACCO TAXES

- | | <i>Rate</i> |
|---|---------------------|
| 1. Tobacco and snuff..... | 18 cents per pound. |
| 2. Cigars: | |
| (a) Weighing up to 3 pounds per 1,000..... | 75 cents per 1,000. |
| (b) Weighing more than 3 pounds per 1,000 if manufactured or imported to retail at: | |
| (1) Not over 2½ cents each..... | \$2.50 per 1,000. |
| (2) 2.6 to 4 cents..... | \$3 per 1,000. |
| (3) {4.1 to 5 cents}
{5.1 to 6 cents}..... | \$4 per 1,000. |
| (4) 6.1 to 8 cents..... | \$7 per 1,000. |
| (5) 8.1 to 15 cents..... | \$10 per 1,000. |
| (6) 15.1 to 20 cents..... | \$15 per 1,000. |
| (7) 20.1 cents and over..... | \$20 per 1,000. |
| 3. Cigarettes: | |
| (a) Weighing not more than 3 pounds per 1,000..... | \$3.50 per 1,000. |
| (b) Weighing more than 3 pounds per 1,000.. | \$8.40 per 1,000. |
| NOTE.—If more than 6½ inches in length, taxed at \$3.25 rate, counting each 2¾ inches or fraction as one cigarette. | |

TOBACCO TAXES—Continued

4. Cigarette paper (a) Each package or book containing:
- (1) More than 25 and up to 50 papers..... $\frac{1}{2}$ cent per package.
 - (2) More than 50 and up to 100 papers..... 1 cent per package.
 - (3) More than 100 papers..... $\frac{1}{2}$ cent for each 50 or fraction.
5. Cigarette tubes..... 1 cent for each 50 or fraction.

MISCELLANEOUS TAXES

[Not included above]

Rate

1. Sugar (manufactured in United States or imported):
- (a) 92 sugar degrees..... 0.465 cent per pound.
 - (b) Each additional degree (fractions in proportion). 0.00875 cent per pound.
 - (c) Less than 92 sugar degrees..... 0.5144 cent per pound of total sugars.
2. Oleomargarine:
- (a) Yellow..... 10 cents per pound.
 - (b) Uncolored..... $\frac{1}{4}$ cent per pound.
3. Adulterated butter..... 10 cents per pound or fraction.
4. Process or renovated butter..... $\frac{1}{4}$ cent per pound or fraction.
5. Filled cheese..... 1 cent per pound or fraction.
6. Opium and coca leaves..... 1 cent per ounce or fraction.
7. Opium for smoking..... \$300 per pound.
8. Marihuana (based on transfer):
- (a) To person who has paid occupational tax..... \$1 per ounce or fraction.
 - (b) To person who has not paid occupational tax..... \$100 per ounce or fraction.
9. Machine guns and short barreled firearms (based on transfer):
- (a) Guns with two attached barrels, etc..... \$1 per firearm.
 - (b) Others..... \$200 per firearm.
10. Cotton futures (subject to many conditions)..... 2 cents per pound.
11. Bituminous coal:
- (a) Basic tax..... 1 cent per ton of 2,000 pounds.
 - (b) Additional tax—not imposed if producer is code member. 19 $\frac{1}{2}$ percent of sales price or fair market value if not sold at mine.

TABLE 2.—Receipts from selected Federal miscellaneous internal-revenue taxes, actual for the fiscal year 1942 and estimated for the fiscal years 1943 and 1944

General and special accounts	Estimated, 1944	Estimated, 1943	Actual, 1942 ¹
Liquor taxes:			
Distilled spirits (domestic and imported) (excise tax) ²	\$931,700,000	\$802,200,000	\$574,250,301.13
Fermented malt liquors ²	465,500,000	435,400,000	366,158,960.87
Rectification tax ²	5,000,000	12,300,000	17,224,716.89
Wines (domestic and imported) (excise tax) ²	33,300,000	32,800,000	23,985,655.47
Special taxes in connection with liquor occupations.....	11,200,000	11,700,000	11,075,919.22
Container stamps.....	10,600,000	11,400,000	11,197,412.68
Floor stocks taxes.....	27,600,000	69,100,000	41,910,928.09
All other.....	1,600,000	1,300,000	1,110,719.64
Total liquor taxes.....	1,486,500,000	1,376,200,000	1,046,914,613.99

¹ On a collections basis.² Collections for credit to trust funds are not included.

TABLE 2.—Receipts from selected Federal miscellaneous internal-revenue taxes, actual for the fiscal year 1942 and estimated for the fiscal years 1943 and 1944—Continued

General and special accounts	Estimated, 1944	Estimated, 1943	Actual, 1942
Tobacco taxes:			
Cigarettes (small) ²	\$862,000,000	\$832,200,000	\$704,933,203.05
Tobacco (chewing and smoking) ²	49,700,000	50,500,000	52,138,920.05
Cigars (large) ²	28,100,000	22,100,000	14,188,192.03
Snuff.....	7,000,000	7,000,000	7,440,212.25
Cigarette papers and tubes.....	1,300,000	1,400,000	1,960,557.77
Floor stocks taxes.....		6,500,000	(³)
All other ²	130,000	130,000	126,079.06
Total tobacco taxes.....	948,230,000	919,830,000	780,787,164.21
Manufacturers' excise taxes:			
Gasoline.....	219,300,000	256,100,000	369,587,150.81
Lubricating oils.....	58,000,000	47,800,000	46,432,267.73
Passenger automobiles and motorcycles.....	300,000	2,000,000	77,171,920.04
Automobile trucks, busses, and trailers.....	2,400,000	5,200,000	18,361,144.43
Parts and accessories for automobiles.....	12,000,000	17,700,000	28,087,714.42
Tires and inner tubes.....	23,400,000	16,600,000	56,841,681.17
Rubber articles.....		16,000,000	21,545,389.16
Electrical energy.....	50,700,000	51,200,000	49,977,581.17
Electric, gas, and oil appliances.....	2,600,000	6,800,000	17,701,606.69
Electric light bulbs.....	2,900,000	2,900,000	3,101,846.59
Electric signs.....		500,000	778,790.62
Radio receiving sets, phonographs, phonograph records, and musical instruments.....	6,700,000	9,400,000	22,438,119.64
Refrigerators, refrigerating apparatus, and air-conditioners.....	1,700,000	5,200,000	16,245,869.54
Washing machines.....		40,000	165,558.16
Business and store machines.....	1,000,000	5,700,000	6,971,675.81
Photographic apparatus.....	4,400,000	8,000,000	6,017,447.83
Optical equipment.....		300,000	458,979.90
Matches.....	7,400,000	7,800,000	5,226,914.59
Luggage.....	900,000	3,800,000	2,833,935.54
Sporting goods.....	1,400,000	3,900,000	3,487,269.21
Firearms, shells, pistols, and revolvers.....	700,000	1,400,000	5,157,081.65
Floor stocks taxes, tires and inner tubes, and matches.....		40,000	9,672,400.27
Total manufacturers' excise taxes.....	395,800,000	468,380,000	768,262,404.97
Retailers' excise taxes:			
Jewelry, etc.....	69,900,000	74,200,000	41,500,948.74
Furs.....	38,200,000	35,300,000	19,743,864.96
Toilet preparations.....	28,900,000	33,900,000	18,922,310.76
Total retailers' excise taxes.....	137,000,000	143,400,000	80,167,124.46
Miscellaneous taxes:			
Telephone, telegraph, radio, and cable facilities, leased wires, etc.....	110,600,000	84,700,000	48,231,338.63
Local telephone service.....	93,600,000	74,300,000	26,791,432.95
Transportation of oil by pipe line.....	16,700,000	14,100,000	13,474,822.61
Transportation of persons.....	98,100,000	84,200,000	21,378,895.32
Transportation of property.....	208,200,000	77,000,000	
Admissions.....	160,600,000	154,800,000	115,032,268.75
Club dues and initiation fees.....	6,500,000	6,800,000	6,791,893.71
Leases of safe deposit boxes.....	5,500,000	5,400,000	3,662,535.73
Use of motor vehicles and boats.....	125,400,000	150,400,000	72,853,875.90
Coconut and other vegetable oils processed ²	4,300,000	3,100,000	7,160,701.07
Oleomargarine, etc., including special taxes and adulterated butter.....	2,800,000	2,500,000	2,275,838.71
Bituminous coal tax ⁵		5,600,000	5,478,908.89
Sugar tax.....	54,900,000	47,900,000	68,229,803.06
Coin-operated amusement and gaming devices.....	11,900,000	12,000,000	6,484,999.54
Bowling alleys and billiard and pool tables.....	1,900,000	1,900,000	1,698,394.37
All other, including repealed taxes ⁴	1,900,000	800,000	5,850,279.60
Total miscellaneous taxes.....	902,900,000	725,500,000	405,395,994.84
Grand total.....	3,870,430,000	3,633,310,000	3,081,527,302.47

³ Included under miscellaneous taxes: all other.⁴ Includes collections from: Tobacco floor stocks taxes (1940 Revenue Act); taxes on narcotics; taxes under the National Firearms Act; and tax on hydraulic mining, all of which are effective currently. In addition includes collections from repealed taxes not reinstated by the Revenue Act of 1941. In 1944 includes collections from taxes repealed by the Revenue Act of 1942.⁵ Estimate based on assumption that present act expires Apr. 26, 1943.

Source: Annual Report of the Secretary of the Treasury for 1942.

PART II

CONSUMER INCOMES AND BUSINESS INDICATORS

- A. CONSUMER INCOMES AND EXPENDITURES
- B. NATIONAL INCOME AND BUSINESS INDICATORS

A. CONSUMER INCOMES AND EXPENDITURES

TABLE 1A.—*Aggregate civilian outlay for personal taxes, savings, gifts, and major categories of consumption, 1941 and 1942*¹

Item	1941		1942		Increase from 1941 to 1942		Percentage increase from 1941 to 1942
	Amount (millions)	Percent of total	Amount (millions)	Percent of total	Amount (millions)	Percent of total	
Civilian money income.....	\$86, 900	100. 0	\$105, 430	100. 0	\$18, 530	100. 0	21. 3
Allocation of money income:							
Personal taxes ²	2, 000	2. 3	4, 300	4. 1	2, 300	12. 4	115. 0
Savings ³	12, 260	14. 1	25, 440	24. 1	13, 180	71. 1	107. 5
Gifts to organizations ⁴	1, 000	1. 2	1, 200	1. 1	200	1. 1	20. 0
Consumption ⁵	71, 640	82. 4	74, 490	70. 7	2, 850	15. 4	4. 0
Food and beverages.....	22, 400	25. 8	25, 200	23. 9	2, 800	15. 1	12. 5
Clothing.....	8, 800	10. 1	10, 200	9. 7	1, 400	7. 5	15. 9
Housing and household fuels.....	11, 800	13. 6	12, 410	11. 8	610	3. 3	5. 2
Household operation.....	3, 020	3. 5	3, 440	3. 2	420	2. 3	13. 9
Household furnishings.....	4, 750	5. 4	4, 600	4. 4	-150	- .8	-3. 2
Automobile transportation.....	7, 040	8. 1	3, 600	3. 4	-3, 440	-18. 6	-48. 9
Other transportation.....	1, 420	1. 6	1, 770	1. 7	350	1. 9	24. 6
Medical care.....	3, 400	3. 9	3, 710	3. 5	310	1. 7	9. 1
Personal care.....	1, 370	1. 6	1, 500	1. 4	130	. 7	9. 5
Recreation.....	3, 200	3. 7	3, 350	3. 2	150	. 8	4. 7
Tobacco.....	2, 200	2. 5	2, 410	2. 3	210	1. 1	9. 5
Reading.....	930	1. 1	1, 000	. 9	70	. 4	7. 5
Education.....	840	1. 0	800	. 8	-40	-. 2	-4. 8
Other items.....	470	. 5	500	. 5	30	. 2	6. 4

¹ Estimates cover all civilian consumers except those living in institutions. The years are calendar years.

² Personal taxes shown here include only individual income taxes, poll taxes, and certain minor personal property taxes. It should be noted that sales taxes, excise taxes, and all indirect taxes on consumption are included under expenditures for goods and services.

³ Savings are defined as the net change in assets and liabilities of the spending unit during the year, exclusive of gains or losses from revaluation of assets.

⁴ Gifts consist only of money contributions to the church, the Red Cross, and other institutions and funds.

⁵ Consumption consists of money expenditures only.

Source: Office of Price Administration, Division of Research, Mar. 1, 1943.

TABLE 1B.—Average civilian outlay for taxes, savings, gifts, and major categories of consumption, 1941 and 1942¹

Item	Average outlay per spending unit		Average outlay per capita	
	1941	1942	1941	1942
Civilian money income.....	\$2,091	\$2,558	\$668	\$817
Allocation of money income:				
Personal taxes ²	48	104	15	33
Savings ³	295	617	94	197
Gifts to organizations ⁴	24	29	8	9
Consumption ⁵	1,724	1,808	551	578
Food and beverages.....	540	613	171	194
Clothing.....	212	249	68	79
Housing and household fuels.....	284	301	91	96
Household operation.....	73	83	23	27
Household furnishings.....	114	112	37	36
Automobile transportation.....	169	87	54	28
Other transportation.....	34	43	11	14
Medical care.....	82	90	26	29
Personal care.....	33	36	11	12
Recreation.....	77	81	25	26
Tobacco.....	53	58	17	19
Reading.....	22	24	7	8
Education.....	20	19	6	6
Other items.....	11	12	4	4

¹ Estimates cover all civilian consumers except those living in institutions. Families are defined as economic units of 2 or more persons sharing a common or pooled income and living under a common roof. Single consumers are defined as men or women maintaining independent living quarters or living as lodgers or servants in private homes, rooming houses, or hotels. The term "spending unit" is used to cover both groups. Estimates are on a calendar-year basis. The form of average used is the arithmetic mean.

² Personal taxes shown here include only individual income taxes, poll taxes, and certain minor personal property taxes. It should be noted that sales taxes, excise taxes, and all indirect taxes on consumption are included under expenditures for goods and services.

³ Savings are defined as the net change in assets and liabilities of the spending unit during the year, exclusive of gains or losses from revaluation of assets.

⁴ Gifts consist only of money contributions to the church, the Red Cross, and other institutions and funds.

⁵ Consumption consists of money expenditures only.

Source: Office of Price Administration, Division of Research, Mar. 1, 1943.

TABLE 2.—Aggregate and average outlay of families and single consumers for personal taxes, savings, gifts, and major categories of consumption, 1942¹

Item	Aggregate outlay (millions)			Average outlay per spending unit			Average outlay per capita	
	All spending units	Fam- ilies	Single con- sumers	All spend- ing units	Fam- ilies	Single con- sumers	All spend- ing units	Fam- ilies
Civilian money income.....	\$105,430	\$93,290	\$12,140	\$2,558	\$2,796	\$1,547	\$817	\$769
Allocation of money income:								
Personal taxes ²	4,300	3,790	510	104	113	66	33	31
Savings ³	25,440	22,880	2,560	617	686	327	197	189
Gifts to organizations ⁴	1,200	900	300	29	27	38	9	7
Consumption ⁵	74,490	65,720	8,770	1,808	1,970	1,116	578	542
Food and beverages.....	25,200	22,080	3,120	613	661	398	194	183
Clothing.....	10,200	8,840	1,360	249	265	173	79	73
Housing and household fuels.....	12,410	10,680	1,730	301	320	220	96	88
Household operation.....	3,440	3,120	320	83	94	41	27	26
Household furnishings.....	4,600	4,530	70	112	136	9	36	37
Automobile transporta- tion.....	3,600	3,370	230	87	101	29	28	28
Other transportation.....	1,770	1,430	340	43	43	43	14	12
Medical care.....	3,710	3,330	380	90	100	48	29	27
Personal care.....	1,500	1,340	160	36	40	20	12	11
Recreation.....	3,350	2,940	410	81	88	52	26	24
Tobacco.....	2,410	2,060	350	58	62	45	19	17
Reading.....	1,000	840	160	24	25	20	8	7
Education.....	800	770	30	19	23	4	6	6
Other items.....	500	390	110	12	12	14	4	3

¹ Estimates cover all civilian consumers except those living in institutions. Families are defined as economic units of 2 or more persons sharing a common or pooled income and living under a common roof. Single consumers are defined as men or women maintaining independent living quarters or living as lodgers or servants in private homes, rooming houses, or hotels. The term "spending unit" is used to cover both groups. Estimates are on a calendar-year basis. The form of average used is the arithmetic mean.

² Personal taxes shown here include only individual income taxes, poll taxes, and certain minor personal property taxes. It should be noted that sales taxes, excise taxes, and all indirect taxes on consumption are included under expenditures for goods and services.

³ Savings are defined as the net change in assets and liabilities of the spending unit during the year, exclusive of gains or losses from revaluation of assets.

⁴ Gifts consist only of money contributions to the church, the Red Cross, and other institutions and funds.

⁵ Consumption consists of money expenditures only.

Source: Office of Price Administration, Division of Research, Mar. 1, 1943.

TABLE 3.—Number of families and single consumers and aggregate and average money income of each group, 1941 and 1942¹

Year and type of spending unit	Spending units		Persons		Average number of persons per spending unit	Aggregate income		Average income	
	Number (thou-sands)	Per cent	Number (thou-sands)	Per cent		Amount (mil-lions)	Per cent	Per spend-ing unit	Per capita
1941									
Families.....	33,000	79.4	121,550	93.4	3.68	\$75,835	87.3	\$2,298	\$624
Single consumers.....	8,550	20.6	8,550	6.6	1.00	11,047	12.7	1,292	1,292
All spending units.....	41,550	100.0	130,100	100.0	3.13	86,882	100.0	2,091	668
1942									
Families.....	33,360	81.0	121,250	93.9	3.63	93,287	88.5	2,796	769
Single consumers.....	7,850	19.0	7,850	6.1	1.00	12,146	11.5	1,547	1,547
All spending units.....	41,210	100.0	129,100	100.0	3.13	105,433	100.0	2,558	817

¹ Estimates cover all civilian consumers except those living in institutions. Families are defined as economic units of 2 or more persons sharing a common or pooled income and living under a common roof. Single consumers are defined as men or women maintaining independent living quarters or living as lodgers or servants in private homes, rooming houses, or hotels. The term "spending unit" is used to cover both groups. Estimates are on a calendar-year basis. The form of average used is the arithmetic mean. Items included in money income are wages and salaries, net farm entrepreneurial income, net nonfarm entrepreneurial income, interest and dividends, net rents and royalties, and other income; items excluded are imputed value of farm products retained for home consumption, wages in kind, relief in kind, and money income not paid to civilians.

Source: Office of Price Administration, Division of Research, Mar. 1, 1943.

TABLE 4.—*Distribution of families and single consumers by money income level, 1942¹*

Income level	All families and single consumers		Families		Single consumers	
	Number (thousands)	Percent	Number (thousands)	Percent	Number (thousands)	Percent
Under \$500.....	3,488	8.5	2,319	6.9	1,169	14.9
\$500-\$1,000.....	6,652	16.1	4,604	13.8	2,048	26.1
\$1,000-\$1,500.....	6,601	16.0	4,837	14.5	1,764	22.5
\$1,500-\$2,000.....	6,008	14.5	4,920	14.7	1,088	13.8
\$2,000-\$2,500.....	4,618	11.3	3,953	11.9	665	8.5
\$2,500-\$3,000.....	3,272	8.0	2,852	8.5	420	5.4
\$3,000-\$4,000.....	4,620	11.2	4,236	12.7	384	4.9
\$4,000-\$5,000.....	2,633	6.4	2,486	7.5	147	1.8
\$5,000-\$7,500.....	1,901	4.6	1,805	5.4	96	1.2
\$7,500-\$10,000.....	628	1.5	597	1.8	31	.4
\$10,000 and over.....	789	1.9	751	2.3	38	.5
All levels.....	41,210	100.0	33,360	100.0	7,850	100.0

¹ Estimates cover all civilian consumers except those living in institutions. Families are defined as economic units of 2 or more persons sharing a common or pooled income and living under a common roof. Single consumers are defined as men or women maintaining independent living quarters or living as lodgers or servants in private homes, rooming houses, or hotels. The term "spending unit" is used to cover both groups. Estimates are on a calendar-year basis.

Source: Office of Price Administration, Division of Research, Mar. 1, 1943.

TABLE 5.—*All families and single consumers: Distribution by money income level, with average and aggregate income at each level, calendar years, 1942 and 1943¹*

Income level	1942					1943				
	All spending units		Average income per spending unit	Aggregate income		All spending units		Average income per spending unit	Aggregate income	
	Number (thousands)	Percent		Amount (millions)	Percent	Number (thousands)	Percent		Amount (millions)	Percent
Under \$500.....	3,488	8.5	\$328	\$1,144	1.1	2,734	6.8	\$331	\$906	0.8
\$500 to \$750.....	3,177	7.7	629	1,998	1.9	2,655	6.6	643	1,708	1.5
\$750 to \$1,000.....	3,475	8.4	877	3,046	2.9	2,746	6.8	889	2,441	2.1
\$1,000 to \$1,250.....	3,336	8.1	1,125	3,754	3.6	2,810	7.0	1,129	3,173	2.7
\$1,250 to \$1,500.....	3,265	7.9	1,375	4,490	4.3	2,798	6.9	1,380	3,860	3.3
\$1,500 to \$1,750.....	3,190	7.7	1,624	5,181	4.9	2,786	6.9	1,626	4,530	3.8
\$1,750 to \$2,000.....	2,818	6.8	1,873	5,277	5.0	2,646	6.5	1,875	4,962	4.2
\$2,000 to \$2,500.....	4,618	11.3	2,234	10,316	9.8	4,692	11.6	2,241	10,516	9.0
\$2,500 to \$3,000.....	3,272	8.0	2,737	8,956	8.4	3,557	8.9	2,730	9,793	8.3
\$3,000 to \$3,500.....	2,596	6.3	3,232	8,390	8.0	2,712	6.7	3,231	8,763	7.5
\$3,500 to \$4,000.....	2,024	4.9	3,738	7,566	7.2	2,150	5.3	3,728	8,015	6.8
\$4,000 to \$4,500.....	1,506	3.7	4,232	6,373	6.0	1,822	4.5	4,214	7,677	6.5
\$4,500 to \$5,000.....	1,127	2.7	4,729	5,329	5.0	1,439	3.6	4,691	6,751	5.7
\$5,000 to \$7,500.....	1,901	4.6	6,210	11,806	11.2	2,931	7.3	6,161	18,058	15.4
\$7,500 to \$10,000.....	628	1.5	8,249	5,180	4.9	832	2.1	8,161	6,790	5.8
\$10,000 and over.....	789	1.9	21,073	16,627	15.8	1,010	2.5	19,264	19,457	16.6
All levels.....	41,210	100.0	2,558	105,433	100.0	40,350	100.0	2,910	117,400	100.0

¹ Estimates cover all civilians except those living in institutions. Families are defined as economic units of 2 or more persons sharing a common or pooled income and living under a common roof. Single consumers are defined as men or women maintaining independent living quarters or living as lodgers or servants in private homes, rooming houses, or hotels. The term "spending unit" is used to cover both groups. The form of average used is the arithmetic mean.

Source: Office of Price Administration, Division of Research, Jan. 14, 1943.

TABLE 6A.—All families and single consumers: Aggregate outlay for personal taxes, consumption, gifts, and savings, by money income level, 1942¹

Income level	Aggregate money outlay for—											
	Aggregate money income		Aggregate personal taxes ²		Aggregate income after taxes		Consumption ³		Gifts to organiza- tions ⁴		Savings ⁵	
	Amount (millions)	Percent	Amount (millions)	Percent	Amount (millions)	Percent	Amount (millions)	Percent	Amount (millions)	Percent	Amount (millions)	Percent
Under \$500	\$1,144	1.1	\$5	0.1	\$1,139	1.1	\$1,411	1.9	\$21	1.7	—\$293	—1.2
\$500—\$1,000	5,044	4.8	12	.3	5,032	5.0	5,069	6.8	69	5.7	—106	—1.4
\$1,000—\$1,500	8,244	7.8	46	1.1	8,198	8.1	7,679	10.3	90	7.5	429	1.7
\$1,500—\$2,000	10,458	9.9	48	1.1	10,410	10.3	9,022	12.1	115	9.6	1,273	5.0
\$2,000—\$2,500	10,316	9.8	75	1.7	10,241	10.1	8,462	11.4	116	9.7	1,063	6.5
\$2,500—\$3,000	8,956	8.5	75	1.7	8,881	8.8	7,016	9.4	99	8.2	1,769	6.9
\$3,000—\$4,000	15,956	15.1	176	4.1	15,780	15.6	11,860	15.9	187	15.6	3,733	14.7
\$4,000—\$5,000	11,702	11.1	235	5.5	11,467	11.3	8,211	11.0	146	12.2	3,110	12.2
\$5,000—\$7,500	11,806	11.2	338	7.9	11,468	11.4	7,411	10.0	158	13.2	3,899	15.3
\$7,500—\$10,000	5,180	4.9	188	4.4	4,992	4.9	2,830	3.8	78	6.5	2,034	8.2
\$10,000 and over	16,627	15.8	3,102	72.1	13,525	13.4	5,522	7.4	121	10.1	7,882	31.1
All levels	105,430	100.0	4,300	100.0	101,130	100.0	74,490	100.0	1,200	100.0	25,440	100.0

¹ Estimates cover all civilian consumers except those living in institutions. Families are defined as economic units of 2 or more persons sharing a common or pooled income and living under a common roof. Single consumers are defined as men or women maintaining independent living quarters or living as lodgers or servants in private homes, rooming houses, or hotels. The term "spending unit" is used to cover both groups. Estimates are on a calendar-year basis.

² Personal taxes shown here include only individual income taxes, poll taxes, and certain minor personal property taxes. It should be noted that sales taxes, excise taxes, and all indirect taxes on consumption are included under expenditures for goods and services.

³ Consumption consists of money expenditures only.

⁴ Gifts consist of money contributions to the church, the Red Cross, and other institutions and funds.

⁵ Savings are defined as the net change in assets and liabilities of the spending unit during the year, exclusive of gains or losses from revaluation of assets.

Note.—Column may not add exactly to totals because of rounding.

Source: Office of Price Administration, Division of Research, Mar. 1, 1943.

TABLE 7A.—All families and single consumers: Average outlay for personal taxes, consumption, gifts, and savings, by money income level, 1942¹

Income level	Average money income per spending unit	Average personal taxes per spending unit ²	Average income after taxes per spending unit	Average outlay per spending unit for—			Percentage of income for—			
				Consumption ³	Gifts to organizations ⁴	Savings ⁵	Personal taxes	Consumption	Gifts to organizations	Savings
Under \$500	\$328	\$1	\$327	\$405	\$6	—\$84	0.3	123.5	1.8	—25.6
\$500-\$1,000	758	2	756	762	10	—16	.3	100.5	1.3	—2.1
\$1,000-\$1,500	1,249	7	1,242	1,163	14	65	.6	93.1	1.1	5.2
\$1,500-\$2,000	1,741	8	1,733	1,502	19	212	.5	86.2	1.1	12.2
\$2,000-\$2,500	2,234	16	2,218	1,833	25	360	.7	82.1	1.1	16.1
\$2,500-\$3,000	2,737	23	2,714	2,144	30	540	.8	78.4	1.1	19.7
\$3,000-\$4,000	3,454	38	3,416	2,568	40	808	1	74.3	1.2	23.4
\$4,000-\$5,000	4,444	89	4,355	3,118	55	1,182	2.0	70.2	1.2	26.6
\$5,000-\$7,500	6,210	178	6,032	3,898	83	2,051	2.9	62.8	1.3	33.0
\$7,500-\$10,000	8,248	299	7,949	4,506	124	3,319	3.6	54.7	1.5	40.2
\$10,000 and over	21,074	3,932	17,142	6,999	153	9,990	18.7	33.2	.7	47.4
All levels	2,558	104	2,454	1,808	29	617	4.1	70.7	1.1	24.1

¹ Estimates cover all civilian consumers except those living in institutions. Families are defined as economic units of 2 or more persons sharing a common or pooled income and living under a common roof. Single consumers are defined as men or women maintaining independent living quarters or living as lodgers or servants in private homes, rooming houses, or hotels. The term "spending unit" is used to cover both groups. Estimates are on a calendar-year basis. The form of average used is the arithmetic mean.

² Personal taxes shown here include only individual income taxes, poll taxes, and certain minor personal property taxes. It should be noted that sales taxes, excise taxes, and all indirect taxes on consumption are included under expenditures for goods and services.

³ Consumption consists of money expenditures only.

⁴ Gifts consist only of money contributions to the church, the Red Cross, and other institutions and funds.

⁵ Savings are defined as the net change in assets and liabilities of the spending unit during the year, exclusive of gains or losses from revaluation of assets.

NOTE.—Columns may not add exactly to totals because of rounding.

Source: Office of Price Administration, Division of Research, Mar. 1, 1943.

TABLE 7B.—All families and single consumers: Average expenditures for main categories of consumption, by money income level, 1942¹

Income level	Average money expenditures ² per spending unit for—														
	All items	Food and beverages	Clothing	Housing and household fuels	Household operations	Household furnishings	Transportation		Medical care	Personal care	Recreation	Tobacco	Reading	Education	Other items
							Automobile	Other							
Under \$500.....	\$405	\$153	\$50	\$66	\$14	\$22	\$25	\$5	\$26	\$8	\$11	\$15	\$4	\$2	\$4
\$500-\$1,000.....	762	301	90	134	26	33	44	12	39	15	20	28	10	4	6
\$1,000-\$1,500.....	1,163	453	144	196	38	64	62	21	57	22	33	42	15	7	9
\$1,500-\$2,000.....	1,502	571	191	256	51	91	85	27	69	29	43	51	19	9	10
\$2,000-\$2,500.....	1,833	664	234	310	67	131	98	36	87	34	64	61	24	11	12
\$2,500-\$3,000.....	2,144	749	284	361	83	151	111	44	104	42	84	72	28	16	15
\$3,000-\$4,000.....	2,568	851	353	429	107	175	123	58	129	53	117	85	36	26	16
\$4,000-\$5,000.....	3,118	971	469	502	145	202	133	81	163	67	179	100	45	41	20
\$5,000-\$7,500.....	3,898	1,118	610	692	217	243	149	123	205	87	267	118	59	74	26
\$7,500-\$10,000.....	4,506	1,228	702	703	315	268	166	166	228	99	317	124	65	96	29
\$10,000 and over.....	6,999	1,697	1,022	1,194	755	332	227	309	340	139	530	152	87	174	41
All levels.....	1,808	613	249	301	83	112	87	43	90	36	81	58	24	19	12

¹ Estimates cover all civilian consumers except those living in institutions. Families are defined as economic units of 2 or more persons sharing a common or pooled income and living under a common roof. Single consumers are defined as men or women maintaining independent living quarters or living as lodgers or servants in private homes, rooming houses, or hotels. The term "spending unit" is used to cover both groups. Estimates are on a calendar-year basis. The form of average used is the arithmetic mean.

² Consumption consists of money expenditures only.

Source: Office of Price Administration, Division of Research, Mar. 1, 1943.

TABLE 9A.—Families: Aggregate outlay for personal taxes, consumption, gifts, and savings, by money income level, 1942¹

Income level	Aggregate money outlay for—											
	Aggregate money income		Aggregate personal taxes ²		Aggregate income after taxes		Consumption ³		Gifts to organiza- tions ⁴		Savings ⁵	
	Amount (million)	Percent	Amount (million)	Percent	Amount (million)	Percent	Amount (million)	Percent	Amount (million)	Percent	Amount (million)	Percent
Under \$500.....	\$763	0.8		0.1	\$758	0.8	\$1,017	1.5	\$12	1.3	—\$271	—1.2
\$500-\$1,000.....	3,487	3.7	10	.3	3,477	3.9	3,643	5.6	26	2.9	—192	— .8
\$1,000-\$1,500.....	6,055	6.5	14	.4	6,041	6.7	5,919	9.0	37	4.1	85	.4
\$1,500-\$2,000.....	8,582	9.2	17	.4	8,565	9.6	7,566	11.5	65	7.2	934	4.1
\$2,000-\$2,500.....	8,833	9.5	18	.5	8,815	9.9	7,386	11.2	79	8.7	1,350	5.9
\$2,500-\$3,000.....	7,813	8.4	30	.8	7,783	8.7	6,222	9.5	72	8.0	1,489	6.5
\$3,000-\$4,000.....	14,649	15.7	112	3.0	14,537	16.3	11,022	16.8	155	17.2	3,360	14.7
\$4,000-\$5,000.....	11,054	11.9	198	5.2	10,856	12.1	7,819	11.9	130	14.4	2,907	12.7
\$5,000-\$7,500.....	11,220	12.0	300	7.9	10,920	12.2	7,099	10.8	144	15.9	3,677	16.1
\$7,500-\$10,000.....	4,931	5.3	170	4.5	4,761	5.3	2,713	4.1	72	8.0	1,976	8.6
\$10,000 and over.....	15,900	17.0	2,911	76.9	12,989	14.5	5,313	8.1	111	12.3	7,565	33.0
All levels.....	93,290	100.0	3,790	100.0	89,500	100.0	65,720	100.0	900	100.0	22,880	100.0

¹ Estimates cover all civilian consumers except those living in institutions. Families are defined as economic units of 2 or more persons sharing a common or pooled income and living under a common roof. Single consumers are defined as men or women maintaining independent living quarters or lodgers or servants in private homes, rooming houses, or hotels. The term "spending unit" is used to cover both groups. Estimates are on a calendar-year basis.

² Personal taxes shown here include only individual income taxes, poll taxes, and certain minor personal property taxes. It should be noted that sales taxes, excise taxes, and all indirect taxes on consumption are included under expenditures for goods and services.

³ Consumption consists of money expenditures only.

⁴ Gift consists only of money contributions to the church, the Red Cross, and other institutions and funds.

⁵ Savings are defined as the net change in assets and liabilities of the spending unit during the year, exclusive of gains or losses from revaluation of assets.

Note.—Columns may not add exactly to totals because of rounding.

Source: Office of Price Administration, Division of Research, Mar. 1, 1943.

TABLE 10A.—Families: Average outlay for personal taxes, consumption, gifts, and savings, by money income level, 1942¹

Income level	Average money income per family	Average personal taxes per family ²	Average income after taxes per family	Average outlay per family for—			Percentage of income for—			
				Con- sump- tion ³	Gifts to organi- zations ⁴	Sav- ings ⁵	Personal taxes	Con- sump- tion	Gifts to organi- zations	Sav- ings
Under \$500	\$3.39	\$2	\$327	\$439	\$5	—\$117	0.6	133.4	1.5	—35.5
\$500-\$1,000	757	2	755	791	6	—42	.3	104.4	.8	—5.5
\$1,000-\$1,500	1,252	3	1,249	1,223	8	18	.2	97.8	.6	1.4
\$1,500-\$2,000	1,744	3	1,741	1,538	13	190	.2	88.2	.7	10.9
\$2,000-\$2,500	2,235	5	2,230	1,868	20	342	.2	83.6	.9	15.3
\$2,500-\$3,000	2,739	11	2,723	2,182	25	521	.4	79.7	.9	19.0
\$3,000-\$4,000	3,458	26	3,432	2,602	37	793	.8	73.2	1.1	22.9
\$4,000-\$5,000	4,447	80	4,367	3,145	52	1,170	1.8	70.7	1.2	23.3
\$5,000-\$7,500	6,216	166	6,050	3,933	80	2,037	2.7	63.2	1.3	32.8
\$7,500-\$10,000	8,250	285	7,975	4,544	121	3,310	3.4	55.0	1.5	40.1
\$10,000 and over	21,172	3,876	17,236	7,074	148	10,074	18.3	33.4	.7	47.6
All levels.....	2,796	113	2,683	1,970	27	686	4.0	70.5	1.0	24.5

¹ Estimates cover all civilian consumers except those living in institutions. Families are defined as economic units of 2 or more persons sharing a common or pooled income and living under a common roof. Single consumers are defined as men or women maintaining independent living quarters or living as lodgers or servants in private homes, rooming houses, or hotels. The term "spending unit" is used to cover both groups. Estimates are on a calendar-year basis. The form of average used is the arithmetic mean.

² Personal taxes shown here include only individual income taxes, poll taxes, and certain minor personal property taxes. It should be noted that sales taxes, excise taxes, and all indirect taxes on consumption are included under expenditures for goods and services.

³ Consumption consists of money expenditures only.

⁴ Gifts consist only of money contributions to the church, the Red Cross, and other institutions and funds.

⁵ Savings are defined as the net change in assets and liabilities of the spending unit during the year, exclusive of gains or losses from revaluation of assets.

Source: Office of Price Administration, Division of Research, Mar. 1, 1943.

TABLE 10B.—Families: Average expenditures for main categories of consumption, by money income level, 1942¹

Income level	Average money expenditures per family for—														
	All items	Food and beverages	Clothing	Housing and household fuels	Household operation	Household furnishings	Transportation		Medical care	Personal care	Recreation	Tobacco	Reading	Education	Other items
							Automobile	Other							
Under \$500.....	\$439	\$159	\$53	\$66	\$14	\$31	\$37	\$4	\$34	\$8	\$11	\$14	\$3	\$2	\$3
\$500-\$1,000.....	791	313	87	134	24	45	56	7	46	15	18	28	8	4	6
\$1,000-\$1,500.....	1,223	481	140	201	37	85	74	14	65	24	31	41	14	7	9
\$1,500-\$2,000.....	1,538	587	187	257	52	109	95	22	72	30	41	50	17	10	10
\$2,000-\$2,500.....	1,868	680	230	308	69	152	107	31	90	36	61	60	22	12	12
\$2,500-\$3,000.....	2,182	767	281	359	86	171	120	40	106	43	81	71	27	18	12
\$3,000-\$4,000.....	2,602	865	363	427	111	189	129	55	131	54	115	85	35	28	15
\$4,000-\$5,000.....	3,145	984	470	500	149	212	136	79	163	68	177	100	45	43	19
\$5,000-\$7,000.....	3,533	1,132	613	596	223	254	152	121	206	89	268	119	59	77	24
\$7,000-\$10,000.....	4,544	1,244	705	693	325	280	169	164	226	101	318	126	65	101	27
\$10,000 and over.....	7,074	1,721	1,033	1,182	782	346	229	306	337	142	534	154	89	182	37
All levels.....	1,970	661	265	320	94	136	101	43	100	40	88	62	25	23	12

¹ Consumption consists of money expenditures only. Estimates cover all civilian consumers except those living in institutions. Families are defined as economic units of 2 or more persons sharing a common or pooled income and living under a common roof. Single consumers are defined as men or women maintaining independent living quarters or living as lodgers or servants in private homes, rooming houses, or hotels. The term "spending unit" is used to cover both groups. Estimates are on a calendar-year basis. The form of average used is the arithmetic mean.

Source: Office of Price Administration, Division of Research, Mar. 1, 1943.

TABLE 12A.—Single consumers: Average outlay for personal taxes, consumption, gifts, and savings, by money income level, 1942¹

Income level	Average money income per single consumer	Average personal taxes per single consumer ²	Average income after taxes per single consumer	Average outlay per single consumer for—			Percentage of income for—			
				Con- sump- tion ³	Gifts to organiza- tions ⁴	Savings ⁵	Personal taxes	Con- sump- tion	Gifts to organiza- tions	Savings
Under \$500	\$326	(⁶)	\$326	\$337	\$8	—\$19	0.0	103.3	2.5	—5.8
\$500-\$1,000	760	18	759	696	21	42	.1	91.6	2.8	5.5
\$1,000-\$1,500	1,241	28	1,223	998	30	195	1.5	80.4	2.4	15.7
\$1,500-\$2,000	1,724	38	1,696	1,338	46	312	1.6	77.6	2.7	18.1
\$2,000-\$2,500	2,230	86	2,144	1,618	56	470	3.9	72.5	2.5	21.1
\$2,500-\$3,000	2,721	107	2,614	1,890	64	660	3.9	69.4	2.4	24.3
\$3,000-\$4,000	3,404	167	3,237	2,182	83	972	4.9	64.1	2.4	28.6
\$4,000-\$5,000	4,408	252	4,156	2,667	109	1,380	5.7	60.5	2.5	31.3
\$5,000-\$7,500	6,104	386	5,708	3,250	146	2,312	6.5	53.2	2.4	37.9
\$7,500-\$10,000	8,032	581	7,451	3,774	194	3,483	7.2	47.0	2.4	43.4
\$10,000 and over	19,132	5,026	14,106	5,511	251	8,344	26.3	28.8	1.3	43.6
All levels	1,547	66	1,481	1,116	38	327	4.3	72.1	2.5	21.1

¹ Estimates cover all civilian consumers except those living in institutions. Families are defined as economic units of 2 or more persons sharing a common or pooled income and living under a common roof. Single consumers are defined as men or women maintaining independent living quarters or living as lodgers or servants in private homes, rooming houses, or hotels. The term "spending unit" is used to cover both groups. Estimates are on a calendar-year basis. The form of average used is the arithmetic mean.

² Personal taxes shown here include only individual income taxes, poll taxes, and certain minor personal property taxes. It should be noted that sales taxes, excise taxes, and all indirect taxes on consumption are included under expenditures for goods and services.

³ Consumption consists of money expenditures only.

⁴ Gifts consist only of money contributions to the church, the Red Cross, and other institutions and funds.

⁵ Savings are defined as the net change in assets and liabilities of the spending unit during the year, exclusive of gains or losses from revaluation of assets.

⁶ Less than \$0.50.

Source: Office of Price Administration, Division of Research, Mar. 1, 1943.

Item	Unit or base	1941	1942	Percentage change, 1941-42
PRICES				
Cost of living (U. S. Department of Labor)	1935-39=100	105.2	116.5	+10.7
Food	1935-39=100	105.5	123.9	+17.4
Prices received by farmers	1909-14=100	122	157	+28.7
Wholesale, combined index	1926=100	87.3	98.8	+13.2
Farm products	1926=100	82.4	105.9	+28.5
Foods	1926=100	82.7	99.6	+20.4
Commodities other than farm products and foods	1926=100	89.0	95.5	+7.3
Economic classes:				
Finished products	1926=100	89.1	98.6	+10.7
Raw materials	1926=100	83.5	100.6	+20.5
Semi-manufactures	1926=100	86.9	92.6	+6.6
TRADE				
Retail sales:				
All retail stores, total sales	Millions of dollars	54,173	56,350	+4.0
Index, all stores	1935-39=100	139.8	145.4	+4.0
Durable goods stores	1935-39=100	156.6	104.6	-33.2
Nondurable goods stores	1935-39=100	134.3	158.7	+18.2
New passenger automobiles	1935-39=100	155.6	(2)	(2)
Chain stores:				
Grocery	1929-31=100	135.9	162.4	+19.5
Variety stores (7 chains)	1935-39=100	121.0	138.4	+14.4
Department stores, total	1923-25=100	110	124	+12.7
Rural sales of general merchandise	1929-31=100	170.4	189.8	+11.4
Foreign trade:				
Value:				
Exports, including reexports	Thousands of dollars	5,147,154	7,825,690	+52.0
Imports, general	Thousands of dollars	3,345,023	2,742,679	-18.0
EMPLOYMENT AND WAGES				
Employment, monthly average:				
Total civil nonagricultural employment	Millions of persons	39.3	42.0	+6.9
Wage earners, all manufacturing	1939=100	132.1	152.3	+15.3
Durable goods group	1939=100	153.8	191.5	+24.5
Nondurable goods group	1939=100	115.0	121.4	+5.6
Selected nonmanufacturing industries:				
Mining:				
Bituminous coal	1939=100	109.7	117.5	+7.1
Metalliferous	1939=100	121.2	122.0	+0.7
Crude petroleum producing	1939=100	92.8	87.5	-5.7
Public utilities:				
Electric light and power	1939=100	104.2	97.2	-6.7
Railways, class I	1939=100	115.4	128.6	+11.4
Telephone and telegraph	1939=100	114.0	121.7	+6.8
Trade:				
Retail	1939=100	108.4	104.2	-3.9
Wholesale	1939=100	105.3	102.3	-2.8
Pay rolls:				
Weekly wages, all manufacturing	1939=100	167.5	242.3	+44.7
Durable goods group	1939=100	202.3	321.3	+58.8
Nondurable goods group	1939=100	133.5	165.0	+23.6
Selected nonmanufacturing industries:				
Mining:				
Bituminous coal	1939=100	142.9	174.9	+22.4
Metalliferous	1939=100	140.7	166.0	+18.0
Crude petroleum producing	1939=100	99.2	104.3	+5.1
Public utilities:				
Electric light and power	1939=100	110.8	112.1	+1.2
Telephone and telegraph	1939=100	117.9	131.2	+11.3
Trade:				
Retail	1939=100	114.5	116.6	+1.8
Wholesale	1939=100	113.8	121.5	+6.8

² No longer available.

PART III

STATE SALES-TAX DATA

TABLE 16.—Disposition of national income, quarterly, 1939-42¹

[Billions of dollars]

Line	Item	1939					1940					1941					1942				
		I	II	III	IV	Total	I	II	III	IV	Total	I	II	III	IV	Total	I	II	III	IV	Total
1	National income.....	16.6	17.2	17.6	19.4	70.8	18.3	18.8	19.3	21.4	77.8	20.8	23.0	24.7	27.1	95.6	26.3	28.5	30.9	34.1	119.8
2	Add: Transfer payments.....	.6	.6	.6	.6	2.4	.7	.7	.7	.6	2.6	.7	.6	.6	.6	2.5	.7	.6	.6	.6	3.6
3	Less: Corporate savings.....	-.1	(2)	.3	.2	.4	.3	.4	.5	.5	1.8	.6	.9	1.1	.7	3.3	.8	.9	1.0	.9	2.6
4	Less: Contributions to social insurance funds.....	.5	.5	.5	.5	2.0	.5	.5	.5	.6	2.1	.6	.6	.7	.7	2.6	.8	.8	.8	.9	3.3
5	Equals: Income payments to individuals.....	16.9	17.3	17.4	19.3	70.8	18.1	18.6	18.9	20.9	76.5	20.2	22.1	23.6	26.3	92.2	25.4	27.5	29.7	32.9	115.5
6	Less: Personal taxes and nontax payments.....	1.0	.8	.5	.8	3.1	1.1	.8	.5	.9	3.3	1.4	1.0	.7	1.0	4.0	2.5	1.6	1.2	1.3	6.6
7	Federal.....	.4	.3	.3	.2	1.3	.5	.3	.3	.6	1.9	.8	.5	.4	.4	2.0	2.0	1.0	1.0	.7	4.7
8	State and local.....	.5	.5	.3	.6	1.9	.6	.5	.3	.3	.6	.6	.5	.3	.6	1.9	.5	.5	.3	.6	2.0
9	Equals: Disposable income of individuals.....	15.9	16.5	16.9	18.5	67.7	17.0	17.7	18.3	20.1	73.2	18.9	21.1	22.9	25.3	88.2	22.9	25.9	28.4	31.6	108.8
10	Less: Consumer expenditures.....	14.2	15.4	15.2	16.9	61.7	15.3	16.2	16.1	18.0	65.7	16.6	18.6	18.9	20.5	74.6	18.8	19.8	20.3	23.0	81.9
11	Equals: Net savings of individuals.....	1.7	1.1	1.6	1.6	6.0	1.7	1.5	2.3	2.0	7.5	2.3	2.5	4.0	4.8	13.7	4.0	6.1	8.2	8.6	26.9

¹ Detail will not necessarily add to totals because of rounding.² Less than \$50,000,000.

Source: Survey of Current Business, March 1943, U. S. Department of Commerce.

TABLE 17.—Disposition of income payments, quarterly, 1939-42: Seasonally adjusted annual rates¹

[Billions of dollars]

Line	Item	1939				1940				1941				1942			
		I	II	III	IV	I	II	III	IV	I	II	III	IV	I	II	III	IV
1	Income payments to individuals.....	68.8	69.4	71.1	73.8	74.2	75.2	76.8	79.6	82.8	89.7	95.8	100.4	105.7	111.5	117.7	126.9
2	Less: Personal taxes and nontax payments.....	3.1	3.1	3.1	3.1	3.3	3.3	3.3	3.3	4.0	4.0	4.0	4.0	6.6	6.6	6.6	6.6
3	Federal.....	1.3	1.3	1.3	1.3	1.4	1.4	1.4	1.4	2.0	2.0	2.0	2.0	4.7	4.7	4.7	4.7
4	State and local.....	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	2.0	2.0	2.0	2.0
5	Equals: Disposable income of individuals.....	65.7	66.2	68.0	70.7	70.9	71.8	73.5	76.3	78.9	85.7	91.8	96.4	99.1	104.8	111.1	120.3
6	Less: Consumer expenditures.....	60.4	61.0	62.0	63.2	64.6	65.0	65.9	67.2	71.0	73.7	77.3	76.4	80.3	79.5	82.7	85.1
7	Equals: Net savings of individuals.....	5.3	5.2	6.0	7.5	6.3	6.9	7.6	9.1	7.8	12.1	14.6	20.1	13.8	25.3	28.4	35.2

¹ Detail will not necessarily add to totals because of rounding.

Source: Survey of Current Business, March 1943, U. S. Department of Commerce.

TABLE 2B.—National income by distributive shares, quarterly, 1939-42¹
(Billions of dollars)

Line	Item	1939					1940					1941					1942				
		I	II	III	IV	Total	I	II	III	IV	Total	I	II	III	IV	Total	I	II	III	IV	Total
1	Total national income.....	16.6	17.2	17.6	19.4	70.8	18.3	18.8	19.3	21.4	77.8	20.8	23.0	24.7	27.1	95.6	26.3	28.5	30.9	34.1	119.8
2	Total compensation of employees.....	11.6	11.9	11.8	12.8	48.1	12.4	12.8	13.0	14.1	52.4	14.3	15.7	16.6	18.0	64.6	18.4	20.1	21.6	23.5	83.7
3	Salaries and wages.....	10.6	10.9	10.9	11.9	44.2	11.5	11.9	12.1	13.2	48.7	13.3	14.7	15.7	17.1	60.9	17.5	19.3	20.8	22.7	80.3
4	Supplements.....	1.0	1.0	.9	.9	3.8	.9	.9	.9	.9	3.7	1.0	1.0	.9	.9	3.7	.9	.9	.8	.8	3.4
5	Net income of proprietors.....	2.5	2.6	2.9	3.2	11.2	2.9	2.8	3.1	3.4	12.2	3.2	3.4	4.2	4.7	15.5	4.7	4.4	5.3	6.2	20.1
6	Agricultural.....	.9	.9	1.1	1.3	4.3	1.0	.9	1.1	1.4	4.4	1.1	1.2	1.8	2.2	6.2	1.7	1.8	2.7	3.5	9.7
7	Nonagricultural.....	1.6	1.7	1.7	1.8	6.9	1.9	1.9	2.0	2.0	7.8	2.1	2.3	2.4	2.5	9.3	2.5	2.6	2.6	2.7	10.4
8	Interest and net rents.....	1.8	1.9	1.8	1.9	7.4	1.8	1.9	1.8	1.9	7.5	1.8	2.1	1.9	2.1	7.9	2.0	2.2	2.0	2.3	8.4
9	Net corporate profit.....	.7	.8	1.1	1.6	4.2	1.2	1.3	1.4	1.9	5.8	1.6	1.9	2.0	2.2	7.7	1.7	1.8	2.0	2.2	7.6
10	Dividends.....	.8	.8	.8	1.4	3.8	.9	.9	.9	1.4	4.0	.9	1.0	1.0	1.6	4.4	.9	.9	.9	1.2	4.0
11	Savings.....	-.1	(2)	.3	.2	.4	.3	.4	.5	.5	1.8	.6	.9	1.1	.7	3.3	.8	.9	1.0	1.9	3.6

¹ Detail will not necessarily add to totals because of rounding.² Less than \$50,000,000.

Source: Survey of Current Business, March 1943, U. S. Department of Commerce.

TABLE 2C.—National income by distributive shares, quarterly, 1939-42: Seasonally adjusted annual rates¹
(Billions of dollars)

Line	Item	1939				1940				1941				1942			
		I	II	III	IV	I	II	III	IV	I	II	III	IV	I	II	III	IV
1	Total national income.....	68.2	69.0	71.2	74.6	75.1	76.2	78.0	81.8	85.2	93.1	99.5	104.6	109.0	115.4	122.4	132.3
2	Total compensation of employees.....	46.9	47.1	48.0	50.0	50.4	51.1	52.8	54.9	57.4	62.5	67.2	71.1	75.1	80.5	86.0	93.0
3	Salaries and wages.....	42.9	43.2	44.3	46.4	46.7	47.5	49.0	51.3	53.6	58.7	63.6	67.5	71.6	77.0	82.8	89.7
4	Supplements.....	4.0	3.9	3.7	3.6	3.7	3.6	3.7	3.7	3.7	3.8	3.6	3.6	3.5	3.4	3.3	3.3
5	Net income of proprietors.....	10.6	10.8	11.2	12.0	11.9	12.0	12.0	12.8	13.4	15.0	16.3	17.2	18.4	19.2	20.1	22.5
6	Agricultural.....	4.2	4.1	4.3	4.6	4.5	4.3	4.1	4.6	5.0	6.0	6.8	7.2	8.3	8.9	9.8	11.8
7	Nonagricultural.....	6.4	6.7	7.0	7.4	7.5	7.7	7.9	8.2	8.5	9.0	9.5	10.0	10.1	10.3	10.4	10.7
8	Interest and net rents.....	7.4	7.3	7.3	7.5	7.5	7.5	7.4	7.5	7.6	7.9	8.0	8.1	8.3	8.3	8.5	8.7
9	Net corporate profits.....	3.3	3.8	4.6	5.2	5.3	5.7	5.8	6.6	6.7	7.7	8.0	8.2	7.1	7.4	7.8	8.1

¹ Detail will not necessarily add to totals because of rounding.

Source: Survey of Current Business, March 1943, U. S. Department of Commerce.

TABLE 3—National income, by industrial divisions, 1929-42
[Millions of dollars]

Industrial division	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938	1939	1940	1941	1942
Total national income	83,326	68,858	54,479	39,963	42,322	49,455	55,719	64,924	71,513	64,200	70,829	77,809	95,618	119,791
Agriculture	6,772	5,197	3,569	2,354	2,992	3,474	4,963	5,331	6,106	4,973	5,230	5,312	7,338	11,044
Mining, total	1,919	1,361	811	559	605	605	1,025	1,398	1,729	1,218	1,418	1,762	2,106	2,448
Anthracite	1,273	266	213	141	130	160	132	136	128	104	117	127	152	180
Bituminous coal	666	526	384	247	273	426	449	531	566	467	503	615	778	951
Metal	366	164	49	-12	43	95	131	207	339	189	244	209	338	382
Nonmetal	207	164	100	45	24	78	86	134	163	117	138	158	202	241
Oil and gas	241	147	65	118	135	231	227	390	553	341	416	563	616	694
Manufacturing, total	20,897	15,471	10,544	6,217	8,410	10,803	12,790	15,611	18,016	13,570	16,965	20,254	27,622	36,667
Food, beverages, and tobacco	2,280	1,828	1,419	1,110	1,580	1,933	2,007	2,249	2,876	2,192	2,379	2,484	2,828	3,197
Paper, printing, and publishing	2,478	2,026	1,609	1,110	1,166	1,366	1,400	1,676	1,876	1,619	1,729	1,905	2,175	2,239
Textiles and leather	2,191	2,026	1,837	1,204	1,869	2,004	2,300	2,542	2,610	2,175	2,711	2,849	3,802	4,291
Construction materials and furniture	2,169	1,519	868	1,346	1,567	2,085	2,997	3,343	3,590	1,244	1,531	1,809	2,368	2,628
Chemicals and petroleum refining	1,833	1,273	759	621	753	899	1,021	1,249	1,474	1,145	1,482	1,802	2,261	2,794
Machinery, transportation equipment, and other metal products	8,169	5,646	3,225	1,290	2,128	3,333	4,392	5,849	7,403	4,573	6,292	8,453	12,888	19,901
Miscellaneous and rubber	8,870	5,585	418	227	347	483	583	703	779	622	841	952	1,300	1,617
Contract construction	3,547	2,616	1,777	854	941	668	879	1,447	1,793	1,771	1,942	2,138	3,466	4,851
Transportation, total	4,932	4,051	4,902	3,634	3,606	3,798	4,084	4,767	5,080	4,323	4,950	5,412	6,492	8,049
Steam railroads, Pullman and express	4,632	3,871	2,975	2,086	2,120	2,230	2,409	2,535	2,985	2,468	2,830	3,096	3,837	4,912
Water transportation	343	416	343	254	280	304	362	423	492	396	479	540	624	759
Street railways	661	626	509	428	371	379	353	397	382	331	348	379	424	450
Motor transportation, public warehouses, and other transportation	1,199	1,138	1,075	866	835	885	960	1,112	1,220	1,138	1,293	1,397	1,652	1,928
Power and gas	1,427	1,326	1,242	1,097	1,027	1,128	1,153	1,244	1,405	1,370	1,459	1,587	1,780	1,671
Communication	1,046	1,013	909	726	639	680	724	778	862	865	925	937	1,017	1,065
Trade, total	11,878	9,719	7,794	5,552	6,322	7,428	8,153	9,426	10,439	9,823	10,956	12,222	14,434	15,669
Retail	7,731	6,477	5,318	4,512	4,253	5,072	5,466	6,256	6,932	6,484	7,135	7,878	9,257	10,063
Wholesale	4,147	3,242	2,476	1,740	2,069	2,356	2,687	3,170	3,507	3,339	3,821	4,344	5,177	5,596
Finance, total	10,136	8,651	7,025	5,300	4,763	5,132	5,680	6,483	6,897	6,991	6,706	6,973	7,679	8,333
Banking	1,464	1,224	814	624	485	563	711	830	967	927	978	1,094	1,377	1,528
Insurance	1,267	1,145	1,037	955	905	960	1,026	1,097	1,224	1,216	1,193	1,142	1,173	1,269
Security brokerage and real estate	7,415	6,282	5,174	3,721	3,378	3,609	3,943	4,556	4,706	4,348	4,625	4,737	5,109	5,506
Government, total	6,407	6,521	6,595	6,557	6,631	7,652	7,980	9,291	9,114	9,869	9,967	10,303	11,503	16,391
Federal	2,158	2,140	2,214	2,228	2,083	3,720	3,905	4,997	4,623	5,143	5,169	5,367	5,433	11,294
State, county, local, and public education	4,249	4,381	4,381	4,329	3,948	3,932	4,075	4,294	4,491	4,725	4,818	4,936	5,070	6,097
Miscellaneous	8,315	7,461	6,340	4,730	4,859	5,183	5,596	6,254	6,904	6,657	6,957	7,449	8,019	9,152
Miscellaneous	4,000	3,471	2,971	2,403	2,192	2,519	2,692	2,894	3,168	3,070	3,244	3,460	4,182	4,461

1 Includes work-relief wages shown separately in table 2A; excludes subsistence to members of the armed forces.

Source: Survey of Current Business, March 1943, U. S. Department of Commerce.

B. NATIONAL INCOME AND BUSINESS INDICATORS

TABLE 1.—*National income per capita, 1929-42*

	National income (millions of dollars)	Cost of living index (1935-39= 100)	National income (millions of 1935-39 dollars)	Popula- tion (mil- lions, July 1)	Per capita income (1935-39 dollars)
1929	83,326	122.5	68,021	121.6	559
1930	68,858	119.4	57,670	123.2	468
1931	54,479	108.7	50,119	124.1	404
1932	39,963	97.6	40,945	121.9	328
1933	42,322	92.4	45,803	125.7	364
1934	49,455	95.7	51,677	126.5	409
1935	55,719	98.1	56,798	127.3	446
1936	64,924	99.1	65,514	128.2	511
1937	71,513	102.7	69,633	128.9	540
1938	64,200	100.8	63,690	129.9	490
1939	70,829	99.4	71,256	131.0	544
1940	77,809	100.2	77,654	132.1	588
1941	95,618	105.2	90,892	133.3	682
1942	119,791	116.5	102,825	134.8	763

Source: National Income, Bureau of Foreign and Domestic Commerce; cost of living, Bureau of Labor Statistics; population, Bureau of the Census. Prepared in the Current Business Analysis Unit, Division of Research and Statistics, Bureau of Foreign and Domestic Commerce, Apr. 15, 1943.

TABLE 2A.—National income by distributive shares, 1929-42

[Millions of dollars]

Type of share	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938	1939	1940	1941	1942
Total national income.....	83,326	65,858	54,479	39,963	42,322	49,455	55,719	64,924	71,513	64,290	70,829	77,809	95,618	119,791
Total compensation of employees.....	53,066	48,180	40,605	31,661	29,831	34,475	37,509	43,024	48,262	45,105	48,075	52,352	64,561	83,668
Total salaries and wages.....	52,556	47,650	40,021	31,027	28,698	32,566	35,616	39,970	44,989	41,181	44,236	48,886	60,882	80,293
Salaries and wages in private industry.....	47,546	42,510	34,896	26,056	24,246	27,979	30,590	34,508	38,267	35,183	37,990	41,915	52,625	66,757
Salaries and wages in governmental agencies ¹	5,010	5,140	5,125	4,971	4,452	4,617	5,026	5,462	5,722	5,998	6,246	6,771	8,257	13,536
Total supplements to salaries and wages.....	510	530	584	634	1,133	1,879	1,803	3,054	3,273	3,924	3,696	3,666	3,679	3,375
Work-relief wages ²	---	---	59	132	656	1,387	1,323	2,155	1,639	2,094	1,870	1,577	1,213	586
Social-security contributions of employers ³	---	---	---	---	---	---	---	---	---	---	---	---	---	---
Other labor income ⁴	510	530	525	502	477	492	564	303	614	1,185	1,286	1,358	1,686	2,039
Net income of incorporated business.....	7,194	1,723	1,614	3,646	477	492	564	596	614	645	683	731	780	750
Dividends.....	5,944	5,634	4,280	2,727	2,193	2,725	2,931	3,767	3,943	1,658	4,228	5,844	7,688	7,600
Business savings.....	1,250	3,011	5,894	6,373	2,818	2,176	1,263	4,655	4,745	3,172	3,806	4,046	4,403	3,953
Net income of proprietors ⁵	13,630	10,018	7,264	4,349	6,549	7,526	9,476	10,888	11,919	10,122	11,151	12,160	15,498	20,074
Agriculture.....	3,174	3,738	2,416	1,488	2,224	2,667	4,088	4,401	5,086	4,013	4,291	4,362	6,245	9,710
Other.....	8,456	6,280	4,848	3,361	4,325	4,859	5,388	6,469	6,833	6,109	6,860	7,798	9,253	10,364
Interest.....	5,867	6,048	5,957	5,628	5,110	5,176	5,106	5,130	5,146	5,068	5,085	5,129	5,250	5,378
Net rents and royalties.....	3,569	2,889	2,267	1,471	1,457	1,729	1,960	2,133	2,243	2,247	2,290	2,324	2,641	3,071
Addendum: Net income of incorporated business before Federal taxes.....	8,387	2,441	1,221	3,364	208	1,135	2,403	4,958	5,219	2,518	5,460	8,388	14,608	19,700
Total income payments to individuals.....	82,587	73,346	62,013	47,414	46,271	52,916	58,563	68,055	72,351	66,166	70,829	76,472	92,229	115,479

¹ Excludes subsistence to members of the armed forces.² Includes pay rolls and maintenance of Civilian Conservation Corps enrollees and pay rolls of Civil Works Administration, Federal Emergency Relief Administration, and the Federal Works Program projects plus administrative pay rolls outside of Washington, D. C., for all except the Federal Works Program. Area office employees and their pay rolls under the Federal Works Program are included with the regular Federal Government employment and pay-roll figures.³ Includes contributions to Railroad Retirement and Railroad Unemployment Compensation Funds.⁴ Employer contributions to pension funds under private plans and under systems for Government employees, compensation for industrial injuries, etc.⁵ Includes owners' remuneration for personal services and capital.

Source: Survey of Current Business, March 1943, and previous issues, U. S. Department of Commerce.

TABLE 18.—*Disposition of individual incomes, 1941-43*

[Billions of dollars]

	1941	1942	1943 ¹
Income payments to individuals.....	92.2	115.5	140.7
Deduct:			
Personal direct taxes.....	4.0	6.6	14.5
Expenditures for goods and services, including gifts to institutions.....	74.6	81.9	84.0
Purchases of new owner-occupied homes.....	1.6	.7	.4
Net reduction of mortgages on owner-occupied homes.....	-.8	-.3	1.0
Net reduction in consumer short-term debt, including farm.....	-.9	3.2	2.0
Reduction of unincorporated business debt.....	-.8	1.0	2.5
Change in noncorporate business inventories.....	1.1	.2	-.7
Net life-insurance savings.....	1.9	2.0	2.2
Purchase of War Savings bond, series E.....	1.8	6.0	10.0
Subtotal.....	82.5	101.3	115.9
Balance: Funds available for additional taxes, loans to Government, other savings and pressure on prices.....	9.7	14.2	24.8

¹ Estimated.

Source: Current Business Analysis Unit, Division of Research and Statistics, Bureau of Foreign and Domestic Commerce, Apr. 22, 1943.

TABLE 19A.—*Net savings of individuals by use of funds*

[Billions of dollars]

Fund	1940	1941	1942 ¹
Total net savings of individuals.....	7.4	12.9	26
Current savings held as currency or as bank deposits.....	3.6	5.6	11
Current savings invested in Government War bonds, series D and E.....	1.0	1.8	6
Current savings invested in private insurance.....	1.7	2.1	2
Current savings applied to reduce consumer short-term indebtedness.....	-1.2	-.5	4
Current savings held in other forms.....	2.3	3.9	4

¹ Estimates for 1942, which are preliminary, have been rounded to the nearest billion and will not necessarily add to totals.

Primary source: Securities and Exchange Commission, U. S. Treasury Department.

Secondary source: Survey of Current Business, January 1943, U. S. Department of Commerce.

TABLE 19B.—Gross saving by individuals in the United States ¹ during 1940-42

[Billions of dollars]

	1940	1941	1942	1942			
				January to March	April to June	July to September	October to December
Gross saving.....	16.1	24.7	38.2	6.1	8.5	11.3	12.3
Liquid saving ²	4.3	10.3	28.9	3.8	6.0	9.1	10.1
GROSS SAVING BY TYPE							
1. Currency and bank deposits:							
a. Currency and demand deposits.....	+2.5	+5.6	+10.6	+5	+1.9	+3.6	+4.6
b. Time deposits.....	+5	0	+4	-7	+2	+5	+5
c. Total.....	+3.0	+5.6	+11.0	-2	+2.1	+4.1	+5.1
2. Savings and loan associations.....	+3	+3	+3	0	+1	+1	+1
3. Insurance and pension reserves:							
a. Private insurance.....	+1.7	+2.1	+2.4	+6	+5	+6	+7
b. Government insurance.....	+1.2	+1.8	+2.4	+4	+6	+7	+7
c. Total.....	+2.9	+3.8	+4.8	+1.0	+1.1	+1.3	+1.4
4. Securities: ³							
a. United States Savings bonds.....	+9	+2.8	+8.0	+2.0	+1.6	+2.1	+2.3
b. Other U. S. Government.....	-2	+2	+2.3	+2	+4	+7	+1.0
c. State and local governments.....	-1	-2	-2	-1	-1	0	0
d. Corporate and other.....	-5	-5	+4	+3	+1	0	0
e. Total.....	+1	+2.2	+10.4	+2.3	+2.0	+2.8	+3.2
5. Nonfarm dwellings: ⁴							
a. Purchases ⁵	+2.5	+3.0	+1.6	+5	+5	+3	+3
b. Change in debt.....	+9	+1.1	+4	+1	+1	+1	+1
c. Saving (a. minus b.).....	+1.7	+1.9	+1.2	+4	+4	+2	+2
6. Automobiles ⁶ and other durable consumers' goods ⁶	+9.3	+11.4	+7.6	+1.8	+2.0	+1.9	+1.9
7. Liquidation of debt, not elsewhere classified ⁷	-1.1	-6	+2.8	+8	+9	+8	+4

¹ Includes unincorporated business saving of the types specified. Does not include corporate or Government saving.

² Gross saving excluding purchases of homes as well as of automobiles and other durable consumers' goods.

³ Does not include purchases by brokers and dealers financed by bank loans.

⁴ 1- to 4-family nonfarm homes.

⁵ All new construction less net acquisition of properties by nonindividuals.

⁶ Purchases. The figures shown above include all new passenger cars sold in the United States. No adjustment has been made for dealers' overallowances on trade-ins.

⁷ Largely attributable to purchases of automobiles and other durable consumers' goods, although including some debt arising from purchases of consumption goods. The other segments of individuals' debt have been allocated to the assets to which they pertain, viz, saving in savings and loan associations, insurance, securities, and homes. Changes in the commercial indebtedness of unincorporated business and in consumers' indebtedness to unincorporated business are not included in these figures.

NOTE.—Figures are rounded and will not necessarily add to totals.

The foregoing data have been compiled by the Commission from many different sources. Because of the nature of the figures, current data are necessarily estimates and, therefore, are subject to revision.

Source: Securities and Exchange Commission Release of Feb. 24, 1943.

TABLE 20.—Indexes of cost of living

[1935-39=100]

Item	1929	1940	1941	1942	Percent increase	
					1941 from 1940	1942 from 1941
Total.....	122.5	100.2	105.2	116.5	5.0	10.7
Clothing.....	115.3	101.7	106.3	124.2	4.5	16.8
Food.....	132.5	96.6	105.5	123.9	9.2	17.4
Fuel, electricity, and ice.....	112.5	99.7	102.2	105.4	2.5	3.1
Housefurnishings.....	111.7	100.5	107.3	122.2	6.8	13.9
Rent.....	141.4	104.6	106.2	103.5	1.5	2.2
Miscellaneous.....	104.6	101.1	104.0	110.9	2.9	6.6

Source: U. S. Department of Labor.

FACTORS HAVING A BEARING ON THE QUESTION OF ABILITY TO PAY TAXES

Factory pay rolls throughout 1942 averaged 45 percent above the level for 1941 and 142 percent above the level for 1939.

Weekly earnings in manufacturing industries throughout 1942 averaged 24 percent higher than in 1941 and 54 percent higher than in 1939.

The cost of living during 1942 was only 11 percent more than in 1941 and only 17 percent more than in 1939.

Factory pay rolls in December 1942 were 48 percent above the level for December 1941 and 154 percent above the level for December 1939.

Weekly earnings in manufacturing industries in December 1942 averaged 25 percent higher than in December 1941 and 60 percent above the level for December 1939.

The cost of living in December 1942 was 9 percent higher than in December 1941 and 20 percent higher than in December 1939.

The Department of Commerce has estimated that the national income in 1943 will be 15 percent greater than in 1942, and that of the estimated increase in national income, increases in salaries and wages will account for 89 percent.

The Treasury Department has furnished for the record of the public hearings on pay-as-you-go plans, its estimates of net income for 1942 and 1943, distributed by income classes. Of the total estimated increase in net income of all taxpayers from 1942 to 1943, the brackets below a net income of \$5,000 account for 79 percent.

(Source: Compiled by staff of Joint Committee on Internal Revenue Taxation on the basis of information obtained from Government agencies.)

TABLE 4.—*Annual average salary-wage per employee in nonagricultural industries, 1939-42*

Industrial division	1939	1940	1941	1942	Percent. increase 1939-42
Total, all nonagricultural industries.....	\$1, 284	\$1, 335	\$1, 453	\$1, 630	29
Total, excluding government.....	1, 268	1, 327	1, 485	1, 733	37
Mining, total.....	1, 394	1, 454	1, 666	1, 820	31
Anthracite.....	1, 348	1, 253	1, 424	1, 642	22
Bituminous.....	1, 229	1, 297	1, 582	1, 708	33
Metal.....	1, 476	1, 586	1, 775	2, 015	37
Nonmetal.....	1, 382	1, 531	1, 734	1, 971	43
Oil and gas.....	1, 714	1, 793	1, 891	1, 995	16
Manufacturing, total.....	1, 309	1, 425	1, 659	2, 043	55
Food and tobacco.....	1, 287	1, 343	1, 436	1, 616	23
Paper, printing, and publishing.....	1, 637	1, 705	1, 846	2, 029	21
Textiles and leather.....	943	995	1, 153	1, 317	40
Construction materials and furniture.....	1, 051	1, 146	1, 285	1, 412	37
Chemicals and petroleum refining.....	1, 606	1, 814	1, 907	2, 256	40
Machinery, transportation equipment, and other metal products.....	1, 551	1, 698	2, 021	2, 553	65
Miscellaneous and rubber.....	1, 375	1, 492	1, 699	2, 030	51
Contract construction.....	1, 140	1, 186	1, 346	1, 561	37
Transportation, total.....	1, 654	1, 674	1, 779	2, 043	21
Steam railroads, Pullman, and express.....	1, 878	1, 908	2, 039	2, 230	22
Water transportation.....	1, 770	1, 702	1, 810	2, 352	33
Street railways.....	1, 733	1, 760	1, 846	2, 078	20
Motor transportation, public warehouses, and other transportation.....	1, 217	1, 250	1, 316	1, 476	21
Power and gas.....	1, 766	1, 791	1, 895	2, 033	17
Communication.....	1, 563	1, 577	1, 598	1, 671	7
Trade, total.....	1, 220	1, 242	1, 333	1, 435	18
Retail.....	1, 030	1, 072	1, 155	1, 248	16
Wholesale.....	1, 613	1, 677	1, 858	1, 933	23
Finance, total.....	1, 581	1, 595	1, 640	1, 755	11
Banking.....	1, 867	1, 876	1, 891	2, 034	10
Insurance.....	1, 701	1, 715	1, 775	1, 941	14
Security, brokerage, and real estate.....	1, 234	1, 309	1, 346	1, 393	7
Government, total.....	1, 393	1, 386	1, 231	1, 381	-1
Federal ¹	1, 602	1, 534	1, 232	1, 390	-13
State, county, local, and public education.....	1, 308	1, 313	1, 303	1, 354	4
Service.....	925	958	1, 013	1, 160	25
Miscellaneous.....	1, 293	1, 322	1, 473	1, 638	29

¹ Excludes subsistence to members of the armed forces and work-relief wages.

Source: Survey of Current Business, March 1943, U. S. Department of Commerce.

TABLE 5.—*Selected business indicators for 1941 and 1942*

Item	Unit or base	1941	1942	Percentage change, 1941-42
INCOME				
Total income payments.....	Millions of dollars.....	92, 185	115, 471	+25. 3
Salaries and wages, total.....	Millions of dollars.....	61, 446	79, 889	+30. 0
Commodities producing industries.....	Millions of dollars.....	26, 460	37, 262	+40. 8
Distributive industries.....	Millions of dollars.....	14, 845	(1)	(1)
Service industries.....	Millions of dollars.....	10, 767	(1)	(1)
Government.....	Millions of dollars.....	8, 161	(1)	(1)
Work-relief wages.....	Millions of dollars.....	1, 213	586	-51. 7
Direct and other relief.....	Millions of dollars.....	1, 112	1, 061	-4. 6
Social-security benefits and other labor income.....	Millions of dollars.....	1, 879	2, 053	+9. 3
Dividends and interest.....	Millions of dollars.....	9, 633	9, 331	-3. 3
Entrepreneurial income and net rents and royalties.....	Millions of dollars.....	18, 139	23, 145	+27. 6
Total nonagricultural income.....	Millions of dollars.....	83, 758	102, 928	+22. 9

¹ Publication discontinued to avoid disclosure of military pay rolls.

TABLE 13.—*Sales of retail stores, by kinds of business, calendar years 1941, 1942, 1943, fiscal year 1944*

[Millions of dollars]

Kind of business	Calendar years			Percent change, 1942 to 1943	Fiscal year 1944
	1941	1942	1943 ²		
All retail stores ¹	54, 173	56, 384	49, 000	-13	45, 000
Durable goods stores.....	14, 876	9, 932	4, 900	-51	3, 700
Nondurable goods stores.....	39, 297	46, 453	44, 100	-5	41, 300
By kind of business:					
Food stores.....	12, 411	15, 092	15, 000	-1	14, 400
Eating and drinking places.....	4, 568	5, 824	7, 200	+24	7, 500
Apparel stores.....	4, 092	5, 058	4, 300	-15	3, 500
Filling stations.....	3, 500	3, 295	2, 600	-21	2, 000
Building materials and hardware dealers.....	3, 722	3, 883	1, 200	-69	900
Housefurnishings stores.....	2, 387	2, 341	1, 300	-44	1, 100
Automotive stores.....	8, 226	3, 009	2, 200	-27	1, 600
Drug stores.....	1, 866	2, 281	2, 100	-8	1, 900
General merchandise stores.....	7, 830	8, 789	7, 200	-18	6, 400
Other retail stores.....	5, 573	6, 812	5, 900	-13	5, 700

¹ Due to rounding, group figures do not necessarily add to totals for all retail stores.² Forecast based on quantities of goods to be available for civilians in 1943 according to present programs, and on price increases from 1942 which are moderate except in the case of food.

Source: U. S. Department of Commerce.

TABLE 14.—*Consumer expenditures for goods and services, 1939-42 ¹*

[Billions of 1939 dollars]

Item	1939	1940	1941	1942
Total, goods and services.....	61.7	65.1	70.0	69.7
Foods.....	18.1	18.9	20.0	21.1
Clothing and related products.....	6.8	6.9	7.7	8.2
Tobacco.....	1.8	1.9	2.1	2.3
Gasoline and oil.....	2.1	2.2	2.4	1.8
Other nondurable goods.....	3.8	4.1	4.5	4.8
Furniture, furnishings, and household equipment.....	3.0	3.3	4.0	3.3
Automobiles and parts.....	2.3	2.8	2.9	4.4
Other durable goods.....	1.1	1.2	1.4	1.4
Services.....	22.7	23.8	25.0	26.2

¹ Detail will not necessarily add to totals because of rounding.

Source: Survey of Current Business, U. S. Department of Commerce.

TABLE 15.—Consumer expenditures for services, calendar years 1939, 1942, 1943, fiscal year 1944

[Billions of dollars]

	Calendar years			Fiscal year 1944
	1939	1942	1943	
SERVICES NOT NOW TAXED BY FEDERAL GOVERNMENT				
Housing.....	9.3	10.6	10.7	10.8
Rent paid by renting families.....	4.6	5.2	5.3	5.4
Rent imputed for owner-occupants.....	4.3	4.9	5.0	5.0
Room rent in hotels, tourist camps, and schools.....	.4	.5	.4	.4
Home maintenance.....	1.1	1.4	1.1	1.0
Domestic service.....	.8	.9	.7	.6
Services to household furnishings.....	.3	.5	.4	.4
Household utilities: Gas and water rent.....	.7	.8	.8	.8
Personal services.....	1.4	2.0	1.9	1.8
Laundry, cleaning, and repair of clothing and other attire.....	.9	1.2	1.0	.9
Barber and beauty shop services.....	.5	.8	.9	.9
Recreation: Items not taxed.....	.3	.4	.3	.1
Transportation.....	1.6	2.1	2.1	2.1
Local transportation.....	.9	1.4	1.7	1.8
Automobile repairs, services, and insurance premiums.....	.7	.7	.4	.3
Medical care and death expenses excluding nonincome items.....	2.6	3.2	3.0	2.7
Other services.....	1.7	2.1	1.8	1.6
Education privately paid.....	.5	.5	.4	.4
Interest on consumer loans.....	.4	.5	.3	.2
Other services.....	.8	1.1	1.1	1.0
Total services not now taxed.....	18.7	22.6	21.7	20.9
SERVICES NOW TAXED				
Intercity transportation, user-operated transportation.....	.5	.8	1.0	.9
Other than above.....	.4	.1	—	—
Electricity, telephone, telegraph, and postage.....	1.5	1.8	1.8	1.8
Recreation admissions, club dues, etc.....	1.2	1.9	1.5	1.3
Total services now taxed.....	3.6	4.6	4.3	4.0

Primary source: Based on census data in 1939; other years based on latest information from numerous sources.

Secondary source: Current Business Analysis Unit, Bureau of Foreign and Domestic Commerce, U. S. Department of Commerce.

STATE GENERAL SALES TAX RATES

TABLE 1

Alabama:	2 percent (one-half percent on sale of automotive vehicles) of gross sales or gross receipts.
Arizona:	Retailers 2 percent (other specific businesses from one-fourth percent to 2 percent) of gross proceeds of sales or gross income.
Arkansas:	2 percent of gross proceeds.
California:	3 percent of gross receipts.
Colorado:	2 percent of price to consumer.
Illinois:	2 percent of 98 percent of receipts.
Indiana:	One-fourth percent on sales at wholesale; one-half percent on sales at retail and on income from dry cleaning and laundering; 1 percent on others.
Iowa:	2 percent of gross receipts.
Kansas:	2 percent of gross receipts.
Louisiana:	1 percent of gross retail sales; gross proceeds from leases or rentals in business, of agreed leases or rentals otherwise.
Michigan:	3 percent of gross proceeds.
Mississippi:	Varies from 0.125 percent to 2 percent of gross proceeds of sales, depending on commodity.
Missouri:	2 percent of amount charged or paid for taxable sale or service.
New Mexico:	Varies from 0.125 percent to 2 percent of gross receipts or gross proceeds of sales, depending on the commodity.
North Carolina:	Wholesalers, one-twentieth percent; retailers, 3 percent of gross sales.
North Dakota:	2 percent of gross receipts from taxable sales, furnishings, and services.
Ohio:	9 to 40 cents, 1 cent; 41 to 70 cents, 2 cents; 71 cents to \$1, 3 cents; over \$1, 3 cents on each dollar plus foregoing fractions; minimum tax 3 percent of gross receipts.
Oklahoma:	2 percent of gross proceeds or gross receipts.
Oregon:	The legislature has adopted a 3-percent retail sales tax which is awaiting approval by referendum. Oregon voters have twice before rejected sales taxes.
South Dakota:	2 percent of gross receipts.
Utah:	2 percent of price paid or charged on taxable sale or services.
Washington:	3 percent of selling price (retail sales tax); retailing and wholesaling, one-fourth of 1 percent (business and occupation tax); other rates vary from one one-hundredth of 1 percent to one-half of 1 percent of the value of product, gross proceeds of sale, or gross income.

(4) Property used for public work in the performance of contracts made prior to August 1, 1935.

(5) Food products.

(6) Property sold prior to July 1, 1939, to the United States or any agency except a corporate agency.

(7) Motor-vehicle fuel.

(8) Ships of more than 1,000 tons' burden.

(9) Aircraft and aircraft parts sold to United States for defense purposes.

(10) Tangible personal property sold to the United States or any agency or instrumentality thereof except a corporate agency or instrumentality.

(11) Silver bullion sold by producers or refiners.

(12) Livestock and poultry.

(13) Transfers of publications by publishers or subsequent distributors if issued at not less than monthly intervals.

Rates.—Three percent of gross receipts. Retailers' license fee is \$1.

Collection in 1941.—\$110,372,000.

Collection in 1942.—\$132,617,000.

Collection.—Tax remittance to accompany quarterly report. It is unlawful for a retailer to represent that he will assume or absorb the tax or that it will be refunded.

USE TAX

Taxable.—Every person pays a tax on the storage, use, or other consumption of tangible property in California purchased from a retailer.

Exemptions.—

(1) Property on which the sales tax has been paid.

(2) Nontaxable by the Constitution or laws of the United States or California.

(3) Gas, electricity, and water.

(4) Gold bullion.

(5) Property used for the performance of a contract on public works executed before August 1, 1933.

(6) Motor-vehicle fuel.

(7) Food products.

(8) Newsprint.

(9) Ships of more than 1,000 tons burden.

(10) Property of San Francisco Bay Exposition and exhibitors.

(11) Livestock and poultry.

(12) Transfers of publications by publishers or subsequent distributors if issued at not less than monthly intervals.

Rate.—Three percent of sale price.

Collection in 1942.—Included in collection above for occupational retail sales tax.

Collection.—Persons storing, using, or consuming tangible personal property pay tax to the retailer or to the State board of equalization at the time of filing the required quarterly report.

COLORADO

RETAIL SALES TAX

Taxable.—Gross receipts from:

- (1) All retail sales of tangible personal property.
- (2) Intrastate telephone and telegraph.
- (3) Gas and electric service to consumers, whether furnished by municipal or private corporations.
- (4) Meals and cover charges furnished at any place where meals are regularly served to the public.

In case of sales on credit, contracts for sale providing for installment payment and title to pass in the future, chattel mortgages, or conditional sales, the tax is to be paid upon each payment as received on account of the purchase price.

Exemptions.—The following sales are exempt:

(1) Commodities on which there is a Federal or State excise or sales tax exceeding 12½ percent.

(2) To United States Government, Colorado, or any of its political subdivisions.

(3) To religious, charitable, or eleemosynary corporations.

(4) Nontaxable by prohibition of United States or Colorado law.

Rates.—Two percent of the purchase price excluding the market value of exchanged property if such property is to be sold later and 2 percent of the gross receipts from services. Retailers' annual license fee is \$2.

Collection in 1941.—\$9,416,000.

Collection in 1942.—\$10,335,000.

Collection.—Retailers are to add the tax to the purchase price, and it is unlawful for any retailer to absorb or refund the tax. Tax remittance must accompany monthly report. Five percent credit against total tax due from vendor is allowed to cover cost of collection and remittance.

USE TAX

Taxable.—An excise tax is imposed on the storage, use, or consumption of tangible personal property.

Exemptions.—The storage, use, or consumption of:

(1) Tangible personal property the sale of which is subject to the retail sales tax.

(2) Tangible personal property purchased for resale.

(3) Motor vehicle fuel on which the motor fuel tax of 1933 has been paid.

(4) Tangible personal property brought into the State by a non-resident for his own storage, use, or consumption while temporarily in the State.

(5) Tangible personal property on which a Federal or State excise tax exceeding 12½ percent has been levied or property stored, used, or consumed by the United States, the State of Colorado, or its institutions, or its political subdivisions in their governmental capacities only, or by religious or charitable corporations in the conduct of their regular religious or charitable functions.

TABLE 6.—*State tax collections, fiscal year 1942, by distributions*

Type of tax	Number of States reporting receipts in 1942	Amount collected (in millions)	Percent distribution of collections by type of tax
Total collections.....	48	\$4,951.5	100.0
Sales and gross receipts taxes.....	48	1,821.8	40.5
General sales, use, or gross receipts taxes.....	25	626.1	12.6
Motor fuels.....	48	937.9	18.9
Alcoholic beverages.....	48	252.3	5.1
Tobacco products.....	29	130.0	2.6
Other.....	48	287.0	5.8
License and privilege taxes and permits.....	48	653.3	13.2
Alcoholic beverages.....	42	56.5	1.1
Chain stores.....	19	4.0	.1
Motor-vehicle and operator licenses.....	48	417.2	8.4
Hunting and fishing.....	48	22.6	.5
Other.....	48	153.0	3.1
Individual income tax.....	33	245.0	4.9
Corporation net income tax.....	30	277.3	5.6
Property taxes.....	44	262.0	5.3
General.....	39	166.8	3.4
Selective.....	29	95.2	1.9
Death and gift taxes.....	47	113.5	2.3
Severance taxes on natural products.....	22	61.8	1.2
Other taxes.....	30	26.1	.5
Unemployment compensation taxes.....	48	1,079.2	21.8

Source: Department of Commerce, Bureau of the Census.

TABLE 7.—*Percentage of all States' sales taxes to total State taxes, by States, fiscal year 1942*

State	Total tax collections	All sales taxes	Percentage of sales taxes to total taxes	State	Total tax collections	All sales taxes	Percentage of sales taxes to total taxes
Alabama.....	\$62,048	\$33,751	54.3	Nevada.....	\$6,166	\$2,239	36.3
Arizona.....	26,377	13,156	49.9	New Hampshire.....	17,642	7,162	40.6
Arkansas.....	45,893	28,023	61.1	New Jersey.....	175,246	46,517	26.5
California.....	434,422	218,257	50.2	New Mexico.....	20,282	11,963	59.0
Colorado.....	43,843	22,377	50.9	New York.....	645,278	196,598	30.5
Connecticut.....	78,753	29,258	37.2	North Carolina.....	111,402	55,186	49.5
Delaware.....	13,107	3,966	30.3	North Dakota.....	19,150	10,271	53.6
Florida.....	68,933	40,956	59.4	Ohio.....	300,828	171,118	56.9
Georgia.....	68,322	36,833	53.9	Oklahoma.....	80,389	43,556	54.2
Idaho.....	15,731	6,813	43.3	Oregon.....	44,413	15,978	36.0
Illinois.....	319,729	189,560	59.5	Pennsylvania.....	395,599	121,484	30.7
Indiana.....	121,748	69,496	57.1	Rhode Island.....	32,307	9,657	29.9
Iowa.....	80,275	42,277	52.7	South Carolina.....	50,423	29,383	58.3
Kansas.....	50,057	29,091	58.1	South Dakota.....	16,721	1,993	71.7
Kentucky.....	66,560	27,474	41.3	Tennessee.....	66,719	36,822	55.2
Louisiana.....	90,790	39,704	43.7	Texas.....	156,829	68,664	43.8
Maine.....	28,943	11,357	39.2	Utah.....	23,990	10,786	45.0
Maryland.....	64,495	22,523	34.9	Vermont.....	13,085	5,227	39.9
Massachusetts.....	171,090	48,354	28.3	Virginia.....	75,532	35,744	47.3
Michigan.....	249,921	127,238	50.9	Washington.....	104,908	73,691	70.2
Minnesota.....	102,926	38,483	37.3	West Virginia.....	67,437	45,322	67.2
Mississippi.....	46,360	30,034	64.8	Wisconsin.....	124,135	37,448	30.2
Missouri.....	106,535	53,617	50.3	Wyoming.....	8,850	5,689	63.3
Montana.....	18,170	7,699	42.4				
Nebraska.....	25,722	14,524	56.5	Total.....	1,951,500	1,233,300	45.1

TABLE 8.—*Per capita State tax collections, fiscal year 1942*

State	Total collections, 1942	Per capita	State	Total collections, 1942	Per capita
Alabama.....	\$62,048,000	\$21.91	Nevada.....	\$6,166,000	\$55.93
Arizona.....	26,377,000	52.77	New Hampshire.....	17,642,000	35.89
Arkansas.....	45,893,000	23.55	New Jersey.....	175,246,000	42.12
California.....	434,428,000	62.90	New Mexico.....	20,232,000	38.14
Colorado.....	43,843,000	39.04	New York.....	645,278,000	47.87
Connecticut.....	78,753,000	46.08	North Carolina.....	111,402,000	31.19
Delaware.....	13,107,000	49.27	North Dakota.....	19,150,000	29.88
Florida.....	68,933,000	36.34	Ohio.....	300,828,000	43.55
Georgia.....	68,322,000	21.88	Oklahoma.....	80,359,000	34.41
Idaho.....	15,731,000	30.02	Oregon.....	44,413,000	24.55
Illinois.....	319,729,000	40.49	Pennsylvania.....	395,599,000	39.96
Indiana.....	121,748,000	35.53	Rhode Island.....	32,307,000	45.31
Iowa.....	80,275,000	31.63	South Carolina.....	50,423,000	26.55
Kansas.....	50,057,000	27.79	South Dakota.....	16,721,000	26.04
Kentucky.....	66,530,000	23.40	Tennessee.....	66,719,000	22.88
Louisiana.....	90,790,000	38.42	Texas.....	156,829,000	24.45
Maine.....	28,943,000	34.17	Utah.....	23,990,000	43.62
Maryland.....	64,495,000	34.31	Vermont.....	13,085,000	36.45
Massachusetts.....	171,090,000	39.64	Virginia.....	75,532,000	23.32
Michigan.....	249,921,000	47.55	Washington.....	104,902,000	60.43
Minnesota.....	102,926,000	36.86	West Virginia.....	67,437,000	35.47
Mississippi.....	46,360,000	21.24	Wisconsin.....	124,135,000	33.57
Missouri.....	106,535,000	23.15	Wyoming.....	8,856,000	35.42
Montana.....	18,170,000	32.48			
Nebraska.....	25,722,000	19.55	Total.....	4,951,500,000	37.50

TABLE 9.—*States imposing both income taxes and general sales taxes, 1942*

Alabama.	New Mexico.
Arizona	New York (New York City, sales tax). ¹
Arkansas	North Carolina.
California.	North Dakota.
Colorado	Oklahoma
Iowa	South Dakota.
Kansas	Utah
Louisiana (New Orleans, sales tax).	West Virginia and Indiana have gross receipts tax.
Mississippi.	
Missouri.	

5. *Sale of repossessed property.*—Alabama, Arizona, Arkansas, Indiana, Louisiana, Mississippi, Washington, and West Virginia make no specific provision as to taxability of sale of repossessed property. California, Colorado, Iowa, Kansas, Michigan, Missouri, New Mexico, North Dakota, Ohio, Oklahoma, South Dakota, Utah, Washington, and Wyoming provide that such transactions are taxable. Illinois taxes such sales but provides they are exempt where made by finance company as agent for owner. North Carolina exempts sale of repossessed property if the original sale was made on or after July 1, 1937.

6. *Casual or isolated sales.*—Indiana and Washington's business and occupational levy, tax such sales. Oklahoma and Wyoming presumably tax such sales, having no specific provision. Alabama, Arizona, Arkansas, California, and Colorado exempt them completely. Illinois, Iowa, Kansas, Michigan, Mississippi, Missouri, New Mexico, North Carolina, North Dakota, Ohio, South Dakota, Utah, Washington's retail sales tax, and West Virginia generally exempt such sales but tax them if the seller holds himself out as engaged in retail business.

SALES TAX COMPENDIUMS¹

ALABAMA

GROSS RECEIPTS (SALES) TAX

Taxable.—A license tax, based on gross sales or gross receipts, is imposed on retailers of tangible personal property, operators of places of amusement and entertainment, and automobile dealers.

Exemptions.—Receipts from the following are exempt:

- (1) Nontaxable by Federal or State constitutional restrictions.
- (2) Sales to State, or counties and cities within the State.
- (3) Farm products and livestock.
- (4) Fertilizers.
- (5) School textbooks.
- (6) Gasoline, lubricating oils, cigars, cigarettes, alcoholic beverages, utility service on which excise tax is paid.
- (7) Seeds for planting purposes.
- (8) Newsprint paper, newspapers, and religious publications.
- (9) Containers and bagging for agricultural products.
- (10) Coal and coke used in manufacturing of byproducts or other products.
- (11) Railroad rails, cars, and barges of more than 50 tons.
- (12) Used automobiles.
- (13) Machines used in mining, quarrying, and manufacturing.
- (14) Fuels and supplies used or consumed aboard ships on the high seas but not ship repairs.
- (15) Fluid milk except when sold by hotels, restaurants, and retail establishments.
- (16) Lunches to school children within school buildings.

Rates.—Receipts from sale of automobiles, one-half of 1 percent; receipts from all other taxable sales, 2 percent.

Collection in 1941.—\$9,312,000.

Collection in 1942.—\$9,312,000.

Collection.—Tax to be added to the sales price and collected by vendor from vendee. Tokens may be issued by the Department of Revenue. Remittance to accompany monthly or quarterly report where monthly tax does not exceed \$10.

USE TAX

Taxable.—An excise tax is imposed on the storage, use, or consumption of tangible personal property or any automotive vehicle.

Exemptions.—The storage, use, or consumption of the following tangible property is exempt:

- (1) Property subject to the sales tax.
- (2) Nontaxable by Federal or State constitutional restrictions.
- (3) Used by nonresidents while temporarily in State.

¹ Compiled from State laws and tax services.

however, make no exemption for foods, and in no case does any State make exemption for food sold in restaurants.

Farm products sold by the farmer to the consumer are exempted in several States. In Alabama, Arizona, Arkansas, Louisiana, Mississippi, New Mexico, and North Carolina, the exemption is by express provision of law, while Utah provides the exemption by regulation. In Arkansas such products are exempt only if they are sold on the farm by the producer or grower. In South Dakota and West Virginia, they are exempt only if the sales are casual. Livestock, fertilizer, feed, and seeds sold to farmers are found among exemptions in many of the States.

Most States exempt sales to religious and charitable institutions while in a few no mention is made of such exemptions.

From considerations of revenue and because of administrative difficulties involved under a long list of tax-free articles, most of the sales-tax States have declined to enact statutes with extensive exemptions, preferring to use the tax for its primary purpose—to raise revenue.

It is important to note the cost of administering the sales tax in those States with few exemptions. In Mississippi, for instance, where a long list of exemptions apply, the cost of administering the tax was 4 percent of the receipts, while in Illinois, with no exemptions except those made necessary by the Constitution, the administration cost was only 1.9 percent of the receipts.

COLLECTION

There are several problems connected with the collection of sales taxes, particularly the collection of odd amounts of the tax and the combating of sales tax evasion.

For the collection of amounts less than 1 cent, Mississippi and New Mexico have issued tokens in denominations of mills. Other States, such as Illinois, have discarded this system as being too bothersome and involving the use of metals needed for defense. Most States use a system of rate schedules which brackets expenditures under \$1 and applies a definite tax to each bracket. This assures a full revenue return but does not avoid unanticipated pressures on price ceilings or cost structures.

Greatest evasion of the sales tax is among small retailers especially where records are scanty. Several States, including Illinois and California, meet this with a network of field auditors. Applying the Illinois ratio, of 1 auditor for every 260 retailers, to the whole Nation, Federal retail sales tax enforcement could be effected by a staff of six to seven thousand auditors. Ohio requires all vendors to prepay the amount of the tax at the beginning of the year and for it they receive tax receipts. A stub of the tax receipt is given to the buyer at the time of purchase. Buyers are given a special incentive to insist on the stub. Some States attempt to reduce evasion by allowing the amount paid on sales taxes as a deduction in computing the income tax of the purchaser or of the retailer, as the case may be.

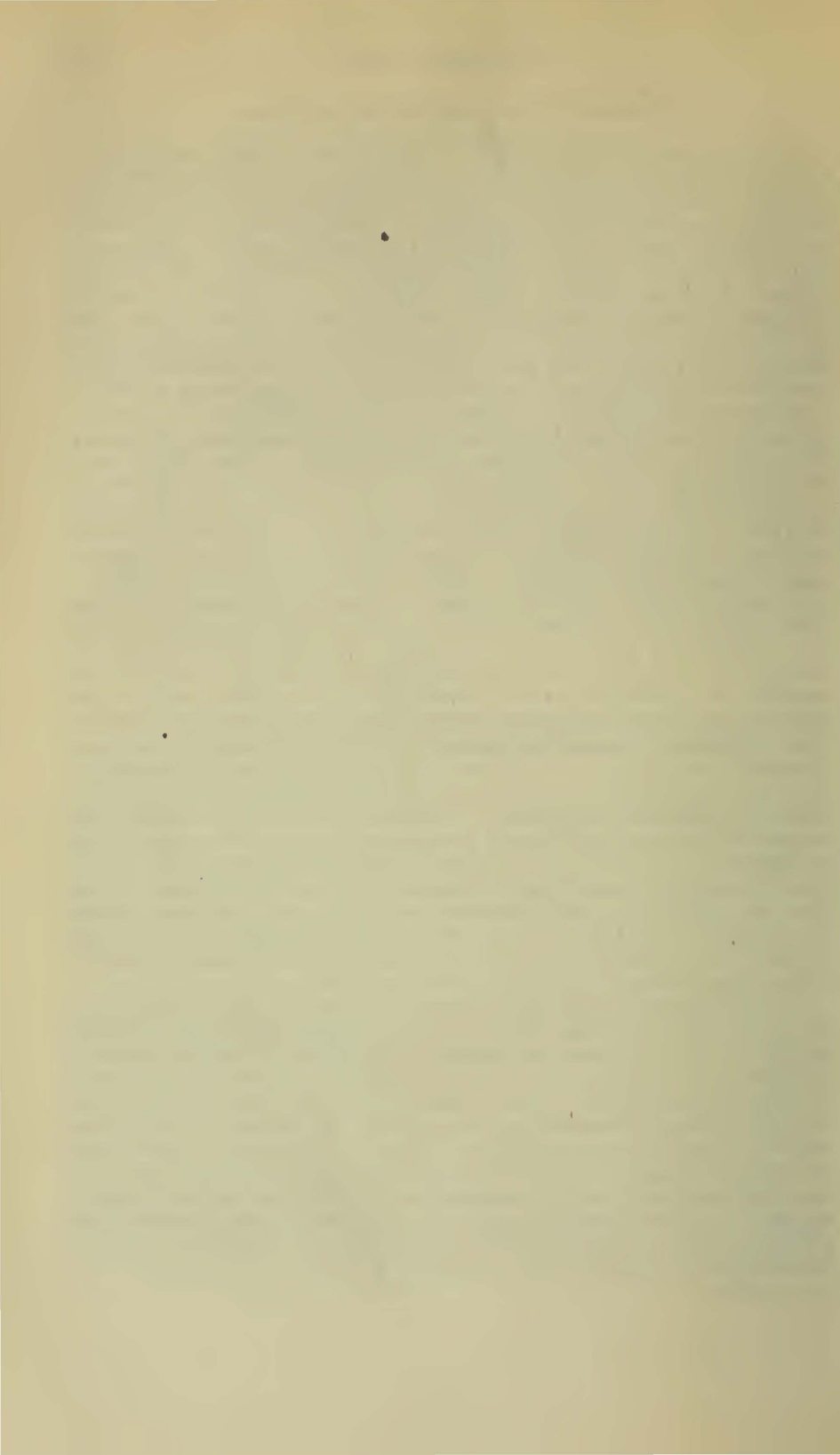
TAXABILITY OF CERTAIN TRANSACTIONS

1. *Conditional and credit sales.*—In Alabama, Illinois, and Mississippi, the tax is due on payments as they are received. Arizona has no specific provision as to the manner of payment of the tax. Arkansas, Michigan, and North Carolina may grant taxpayer's application to report on basis of actual receipts. California, Louisiana, Missouri, Ohio, Oklahoma, South Dakota, Utah, Washington, and West Virginia hold the amount entirely taxable when the sale is made. Colorado, Kansas, New Mexico, and Wyoming provide that the seller may pay full tax on the sale, or portion on payments as received. Iowa, North Dakota, and South Dakota provide that on conditional sales extending over 60 days, the tax is due on payments received.

2. *Barter and exchange.*—Alabama, Arizona, Arkansas, California, Illinois, Iowa, Kansas, Louisiana, Michigan, Mississippi, Missouri, New Mexico, North Carolina, North Dakota, Ohio, Oklahoma, South Dakota, Utah, Washington, West Virginia, and Wyoming provide barter and exchange as taxable transactions. Colorado provides they are taxable except exchanges for resale in the usual course of a retailer's business. Indiana exempts barter and exchange unless added value is received, or property is used in lieu of cash.

3. *Lease or rental.*—Alabama has no specific provision covering these transactions. Arizona, Kansas, Utah, and West Virginia tax the transactions but provide no specific manner for the payment of the tax. In Arkansas and Mississippi, such transactions are taxable. In California such transactions are taxable only when made in lieu of sale, or the property is substantially consumed during lease. The tax on leases and rentals in California, Colorado, Indiana, Missouri, New Mexico, Oklahoma, West Virginia, and Wyoming is measured by rentals paid. In Indiana the tax may be paid on accrued rents if permission is obtained. Louisiana provides the transaction is taxable in lump sum at time of execution, or periodically as provided in contract. In Ohio the tax is payable on rentals as due. North Carolina taxes all such transactions except lease of motion-picture films for exhibition where admissions tax is paid. Illinois, Iowa, Michigan, North Dakota, and South Dakota exempt leases and rentals, and Washington gives an exemption but provides that a lease with an option to purchase is taxable.

4. *Sale of trade-ins or used property.*—Alabama, Ohio, Oklahoma, and West Virginia make no specific provision for taxing these transactions, except Alabama does provide that sales of used automobile vehicles are exempt. In Arizona, California, Colorado, Indiana, Kansas, Missouri, New Mexico, North Dakota, Utah, Washington, and Wyoming the transactions are taxable. In Michigan, the transaction is taxable but a deduction is allowed for value of trade-in on all but original sale. South Dakota taxes all such transactions except trade-in farm machinery. Arkansas and Illinois exempt such transactions. In Iowa they are exempt to the extent of allowance on original trade-in. Louisiana, Mississippi, North Carolina, and West Virginia provide they are exempt if full tax was paid on total sale price of new article.



STATE SALES TAX

PYRAMIDING

Sales taxes are usually intended to be single turn-over taxes in that each article is to be taxed only once. The statutes usually provide that the tax does not apply if the property transferred is to be resold by the purchaser. A common type of provision is found in the Illinois¹ statute that—

“Sale at retail” shall be construed to include any transfer of the ownership of, or title to, tangible personal property to a purchaser, for use or consumption by any other person to whom such purchaser may transfer the tangible personal property without a valuable consideration. * * *

One of the problems arising under the sale for resale provisions pertains to the taxation of sales when the property purchased is to be used or consumed in manufacturing, processing, and so forth. The general rule is that sales of raw materials to be incorporated into a finished product destined for ultimate sale to the consumer are not taxed, but sales of tools, coal, and so forth, which are used or consumed in the process of manufacture, although not incorporated into the product to be sold, are taxable. A few States, including Ohio and Michigan, have specifically exempted all or some of such sales of tools and equipment, but it appears that the exemption depends entirely upon the statute.

A system of licensing manufacturers is in use in Canada which provides that a tax is payable only when a licensee sells to an unlicensed buyer. The Canadian system appears to have attained a great measure of success in the prevention of pyramiding.

EXEMPTIONS

There is a wide range in both number and type of exemptions allowed by the States in their sales taxes. The range extends from Illinois, with the tax on all retail sales of tangible personal property with no exemptions except those necessary under the Constitution, to Alabama and California, whose statutes provide so many exemptions that the tax becomes in effect one on selected sales.

Three exemptions are found in practically all States and they are (1) casual sales, (2) sales to the Federal Government, and (3) sales in interstate commerce. We need not be concerned with sales in interstate commerce when considering the Federal sales tax, but casual sales and sales to the Federal Government have their place in this field.

Only two States, California and Ohio, and New York City exempt food except that sold in restaurants. A few States, while not having a complete exemption of food as such, do exempt a limited list of food and food in certain educational cafeterias. For instance, in North Carolina, the tax does not apply to flour, meal, lard, milk, molasses, salt, sugar, coffee, bread, and rolls. The majority of sales-tax States,

¹ Illinois Revised Statutes, ch. 120, sec. 440.

- (4) Sold to State, counties, or municipalities.
- (5) Lubricating oil, gasoline, alcoholic beverages, utility services on which excise tax is paid.
- (6) School textbooks.
- (7) Farm products, fertilizers, and seeds for planting purposes.
- (8) Containers and bagging for agricultural products.
- (9) Newsprint paper, newspapers, and religious publications.
- (10) Coal and coke used in manufacturing of byproducts or other products.
- (11) Railroad rails, cars, and barges of more than 50 tons.
- (12) Machinery used in mining, quarrying, and manufacturing.
- (13) Used automobiles.
- (14) Fluid milk.
- (15) Fuel and supplies used aboard ships on the high seas.
- (16) Lunches to school children.
- (17) Cigars and cigarettes.

Rates.—Two percent of sales price, except automotive vehicles which are taxed at one-half of 1 percent of sales price.

Collection in 1942.—(Included in amount given for sales-tax collection above.)

Collection.—Primary liability to collect tax is on the vendor; however, vendees are liable for the tax if the vendor does not collect it. Tax remittances to accompany reports.

ARIZONA

OCCUPATIONAL GROSS INCOME TAX

Taxable.—Every person engaged or continuing in business within the State of Arizona pays a tax based on gross income.

Exemptions.—Income from the following are exempted:

- (1) Motor fuel on which excise tax has been paid.
- (2) Common or contract carriers of persons or property.
- (3) Transactions nontaxable by United States law and State constitution.
- (4) Living accommodations rented to nontransients.
- (5) Producers of farm products.
- (6) Domestic cooperative companies and cooperative purchasing agencies.
- (7) Beauty parlors, laundries, and dry-cleaning establishments.

Rates.—(1) Business engaged in processing, or preparation for sale of agricultural products including livestock, and suppliers of poultry producers—one-fourth of 1 percent.

(2) Retailers of tangible personal property; operators of theaters or other exhibitions; business connected with tourist trade; automobile services; office rentals, storage fees, credit agencies—2 percent.

(3) Others subject to tax—1 percent.

Collections in 1941.—\$4,403,000.

Collections in 1942.—\$5,343,000.

Collection.—Taxpayers report to State tax commissioner on or before the 15th of each month and within 30 days after the end of each year. Tax remittance to accompany report. It is unlawful for any retailer to represent that he will assume or absorb the tax. Tokens are issued by State tax commission.

ARKANSAS

GROSS RECEIPTS (SALES) TAX

Taxable.—An excise tax is imposed upon the gross proceeds or gross receipts derived from all sales of—

- (1) Tangible personal property.
- (2) Natural or artificial gas, electricity, water, ice, steam, or other utility service.
- (3) Telephone and telegraph service.
- (4) Printing.
- (5) Admissions to places of amusement and entertainment.

Exemptions.—Sales of the following are exempt:

- (1) Intoxicating beverages.
- (2) Cigarettes.
- (3) Sales by churches.
- (4) Sales by charitable organizations.
- (5) Sales of food in school cafeterias.
- (6) Newspapers.
- (7) Sales to United States Government.
- (8) Gasoline or motor fuel.
- (9) Sales for resale or for use in manufacturing and processing.
- (10) Advertising.
- (11) Admissions to State, county, or township fairs.
- (12) Sales nontaxable by United States or State constitutional restrictions.
- (13) Isolated sales.
- (14) Cotton or cottonseed, raw products of farms, livestock, and dairy products.
- (15) Foodstuffs for free distribution to the poor.
- (16) Sales to charitable hospitals and sanitarium.
- (17) Sales of second-hand property.
- (18) Unprocessed crude oil.
- (19) Raw farm products sold by producer.

Rate.—2 percent of gross proceeds or gross receipts.

Collection in 1941.—\$6,152,000.

Collection in 1942.—\$8,038,000.

Collection.—The tax is paid to the Commissioner of Revenue by the seller at the time the report is filed. Tokens may be issued. The taxpayer is allowed a 2 percent discount for prompt payment of the tax.

CALIFORNIA

OCCUPATIONAL RETAIL SALES TAX

Taxable.—Retailers pay a tax for the privilege of selling at retail, based on the gross receipts from all retail sales of tangible property, including those affected by exchange, lease, rental, and those in which the title is retained by the vendor for security.

Exemptions.—Receipts from the following sales are exempt:

- (1) Nontaxable by prohibitions in United States or State constitutions.
- (2) Gas, electricity, and water.
- (3) Gold bullion.

West Virginia: Sale of tangible personalty, one-fourth of 1 percent (gross sales tax); wholesaler or jobber, fifteen one-hundredths of 1 percent; others vary, of gross proceeds or gross income; 2 percent of gross proceeds (consumers' retail sales tax).

Wyoming: 2 percent of price paid or charged for taxable sale or service.

TABLE 2.—*State general sales tax collections, fiscal years 1941 and 1942*

State	Collected in 1941	Collected in 1942	State	Collected in 1941	Collected in 1942
Alabama.....	\$9,312,000	\$9,312,000	New Mexico.....	4,265,000	5,282,000
Arizona.....	4,403,000	5,343,000	North Carolina.....	14,247,000	15,663,000
California.....	110,372,000	132,617,000	North Dakota.....	3,364,000	4,188,000
Colorado.....	9,416,000	10,335,000	Ohio.....	63,119,000	63,119,000
Illinois.....	101,761,000	85,589,000	Oklahoma.....	11,788,000	14,074,000
Indiana.....	25,873,000	33,601,000	South Dakota.....	5,014,000	3,652,000
Iowa.....	17,992,000	21,521,000	Utah.....	4,542,000	5,324,000
Kansas.....	11,189,000	13,111,000	Washington.....	24,364,000	39,931,000
Louisiana ¹	4,991,000	131,000	West Virginia.....	20,874,000	30,961,000
Michigan.....	73,632,000	82,710,000	Wyoming.....	2,296,000	2,296,000
Mississippi.....	7,407,000	9,907,000			
Missouri.....	29,515,000	29,547,000	Total.....	565,890,000	627,000,000

¹ The rate for 1942 has been reduced.

² Receipts from repealed tax. It has since been reenacted.

TABLE 3.—*Showing percentage of general sales tax collections, by States, to total State collections, fiscal year 1942*

State	Total tax col- lections in sales-tax States	General sales-tax collection	Percentage of general sales tax to total tax collection
Alabama.....	\$62,048,000	\$9,312,000	15.0
Arizona.....	26,377,000	5,343,000	20.3
Arkansas.....	45,893,000	8,038,000	17.5
California.....	434,428,000	132,617,000	30.5
Colorado.....	43,843,000	10,335,000	23.3
Illinois.....	319,729,000	85,589,000	23.7
Indiana.....	121,748,000	33,601,000	27.7
Iowa.....	80,275,000	21,521,000	26.9
Kansas.....	44,966,000	13,111,000	29.2
Michigan.....	249,921,000	82,710,000	33.1
Mississippi.....	46,360,000	9,907,000	21.4
Missouri.....	106,535,000	29,547,000	27.8
New Mexico.....	20,282,000	5,282,000	25.1
North Carolina.....	111,402,000	15,663,000	14.1
North Dakota.....	19,150,000	4,188,000	21.9
Ohio.....	300,828,000	63,119,000	21.0
Oklahoma.....	80,389,000	14,074,000	17.5
South Dakota.....	16,721,000	3,650,000	21.9
Utah.....	23,990,000	5,324,000	22.2
Washington.....	104,908,000	39,931,000	38.0
West Virginia.....	67,437,000	30,961,000	45.9
Wyoming.....	8,866,000	2,296,000	26.0
Total.....	2,311,804,000	627,000,000	27.1

¹ These figures are not final.

Source: Department of Commerce, Bureau of Census.

TABLE 4.—*Per capita collection of general sales taxes, fiscal year 1942*

State	Collection of general sales tax	Population ¹	Sales tax per capita
Alabama.....	\$9,312,000	2,833,000	\$3.28
Arizona.....	* 5,343,000	499,000	10.72
Arkansas.....	8,038,000	1,949,000	4.18
California.....	132,617,000	6,907,000	19.20
Colorado.....	10,335,000	1,123,000	9.20
Illinois.....	85,589,000	7,897,000	10.84
Indiana.....	* 33,601,000	3,428,000	9.80
Iowa.....	21,521,000	2,538,000	8.48
Kansas.....	13,111,000	1,801,000	7.28
Michigan.....	82,710,000	5,256,000	15.74
Mississippi.....	9,907,000	2,184,000	4.54
Missouri.....	29,547,000	3,785,000	7.81
New Mexico.....	5,282,000	532,000	9.93
North Carolina.....	15,663,000	3,572,000	4.39
North Dakota.....	4,188,000	642,000	6.52
Ohio.....	63,119,000	6,908,000	9.14
Oklahoma.....	14,074,000	2,226,000	6.32
South Dakota.....	3,650,000	643,000	5.68
Utah.....	5,324,000	550,000	9.50
Washington.....	39,931,000	1,736,000	22.97
West Virginia.....	30,961,000	1,902,000	16.28
Wyoming.....	2,296,000	251,000	9.15
Total.....	627,000,000	61,526,000	10.18

¹ Population according to 1940 census.
These figures are not final.

COLLECTIONS

In 1942 the revenue from all State general sales taxes was \$627,000,000, an increase of \$61,000,000 over the fiscal year 1941, representing a percent change of +10.8. Of all sales taxes collected in the 48 States and amounting to \$2,228,000,000, the collection of general sales taxes amounted to 28.1 percent, and to 12.7 percent of total State tax collections.

In the sales-tax States, the total tax collections were \$2,311,804,000. Of this total, the general sales taxes were \$627,000,000, or 27.1 percent. The general sales tax collection was larger than the \$529,000,000 collected on net incomes, individual and corporate, in all States, larger than the \$262,000,000 collected on property. As a source of revenue it was exceeded by only the motor-fuel tax and license and privilege taxes and permits.

The per capita collection for all State sales taxes in 1942 was \$16.81. In those States with a general sales tax, the per capita general sales tax collection was \$10.18, ranging from a low of \$3.28 in Alabama to a high of \$22.97 in Washington.

TABLE 5.—*State tax collections, fiscal year 1942*

Tax	Collections, 1942	Percentage of total collections
Sales and gross receipts.....	\$2,233,300,000	45.1
Unemployment compensation.....	1,079,200,000	21.8
License and privilege taxes and permits.....	653,300,000	13.2
Net income taxes.....	522,300,000	10.5
Property taxes.....	262,000,000	5.3
Other taxes.....	201,400,000	5.0
Total collections.....	4,951,500,000	100.0

(6) Tangible personal property of a person engaged in manufacturing, compounding for sale, profit, or use, which enters into and becomes a component part of the product, and the container and label.

(7) Electricity, coal, coke, fuel oil, or gas for use in processing, manufacturing, mining, refining, irrigation, building construction, telegraph, telephone, and radio communication, street and railroad transportation services, and all industrial uses.

Rate.—Two percent of the purchase price.

Collection in 1942.—Included above in retail sales tax collection.

Collection.—Tax remittances to accompany reports when the retailer has not collected the tax and issued a receipt therefor.

SERVICE TAX

Taxable.—All services rendered by persons engaged in a taxable business when service is rendered to an ultimate user. Services so taxable are:

(1) Amusements conducted by individuals, charitable or service institutions.

(2) Automobile inspection.

(3) Investors' services and stock brokers.

(4) Notary public.

Exemptions.—

(1) Amusements operated by churches, schools, or colleges.

(2) Boxing exhibitions subject to a special tax.

(3) National banks and Home Owners' Loan Corporation.

(4) General warehouse business.

Rate.—2 percent of value of services rendered. License fee is \$1.

Collection in 1942.—Included in retail sales tax returns.

Collection.—Payment due at time of filing monthly return. Tax must be added to value of services or charges as a separate item. It is unlawful to assume or absorb the tax. A 3 percent credit against the tax due from persons rendering service is allowed to cover cost of collection and remittance.

ILLINOIS

OCCUPATIONAL RETAIL SALES TAX

Taxable.—Persons engaged in the business of selling tangible personal property at retail are taxed on their gross receipts from such sales made in the course of business. Transactions where possession passes, but title is retained for security purposes, are sales.

Exemptions.—

(1) Sales protected by the Federal Constitution.

(2) Isolated or occasional sales by persons other than retailers.

Rate.—Two percent of 98 percent of the gross receipts from sales after June 30, 1941; prior to June 30, 1941, the tax was 3 percent of the gross receipts.

Collection in 1941.—\$101,761,000.

Collection in 1942.—\$85,589,000 (due to reduced rate).

Collection.—Tax to be paid to the department of finance at the time of making the monthly report.

INDIANA

GROSS INCOME TAX

Taxable.—Gross income of all residents of Indiana and gross income of all persons or corporations doing business in Indiana derived from sources within the State are subject to tax.

Deductions.—

- (1) \$3,000 for retail merchants, \$1,000 for all other taxpayers.
- (2) Income from interstate and foreign commerce, salaries, pensions, and interest from United States Government, to the extent State taxation is prohibited by United States Constitution.
- (3) State or Federal taxes collected by agent.
- (4) Income from sales to United States Government nontaxable under United States law.
- (5) Amounts paid under insurance policies or contracts, annuities, or endowments.

Exceptions.—

- (1) Insurance companies paying a State tax of more than 1 percent on premiums.
- (2) Companies, organizations, and corporations not organized for profit.
- (3) State and other colleges and universities, hospitals.
- (4) Athletic exhibitions subject to special tax.

Rates.—The percentage used for computing tax depends on the source of the income as indicated: Display advertising, one-fourth of 1 percent; wholesalers and jobbers, one-fourth of 1 percent; public utilities, 1 percent; banks, etc., 1 percent; all other income, 1 percent.

Collection in 1941.—\$25,873,000.

Collection in 1942.—\$33,601,000.

Collections.—Quarterly returns are required where tax for the quarter exceeds \$10. Otherwise annual returns are filed.

IOWA

RETAIL SALES TAX

Taxable.—Gross receipts from all sales, transfers, or exchanges, of—

- (1) Tangible personal property, consisting of goods, wares, or merchandise sold at retail in Iowa to consumers or users.
- (2) Furnishing or service of gas, electricity, water, and communication service, including those made by any municipal corporation in its proprietary capacity.
- (3) Tickets or admissions to places of amusement and athletic events.

Exemptions.—Gross receipts from sales of—

- (1) Property the State is prohibited from taxing under constitution of laws of United States or under the constitution or laws of this State.
- (2) Furnishing or service of transportation service.
- (3) Tangible personal property used for the performance of a contract on public works executed prior to March 9, 1934.
- (4) Admission to State, county, and local fairs, and gross receipts from religious, educational, or charitable activities.

(5) Property accepted as part consideration in the sale in Iowa of other property not in excess of the original trade-in valuation.

(6) Commercial fertilizer or agricultural limestone.

(7) New motor vehicles.

Rates.—Two percent of gross receipts. Retailers' permit fee is 50 cents; the fee is \$1 if permit has been previously revoked.

Collection in 1941.—\$17,992,000.

Collection in 1942.—\$21,521,000.

Collection.—Tax payment to accompany quarterly reports. Retailer shall, as far as is practicable, include their tax in the sale price, and it is unlawful for a retailer to represent that he is absorbing the tax.

USE TAX

Taxable.—An excise tax is levied on the use of tangible personal property purchased on or after April 15, 1937.

Exemptions.—

(1) Property subject to the sales tax, except new motor vehicles.

(2) Property used in intrastate commerce.

(3) Property already subject to a special tax.

(4) Property brought into the State by nonresidents for their use while within the State.

(5) Property not readily obtained in Iowa and used in operating a street railway.

(6) Property exempt under the sales tax.

(7) Property used in processing.

Rate.—Two percent of the purchase price of the property.

Collection in 1942.—Included in collections of retail sales tax given above.

Collection.—The tax is added to the price of the property and collected by the retailer who remits it to the State tax commission at the time returns are required to be filed.

KANSAS

SALES TAX

Taxable.—A tax is levied upon the gross receipts from retail sales:

(1) Tangible personal property.

(2) Telephone and telegraph service.

(3) Furnishing gas, water, electricity, and heat.

(4) Sale of meals or drinks at public places.

(5) Sale of admissions to any place of amusement.

Exemptions.—

(1) Power, fuel, and lubricants used in taxable services.

(2) Casual or isolated sales.

(3) Sales to manufacturers, producers, or compounders.

(4) Sales of livestock, feed, seed or seedlings.

(5) Sale of like services.

(6) Admissions to State, county, district and local fairs.

(7) Sales of property used for State, county, municipal, educational, religious or charitable purposes.

(8) Commodities bearing a State excise tax.

(9) Sales to State, etc.

(10) Constitutional exemptions.

(11) Property used in the performance of a public works contract, title to which passes to a political subdivision upon completion.

(12) Amount allowed for a trade-in of property.

Rate.—Two percent of the gross receipts from retail sales of tangible personal property or from the furnishing of taxable services.

Collections in 1941.—\$11,189,000.

Collections in 1942.—\$13,111,000.

Collection.—Tax payment to accompany monthly report. The tax is collected by the retailer from the consumer and it is unlawful for a retailer to represent that he is absorbing the tax.

COMPENSATING TAX

Taxable.—An excise tax is levied for the privilege of using within the State any article of tangible property which is purchased.

Exemptions.—

(1) Articles brought in by nonresidents for a period not to exceed 60 days.

(2) Property purchased other than at retail.

(3) Articles already subject to a tax.

(4) Purchases less than \$20 a month.

(5) Articles not subject to the sales tax.

Rate.—Two percent of the purchase price paid by the taxpayer.

Collection in 1942.—Included above in collection of sales tax.

Collection.—The tax is payable to the State commission of revenue and taxation at the time return is made.

LOUISIANA

SALES, USE TAX

Taxable.—Every individual, firm, association, parish, or the State of Louisiana or any political subdivision thereof, selling at retail, using, consuming, distributing, storing for use in the State, leasing or renting tangible personal property in the State.

Exemptions.—

(1) Interstate commerce except where goods come to rest and become part of the mass of property in Louisiana.

(2) Transactions upon which an equal tax has been paid in another State.

(3) Sales of livestock, poultry, and other farm products directly by the farmer.

(4) Wholesale sale of farm products for preparation for retail sale.

(5) Trade-in property where tax has been paid on original sale.

(6) Gasoline, steam, water (except special water put up in containers), electricity, newspapers, fertilizers, and containers for farm products, natural gas, and soft drinks already taxed.

Rate.—One percent of sale price or of gross proceeds for rented property. For goods taxable on use rate is 1 percent of cost price.

Collections in 1942.—Act once passed and repealed was reenacted in 1942. No returns available.

Collection.—Collected from consumer by dealer. Absorption of tax is unlawful and may not be advertised. Returns are due by the 20th of each month.

MICHIGAN

OCCUPATION RETAIL SALES TAX

Taxable.—Every retailer pays tax for the privilege of carrying on a retail business, based on the gross proceeds from—

(1) Retail sales in the ordinary course of business in Michigan, including those in which title is retained for security purposes.

(2) Sales of electricity and gas for heat and light when made to consumer.

Exemptions.—

(1) \$50 of gross sales of each taxpayer per month.

(2) Sales to United States Government or State of Michigan.

(3) Sales to charitable, religious, or educational institutions not operated for profit.

(4) Commercial advertising produced upon special order.

(5) Vessels designed for commercial use of 1,000 tons or over.

Sales for consumption or use in industrial processing or agricultural producing not included in "retail sales." In case of trade-ins, the taxpayer is liable for a tax based on the resale price less the credit allowed on account of any trade-in of property of like kind and nature.

Rates.—Three percent of gross receipts from retail sales; retailers' license fee is \$1.

Collections in 1941.—\$73,632,000.

Collections in 1942.—\$82,710,000.

Collection.—Tax payment to accompany reports. The retailer is to reimburse himself and it is unlawful for him to represent that the tax does not constitute part of the sale price.

USE TAX

Taxable.—A tax is imposed on the privilege of using, storing, or consuming tangible personal property in the State based on the price of the property so used.

Exemptions.—Use of the following:

(1) Subject to sales tax.

(2) Tax on which is prohibited by the State or United States Constitution.

(3) Purchased from one not engaged in the business of selling tangible personal property.

(4) Property not purchased at retail sale.

(5) Used by nonresidents while temporarily in State.

(6) Already subjected to a State or Federal sales tax equal or in excess of 3 percent with a partial exemption equivalent to the lesser amounts paid.

(7) Used in industrial or agricultural processing.

(8) Commercial advertising produced upon special order.

(9) Sold to United States or State of Michigan.

(10) Sold to religious, charitable, or educational institutions.

(11) Ten dollars of property purchased outside the State per month.

Rate.—Three percent of purchase price.

Collection in 1942.—Included above in collection of occupational retail sales tax.

Collection.—Tax remittance to accompany monthly reports.

MISSISSIPPI

OCCUPATIONAL SALES TAX

Taxable.—A tax is imposed on the privilege of doing business based on the gross proceeds from sales of such businesses subject to the following deductions:

(1) Proceeds from sales to United States or Mississippi, and transportation of materials for building public roads.

(2) Nontaxable by prohibitions in State constitution and United States law.

(3) Sums received as taxes on tobacco, gasoline, and oils.

Exemptions.—

(1) Insurance companies paying the State tax on premiums and persons paying sea-foods and amusement tax.

(2) Building and loan associations, State and National banks, mutual savings banks, not having a capital stock represented by shares which are operated for benefit of their depositors.

(3) Nonprofit labor, agricultural and horticultural organizations.

(4) Fraternal benefit or lodge organizations.

(5) Charitable, religious, or educational organizations.

(6) Cemetery associations.

(7) Business, civic, or welfare nonprofit leagues or organizations.

(8) Hospitals; infirmaries and sanitarium.

(9) Proceeds from cotton or cottonseed.

(10) Amounts received under insurance contracts upon death of insured or cash surrender or under annuities.

(11) Sales to schools or of school books.

(12) Fertilizers, seeds; boxes and crates used in preparing agricultural products for market.

(13) Farm or garden products.

(14) Sales made by persons packing, canning, bottling, or picking fruit, farm, and garden products.

(15) Proceeds of retail dealers in mules, horses, and other livestock.

(16) Cooperative nonprofit organizations distributing electrical current.

(17) All commodities in transit or stored at ports of entry intended for export or import and all freight shipments of commercial fertilizer moving at intrastate rates within the State.

(18) Newspapers, but not magazines and periodicals.

Rates.—

Subject to tax:

*Rates
Percent*

Automobile dealers or agents.....	1
Retailers of tangible property.....	2
Wholesalers of tangible property.....	0. 125
Jobbers.....	. 125
Oil.....	2
Natural gas.....	2½
Limestone, sand, gravel, and other minerals.....	2
Manufacturers of brick, building tile, cement, and cement products and clay products.....	1
Manufacturers of drain tile and sewer pipe.....	. 25
Manufacturers of soft drinks.....	1
Ice factories.....	. 25
Cottonseed oil mills.....	. 25
Manufacturers of feed and feed stuffs.....	. 125
Manufacturers not otherwise specifically taxed.....	. 25

Subject to tax—Continued.	Rates Percent
Pasteurized or fluid milk	1
Water or public sewerage system	2
Street railways	2
Furnishing electricity or gas; for industrial purposes	1
Other purposes	2
Telegraph or telephone	2
Railroads, sleeping and palace car, intrastate business	2
Express transportation, intrastate	2
Pipe-line transportation, intrastate	2
Motor-vehicle transportation, intrastate regular routes	2
Contractors	1
Any other business subject to privilege-tax law not listed above	2

Collection in 1941.—\$7,467,000.

Collection in 1942.—\$9,907,000.

Collection.—Tax remittance to accompany required reports. Tax-payers add the tax to the sale price and collect it from purchasers; tax tokens are issued by the State tax commission to facilitate this collection.

USE (COMPENSATING) TAX

Taxable.—A tax is levied for the privilege of using, storing, or consuming in Mississippi any article of tangible personal property purchased at retail or produced or manufactured for commercial use, or rental or dyed or cleaned or laundered or processed on or after April 1, 1938.

Exemptions.—The use of—

- (1) Articles by nonresidents while temporarily in the State.
- (2) Articles the sale of which has already been subject to the gross sales tax.
- (3) Articles sold at retail which have been specifically exempt from the gross sales tax.
- (4) Property owned or used by any person in furtherance of interstate commerce.
- (5) Property purchased, the total of which does not exceed \$50 per month or in the aggregate does not exceed \$300 per year.
- (6) Articles for household purposes.
- (7) Property owned by cooperative nonprofit associations distributing electrical current.

Rates.—The tax is levied in an amount equal to the purchase price or rental, dyeing, cleaning, or processing price or service charge of the article paid by the taxpayer, multiplied by the following rates:

Subject to tax:	Rates Percent
Retailers of tangible property	2
Wholesalers of tangible property 125
Jobbers 125
Automobile dealers or agents	1
Pasteurized milk	1
Any other business, trade, or profession subject to the privilege-tax law not listed above	2

Collection in 1942.—(Included above in Collection of Occupational Sales Tax.)

Collection.—Remittance to accompany monthly report.

MISSOURI

RETAIL SALES TAX

Taxable.—A tax based on gross receipts is levied on sales of the following (including lease or rental consideration where the right to continuous possession or use of any article of tangible personal property would be taxable if an outright sale):

- (1) Tangible personal property.
- (2) Admission to places of amusement, entertainment, recreation, games, and athletic events.
- (3) Electricity, water, gas.
- (4) Telephone services; telegraph transmissions.
- (5) Rooms, meals, and drinks from places regularly offering such to public.
- (6) Railroads, sleeping, dining, and express cars and buses and trucks licensed by Public Service Commission engaged in transportation of persons.

Exemptions.—

- (1) Interstate and foreign commerce.
- (2) Nontaxable by State or Federal constitutional restrictions.
- (3) Motor fuel, fuel used to produce taxable utility services, feed for poultry or livestock, and grain converted into foodstuffs which are ultimately subject to tax.
- (4) Made by religious, charitable, eleemosynary, and penal institutions and relief agencies.

Rate.—2 percent of gross receipts from sales.

Collections in 1941.—\$29,515,000.

Collections in 1942.—\$29,547,000.

Collection.—Tax payment to accompany monthly report. The retailer is to collect the tax from the purchaser and it is illegal for him to represent that he assumes or absorbs it.

NEW MEXICO

OCCUPATIONAL GROSS INCOME TAX

Taxable.—Every person engaging or continuing in any business in New Mexico pays a tax based on gross receipts.

Exemptions.—Receipts from the following are exempt:

- (1) Nonprofit organizations and societies.
- (2) Farm products.
- (3) Premiums collected by insurance companies on which a State tax is levied.
- (4) Salaries and wages.
- (5) School books.
- (6) Hospitals, infirmaries, or sanitariums.
- (7) Interest, dividends, or rentals.
- (8) Newspapers and magazine sales, but not advertising space.
- (9) Gasoline or motor fuel.
- (10) Building and loan associations; State and national banks.
- (11) Water for irrigation, domestic, commercial, and industrial purposes.

(12) Dormitories and dining halls of State educational institutions.

(13) Sales to United States or New Mexico or its political subdivisions.

(14) Coal producers.

(15) Agricultural implements, seeds, etc., but excluding tractors.

Rates.—The rates used in computing the tax depend on the source of the income and are:

Mining, quarrying, producing:	
Oil, natural gas, carbon dioxide gas and potash.....	2 percent.
Other mineral products.....	$\frac{1}{2}$ of 1 percent.
Manufacturing, smelting, refining, distilling, etc.: Oil, natural gas, carbon dioxide gas, potash, copper, gold, silver, limestone, sand, gravel, or other products.....	$\frac{1}{2}$ of 1 percent.
Wholesalers:	
Wholesale merchandising of goods, including alcoholic beverages and electricity to others for resale.....	$\frac{1}{8}$ of 1 percent.
Retailers selling goods, equipment (except receipts from livestock, livestock feed, seeds, roots, bulbs, plants, fertilizer, agricultural implements, not including tractors).....	2 percent.
Automobiles, trucks, or tractors.....	1 percent.
Public utilities: Electricity, gas, intrastate telephone and radio messages, including local business, transportation of people and property.....	1 percent.
Contractors, all receipts.....	2 percent.
Amusements: Theaters, picture shows, radio.....	2 percent.
Professions: All professional services.....	2 percent.
Real estate: Commissions.....	2 percent.
Factors, agents, or brokers: Commissions.....	2 percent.
Equipment and machinery.....	2 percent.
Timber cutting.....	2 percent.
Miscellaneous and business similar to those taxes.....	2 percent.

All taxpayers pay a license fee of \$1.

Collection in 1941.—\$4,265,000.

Collection in 1942.—\$5,282,000.

Collection.—Tax remittance to accompany monthly reports. Tax tokens are used to facilitate reimbursement of persons in business. It is unlawful to advertise directly that tax is not an element of price of property or service.

USE (COMPENSATING) TAX

Taxable.—An excise tax is imposed on the storage, use or consumption in New Mexico of tangible personal property purchased from a retailer on or after July 1, 1939.

Exemptions.—The following tangible personal property is exempt:

(1) Property subject to the sales tax provisions of the occupational gross income tax.

(2) Nontaxable because of Federal or State constitutional restrictions, or used by United States or State Government or any political subdivision thereof or used by any religious, charitable or educational institution.

(3) Property purchased outside New Mexico on which a sales or use tax of another State has already been levied.

(4) Products of farmers when sold by them.

(5) Gasoline or motor fuel.

(6) Property which becomes an ingredient or component part of any manufactured article.

(7) Electricity, gas, or fuel consumed in manufacturing.

(8) Livestock, feeds for livestock, seeds, roots, bulbs and plants and fertilizer

(9) Property brought into the State by nonresidents for their use while temporarily within the State.

(10) Newsprint.

(11) Railroad locomotives and equipment used in railroad transportation.

(12) Chemicals used in mining, milling, or oil refining, except blasting powder or dynamite.

Rates.—Two percent of the sales price; sales of automobiles, trucks, or tractors are taxed at the rate of 1 percent.

Collection in 1942.—(Included above in collection of occupational gross income tax.)

Collection.—Tax remittance to accompany monthly returns. Retailers maintaining a place of business in New Mexico are required to collect the tax; however, purchasers are liable if the retailer fails to collect.

NORTH CAROLINA

OCCUPATIONAL SALES TAX

Taxable.—Wholesalers and retailers pay a tax on gross receipts from sales for the privilege of doing business. Sales include all transactions in which title ultimately passes and admissions to moving picture shows, theaters, and other exhibitions and sales of tangible personal property used in the construction of buildings.

Exemptions.—

(1) Sales by manufacturers or producers to others for resale.
 (2) Gasoline on which the tax is paid.
 (3) Commercial fertilizer, lime, and land plaster used for agricultural purposes.

(4) Sales to the State or its subdivisions.
 (5) Sales of building material to Federal, State, or local governments.
 (6) Sales prohibited from taxation under the constitutions of the United States or North Carolina.

(7) Worthless accounts.
 (8) Public schoolbooks and Holy Bibles.
 (9) Sales of traded-in articles.
 (10) Food and food products for human consumption.
 (11) Ice.
 (12) Medicines.
 (13) Sales of products of farms, forests, waters, and mines.
 (14) Horses and mules.
 (15) Coffins and caskets selling for less than \$100.
 (16) Sales to trustees of churches.
 (17) Cotton, tobacco, peanuts, and other products sold to manufacturers.

(18) Sales of tangible personal property to nonprofit educational institutions, hospitals, etc.

(19) Crutches, artificial limbs, etc.

Rate.—Three percent of gross retail sales; one-twentieth of 1 percent of gross wholesale sales; and an excise or use tax of 3 percent on sales of all new or used motor vehicles purchased for use on North

Carolina streets and highways, if the sales tax has not been paid. Maximum tax for any article is \$15.

Everyone engaged in business on which tax is collected pays \$1 permit fee; wholesalers pay \$10 annual license tax.

Collection in 1941.—\$14,247,000.

Collections in 1942.—\$15,663,000.

Collection.—The payment to accompany monthly report. The tax is to be passed on to the consumer and any contrary representation is illegal.

USE TAX

Taxable.—An excise tax is imposed on the storage, use, or consumption in North Carolina of tangible personal property purchased from a retailer on or after July 1, 1941.

Exemptions.—

(1) Property expressly specified and exempted from the retail sales tax.

(2) Property the sale of which is classified as a wholesale sale under the retail sales tax.

(3) Property exempt from taxation by the State or United States constitutions.

(4) Motor fuels upon which the gasoline tax has been paid.

(5) Property brought into the State by a non-resident while temporarily within the State.

(6) Motion-picture films where 3 percent tax is paid on admissions.

Rate.—Three percent of sales price. Credit is allowed for a sales or use tax already paid on such property either in North Carolina or in another State. The maximum tax on a single transaction is \$15.

Collection in 1942.—Included above in returns for occupational sales tax.

Collection.—Tax payment to accompany return. The tax is collected by the retailer and is added to the sales price. It is unlawful for a retailer to advertise that he is absorbing the tax.

NORTH DAKOTA

RETAIL SALES TAX

Taxable.—A tax is imposed on the gross receipts from all sales of—

(1) Tangible personal property sold at retail in North Dakota.

(2) Furnishing or service of steam, gas, electricity, water, and communication service, including such sales made by municipal corporations in a proprietary capacity.

(3) Tickets or admissions to places of amusement and athletic events.

Exemptions.—

(1) Sales the State cannot tax because of United States law or State-constitution prohibitions.

(2) Transportation service.

(3) Contracts executed before May 1, 1935.

(4) Tickets and admissions to State, county, or local fairs and gross receipts from educational, religious, or charitable activities.

(5) Sales already subject to an excise tax.

(6) Occasional sales and auctions.

(7) Players on pin alley or pool or billiard tables.

Rate.—Two percent of gross receipts from retail sales. Retailer's permit fee is 50 cents.

Collection in 1941.—\$3,364,000.

Collection in 1942.—\$4,188,000.

Collection.—Tax to be paid at time of filing monthly report. The tax is to be added to the sale price, and it is unlawful for the retailer to represent that he assumes or absorbs the tax.

USE TAX

Taxable.—An excise tax is imposed on the storage, use, or consumption in North Dakota of tangible personal property purchased at retail.

Exemptions.—

- (1) Property subject to the sales tax.
- (2) Motor vehicles subject to the excise tax imposed by chapter 167, law 1937.
- (3) Property brought into the State by a nonresident while temporarily within the State.
- (4) Property used in interstate commerce.
- (5) Property used to perform a public-works contract executed prior to this act.
- (6) Property subject to a special license or stamp tax.
- (7) Property used in the business of manufacturing.
- (8) Industrial material and supplies used in compounding or manufacturing property ultimately sold at retail.

Rate.—Two percent of purchase price.

Collection in 1942.—Included above in collection of retail sales tax.

Collection.—Tax payments to accompany return. Primary liability to collect tax is on retailer; however, vendees are liable for the tax if the retailer does not collect it.

OHIO

RETAIL SALES TAX

Taxable.—Each retail sale of tangible personal property excepting sales the purpose of which is—

- (a) To resell.
- (b) To incorporate the property into tangible personal property or to use or consume it directly in manufacturing, processing, refining, mining, farming, horticulture, floriculture, the making of retail sales, or the rendition of a public utility service.
- (c) Security for the performance of an obligation by the vendor.
- (d) To use or consume it in industrial cleaning.
- (e) To resell, hold, use, or consume it as evidence of an insurance contract.

Exemptions.—

- (1) Sales to the State or its political subdivisions.
- (2) Food for human consumption off the premises where sold.
- (2a) Sales of feed and seeds.
- (2b) Newspapers and magazines shipped second class.
- (2c) Sales of ice.

- (3) Motor-vehicle fuel, liquid fuel.
- (4) Cigarettes, brewers' wort and malt.
- (5) Sales of beer, wines, and spirituous liquors.
- (6) Artificial or natural gas, electricity, water, other sales by utility companies subject to excise taxes.
- (7) Casual and isolated sales.
- (8) Sales exempt under the Federal Constitution and transportation charges.
- (9) Professional, insurance, or personal services involving sales for which no separate charges are made.
- (10) Sales to charitable and religious organizations.
- (11) Explosives used in the shooting of oil or gas wells or coal mines.
- (11a) Sales of food to students in school cafeterias, dormitories, fraternities, and sororities.
- (12) Sales of hearses and ambulances to nonresidents to be used outside of Ohio and sales of ships, gas-filled dirigibles, or vessels used principally in interstate commerce.
- (13) Printing of records and briefs.
- (14) Tangible personalty used incidentally in manufacturing, mining, etc.

Rate.—Vendor's license fee, \$1. Sales tax computed on each dollar and/or fraction thereof according to the following:

Price:	Tax
1 to 8 cents.....	None
9 to 40 cents.....	1 cent
41 to 70 cents.....	2 cents
41 cents to \$1.....	3 cents

Collection in 1941.—\$63,119,000.

Collection in 1942.—\$63,119,000.

Collection.—Payment by canceling prepaid tax receipts or coupons at the time of sale, such coupons to be purchased by licensed retailers from the Treasurer of State or his agents, or the county treasurers, at such discount, not exceeding 3 percent as the Commissioner by regulation may allow. Prepayment by vendor and waiver of collection from vendee may be permitted by Commissioner in exceptional instances.

USE TAX

Taxable.—An excise tax is levied on the storage, use, or other consumption in Ohio of tangible personal property purchased after January 1, 1936; except when the use is for the same purposes excepted in the definition of "retail sale" as above.

Exemptions.—

- (1) Property subject to the sales tax or property to which the sales tax is expressly inapplicable or property used for a purpose which would exempt the sale of such property.
- (2) Property protected by the Federal Constitution.
- (3) Casual and isolated sales.
- (4) Building materials contracted for prior to January 1, 1936.

Rate.—Use tax based on purchase price of property at same rates as sales tax.

Collection in 1942.—Included above in collection of retail sales tax.

Collection.—Payment quarterly by consumer to the State treasurer unless tax receipts have been obtained showing payment of the tax to a

seller maintaining a place of business in Ohio or to a retailer having a certificate of registration from the tax commissioner to collect the tax.

OKLAHOMA

RETAIL SALES TAX

Taxable.—A tax is imposed upon three classes of taxpayers: those regularly engaged in business at an established place, those making occasional sales, and transients making seasonal sales. The tax is levied upon the gross receipts derived from all sales of the following:

- (1) Tangible personal property.
- (2) Natural or artificial gas, electricity, ice, steam, or other public service, except water.
- (3) Transportation for hire of persons by common carriers.
- (4) Telephone and telegraph service.
- (5) Printing of all kinds.
- (6) Service of furnishing rooms by hotels, apartment hotels, public rooming houses, and tourist camps.
- (7) Service of furnishing storage by auto hotels and parking lots.
- (8) Food, confection, or drinks prepared by dispensers and sold for immediate consumption.
- (9) Advertising of all kinds.
- (10) Dues, fees, or complimentary tickets for admission to places of amusements.
- (11) Sales of service and tangible personal property to contractors.
- (12) Sales of tangible personal property to persons primarily engaged in selling service.
- (13) Sales to peddlers.

Sales of services and tangible personal property for improving real estate and sales to contractors are sales to consumers and not sales for resale.

Exemptions.—Gross receipts from the following:

- (1) Nonintoxicating beverages.
- (2) Cigarettes.
- (3) Farm products of Oklahoma.
- (4) Dues paid to religious, etc., societies not operated for profit.
- (5) Sales to or by churches or charitable organizations.
- (6) Transportation of school children.
- (7) Transportation in towns and cities where the fare does not exceed 15 cents.
- (8) Food in school cafeterias.
- (9) Carrier sales of newspapers and periodicals under 20 cents.
- (10) Sales to United States, Oklahoma, or any political subdivision.
- (11) Gasoline or motor fuel.
- (12) Petroleum or natural gas.
- (13) Sales for resale.
- (14) Sales of advertising space in newspapers, periodicals, or billboards.
- (15) Admission fees at State, county, or township fairs.
- (16) Motor vehicles when that excise has been paid in the calendar year.
- (17) Gross receipts resulting from reorganization, consolidation, liquidation, etc., of a corporation.

Rate.—Two percent of gross proceeds or gross receipts.

Collection in 1941.—\$11,788,000.

Collection in 1942.—\$14,074,000.

Collection.—Tax payment accompanies the report. The tax is payable to the seller who collects the tax from the purchaser. Tokens may be issued by the tax commission. Taxpayer receives 3 percent discount to cover cost of collection. Returns are made monthly if tax exceeds \$5, otherwise, quarterly.

USE TAX

Taxable.—There is imposed upon every person storing, using, or otherwise consuming, within Oklahoma, tangible personal property purchased or brought into Oklahoma an excise tax on the storage, use, or other consumption in Oklahoma of such property.

Exemptions.—

- (1) Articles brought into Oklahoma by nonresident visitors.
- (2) Tangible personal property purchased for resale.
- (3) Tangible personal property already subject to a tax of like nature.
- (4) Tangible personal property (other than that used in connection with commercial, industrial, professional, or business pursuits), the purchase price of which does not exceed \$100 monthly.
- (5) Property exempt under the sales tax.
- (6) Property brought in by individuals about to become residents.
- (7) Tangible personal property used in interstate commerce by railroads.
- (8) Livestock purchased outside Oklahoma and brought into Oklahoma for feeding purposes.

Rate.—Two percent of the purchase price.

Collection in 1942.—Included above in collection of retail sales tax.

Collection.—Tax payment accompanies monthly return.

SOUTH DAKOTA

RETAIL SALES TAX

Taxable.—Retailers pay a tax on the privilege of doing business based on gross receipts from:

- (1) Retail sales of tangible personal property, conditional, credit, or otherwise.
- (2) Furnishing or service of gas, electricity, water and communication service to consumers, including that sold by municipal corporations in their proprietary capacity.
- (3) Tickets or admissions to places of amusement and athletic events.

When the terms of sale extend credit longer than 60 days, the tax is imposed as cash is received.

Exemptions.—

- (1) Sales on which the tax is prohibited by United States or State laws or constitution.
- (2) Furnishing or service of transportation.
- (3) Property used for performance of a contract of public works made before July 1, 1935.

(4) Admissions to state, county, or local fairs and receipts of activities of organizations which are used for charitable, educational, benevolent, or fraternal purposes.

(5) Sales to United States or South Dakota or any of its political subdivisions or relief agencies.

(6) Sale of gasoline, beer, intoxicating liquors, malt, butter substitutes and cigarettes already taxed.

(7) Resale by dealers of used farm machinery.

(8) Exchange of processed agricultural products for unprocessed agricultural products.

(9) Occasional sales.

(10) Newspapers.

Rates.—Two percent of gross receipts; retailers permit fee is 50 cents; if a permit has been previously revoked the permit fee is \$1.

Collection in 1941.—\$5,014,000.

Collection in 1942.—\$3,650,000.

Collection.—Tax remittance to accompany report. It is unlawful for a retailer to represent that the tax is not a part of the purchase price or to offer to refund the amount of the tax. Payment may be made by stamp, token, coupon or other device.

USE TAX

Taxable.—An excise tax is imposed on the privilege of the use, storage, and consumption in South Dakota of tangible personal property purchased on or after July 1, 1939.

Exemptions.—

(1) Property subject to sales tax.

(2) Motor vehicles.

(3) Property nontaxable by Constitutions of United States and South Dakota.

(4) Gasoline, beer, liquor, butter substitutes, and cigarettes.

(5) Property brought into the State by nonresidents for their use while within the State.

(6) Property not readily obtainable in South Dakota which is to become a capital asset of any business.

(7) Property used in compounding or manufacturing the finished product to be ultimately sold at retail.

(8) Fuel used in creating power, light, heat, steam, and gas.

(9) Industrial material and equipment not readily obtainable in South Dakota.

Rates.—Two percent of gross receipts from sales.

Collection in 1942.—Included above in "Collection of retail sales tax."

Collection.—Tax remittance is to accompany return. It is unlawful for the retailer to assume the tax or to offer to refund the tax.

UTAH

GROSS SALES TAX

Taxable.—A tax is levied on the amount of gross receipts or consideration for the following:

(1) Retail sales of tangible personal property (including fees).

(2) Transportation, telephone, telegraph, gas, electricity, and heat sales or service.

(3) Meals furnished.

(4) Admissions to any place of amusement, entertainment, or recreation.

Transactions where possession passes but title is retained for security purposes are sales; the right to continuous possession under a contract or a lease is taxable as a sale would have been taxable.

Exemptions.—

(1) Commodities, the sale or use of which is subject to a State excise tax, except fees.

(2) Sales to United States or Utah or its political subdivisions.

(3) Sales made by charitable, eleemosynary, or religious corporations in their regular functions.

(4) Sales nontaxable by the Constitutions of United States and Utah.

(5) Interstate movements of freight and express or street railway fares, newspapers, or newspaper subscriptions.

(6) Isolated or occasional sales.

(7) Seasonal sales of produce by the producer.

Rate.—Two percent of gross receipts from taxable transactions.

Collection in 1941.—\$4,542,000.

Collection in 1942.—\$5,324,000.

Collection.—Every person receiving any payment or consideration from the sale of property or services subject to tax is responsible for the collection of the tax; tax payment is to accompany bimonthly report.

USE TAX

Taxable.—A tax is levied on the storage, use, or other consumption in the State of tangible personal property purchased after July 1, 1937.

Exemptions.—The following property:

(1) On which sales tax has been paid.

(2) Not taxable by restrictions of Federal or State constitutions.

(3) Temporarily within the State owned by a nonresident.

(4) Subject to a sales or excise tax levied by this or any other State or the Federal Government.

(5) Mineral bullion, mineral concentrates, or mineral precipitates.

(6) Property used by the Federal, State, or local Governments.

(7) Purchased for resale or used in manufacturing, including labels, containers, and shipping cases.

The tax on property purchased on credit, whereby title is to pass in the future or there is a conditional sale, is paid proportionately on each installment.

Rate.—Two percent of sale price.

Collection in 1942.—Included above in retail sales tax collections.

Collection.—Tax remittance is to accompany required bimonthly returns. Retailers are required to register with the State tax commission and collect the tax on all property sold to be put to a taxable use in the State but the consumer is ultimately liable for all tax payments.

WASHINGTON

RETAIL SALES TAX

Taxable.—A tax is imposed on all retail sales in Washington, including retail sales of intoxicating liquor by the State liquor stores, and is computed on the basis of the selling price.

Improvements in real property are considered retail sales.

Exemptions.—The following sales are exempt:

- (1) Isolated or casual.
- (2) Subject to public utilities or admission tax.
- (3) Distribution and newsstand sales of newspapers.
- (4) Nontaxable by prohibitions of Constitutions and laws of United States and Washington.

- (5) Motor fuel already subject to an excise tax.

Rate.—3 percent of the selling price. All taxpayers pay a permit fee of \$1.

Collections in 1941.—\$24,364,000.

Collections in 1942.—\$39,931,000.

Collection.—It is the duty of the seller, including persons with actual or constructive possession and power to sell, to collect the tax from the buyer and upon failure to do so becomes liable for it himself. It is unlawful for the seller to refund the tax or to represent that he absorbs or pays it.

USE (COMPENSATING) TAX

Taxable.—An excise tax is levied for the privilege of using within the State any article of tangible personal property purchased at retail or produced or manufactured for commercial use, irrespective of whether the article is manufactured within the State or available for purchase within the State, and is based on the value of the article.

Exemptions.—The following property is exempt:

- (1) Used by nonresidents while temporarily in the State.
- (2) On which sales tax has been paid.
- (3) Subject to the public-utilities tax.
- (4) Rolling stock, aircraft, or floating equipment which was first used in the State in interstate or foreign commerce.
- (5) Nontaxable by United States and State constitutional limitations.

- (6) Motor fuel already subject to an excise tax.

Rates.—Three percent of the value. All taxpayers pay a permit fee of \$1.

Collection.—Included above in retail sales tax collections.

Collection.—Remittance to accompany bimonthly report.

BUSINESS AND OCCUPATION TAX

Taxable.—An excise is levied on the privilege of engaging in business in the State of Washington.

Exemptions.—(1) Businesses selling at retail with a gross of less than \$1,000 bimonthly; or other businesses with a gross of less than \$400.

- (2) Producers of agricultural products.
- (3) Insurance companies otherwise taxed.

- (4) Athletic contests taxed by a license fee.
- (5) Fraternal benefit societies.
- (6) Nonprofit hospitals.
- (7) Sale of real estate.
- (8) Banks, trust companies, etc.

Rates.—

Business	Base	Rate
Extractors.....	Value of product.....	$\frac{1}{4}$ of 1 percent.
Manufacturers.....	do.....	Do.
Retailers.....	Gross proceeds of sales.....	Do.
Wholesalers.....	do.....	Do.
Wholesale distributors.....	Value of articles distributed.....	Do.
Wholesales of wheat, oats, and barley.....	Gross proceeds of sales.....	$\frac{1}{100}$ of 1 percent.
Printers and publishers.....	Gross income.....	$\frac{1}{4}$ of 1 percent.
Services and other businesses.....	do.....	$\frac{1}{2}$ of 1 percent.

Collections in 1942.—Included in retail sales tax returns.

Collection.—Returns must be filed covering bimonthly periods with tax commissioner. There is a registration fee of \$1.

WEST VIRGINIA

RETAIL SALES TAX

Taxable.—For the privilege of engaging in the business of selling tangible personal property at retail and dispensing services, retail dealers collect a tax from the purchaser on the gross proceeds from all sales. Retail sales of tangible personal property include conditional sales and any transaction in which title is to ultimately pass but does not include isolated sales; purchasers must pay the tax on a credit sale at the time it is made. Services include the furnishing of all services except professional or personal services and those furnished by corporations subject to the public service or State road commission.

Exemptions.—Sales of the following are exempt:

- (1) Gasoline subject to excise tax.
- (2) Electricity, gas, steam, and water.
- (3) School books.
- (4) Made to United States, West Virginia, or its subdivisions.
- (5) Motor vehicles titled by the State road commission.
- (6) Bread, butter, eggs, flour, and milk except when served as a part of a meal by hotels, restaurants, and others.
- (7) Surplus foods secured by blue surplus food order stamps issued by the Federal Surplus Commodities Corporation.
- (8) Wholesale sales of tools, equipment, etc., to contractors and for use in places of business.

Rate.—Two percent of gross proceeds.

Collection in 1941.—\$20,874,000.

Collection in 1942.—\$30,961,000.

Collection.—Tax remittance to accompany monthly report. The tax is to be paid by the consumer and included in the purchase price and it is unlawful for a retailer to maintain otherwise.

OCCUPATIONAL GROSS INCOME TAX

Taxable.—A tax is levied on all persons and corporations, for the privilege of engaging in business, based on gross proceeds and a surtax is levied on all business except contractors, industrial loan companies, water companies, sales of tangible personal property at retail, and business not otherwise specifically taxed. A deduction of \$25 in amount of tax is allowed to every person.

Exemptions.—

- (1) Insurance companies paying a premium tax.
- (2) Persons engaged in the banking business.
- (3) Nonprofit cemetery companies.
- (4) Societies, organizations, etc., organized for the benefit of their members or religious or charitable purposes.
- (5) Building and loan associations and Federal savings and loan associations.

Rates.—

Product or business	Normal tax gross proceeds of production	With surtax of $\frac{3}{10}$ of normal tax
	Percent	Percent
Coal.....	1	1.3
Oil.....	3	3.9
Natural gas, production (over \$5,000).....	6	7.8
Natural gas, service.....	3	3.9
Blast furnace slag.....	3	3.9
Sand, gravel, or other minerals, not mined or quarried.....	3	3.9
Limestone or sandstone.....	1.5	1.95
Timber.....	1.5	1.95
Manufacturing.....	.3	.39
Industrial loan companies.....	1	(¹)
Sales, retailers (including restaurants, etc., serving food).....	.5	(¹)
Sales, wholesalers or jobbers.....	.15	.195
Electric railways (local).....	1	1.3
Water companies.....	4	(¹)
Electric companies (domestic, commercial lighting).....	4	5.2
Electric companies (other income).....	3	3.9
Toll bridges.....	3	3.9
Other public utilities.....	2	2.6
Other natural resource products.....	2	2.6
Contractors.....	2	(¹)
Amusements, including radio broadcasting.....	5	.60
All other businesses.....	1	(¹)
Income from real and personal property (if no personal income tax paid).....	1	(¹)

¹ No surtax.

Collection in 1940.—\$9,849,000.

Collection.—Tax payment to accompany quarterly and yearly reports.

WYOMING

RETAIL SALES TAX

Taxable.—A tax is levied on retail sales of—

- (1) Tangible personal property;
- (2) Transportation, telephone, and telegraph services;
- (3) Gas, electricity, and heat to consumers by utilities whether privately or municipally owned;
- (4) Meals served at places regularly catering to the public;
- (5) Admissions to places of amusement, entertainment, or recreation.

Rental received under a lease granting continuous possession, if the sale of the article would be taxable, installment payments, when title is to pass in the future, and conditional sales receipts are taxable.

Exemptions.—The following sales are exempt:

(1) Subject to a sale or excise tax in excess of 20 percent under laws of United States or Wyoming;

(2) Made to United States or Wyoming and its political subdivisions;

(3) Made to, or in the regular course of activities of religious, charitable, and eleemosynary institutions;

(4) Nontaxable by prohibitions of the laws of United States or Wyoming;

(5) Livestock, livestock or poultry feed, seeds, plants, and fertilizer;

(6) City taxicab and bus fares less than 24 cents;

(7) Interstate movement of freight, passengers, and express;

(8) Intrastate or interstate movements of raw farm products to processing or manufacturing plants.

Rates.—Two percent of gross receipts. The annual license fee for those paying the tax is \$2.

Collections in 1941.—\$2,296,000.

Collections in 1942.—\$2,296,000.

Collection.—Tax remittance to accompany report. It is unlawful for any retailer to represent that he will assume, absorb, or refund the tax.

USE TAX

Taxable.—Storage, use, or other consumption in the State of tangible personal property purchased from a retailer on or after June 1, 1937.

Exemptions.—Storage, use, or consumption of the following property is exempt:

(1) Sale of which is subject to the sales tax or a 20 percent excise tax;

(2) Nontaxable by Federal or State constitutional restrictions;

(3) Used by State or Federal Governments;

(4) Used by charitable or eleemosynary institutions;

(5) Products of Wyoming mines or farms;

(6) Subject to gasoline tax;

(7) Property or fuel used in manufacturing;

(8) Livestock, livestock and poultry feed, seeds and fertilizer;

(9) Gas, electricity, and water;

(10) Used by nonresidents while temporarily in State;

(11) Used in public works contracts;

(12) Machinery, equipment, and industrial materials not readily purchased in State.

Rate.—Two percent of sale price.

Collection in 1942.—Included above in collection of retail sales tax.

Collection.—Remittance to accompany monthly report.

PART IV

FOREIGN SALES-TAX DATA

COMPARISON OF REVENUES OF THE UNITED STATES, CANADA, AND THE UNITED KINGDOM FOR SELECTED YEARS

CANADA

[In millions of Canadian dollars]

Tax	1929	1937	1939	1942
Individual income ¹	59.4	102.4	142.0	324.4
Percent of total.....	14	25	31	29
Corporate income and excess profits tax ²	2.6	2.0	-----	323.6
Percent of total.....	-----	-----	-----	24
Sales and excise.....	146.7	198.4	214.9	563.5
Percent of total.....	34	48	47	39
Death, estate, and gift.....	-----	-----	-----	7.0
Percent of total.....	-----	-----	-----	-----
Customs.....	187.2	83.8	78.8	142.4
Percent of total.....	44	20	17	10
Miscellaneous revenue.....	29.3	41.6	39.4	56.9
Percent of total.....	7	7	6	3
Total revenue ³	425.0	412.2	462.8	1,417.8

UNITED KINGDOM

[In millions of pounds]

Individual income.....	293.7	363.3	398.4	844.6
Percent of total.....	38	40	42	41
Corporate income and excess profits tax ⁴	1.7	1.3	21.9	269.0
Percent of total.....	-----	-----	2	12
Sales and excise.....	190.1	171.3	170.8	378.2
Percent of total.....	25	20	18	18
Death, estate, and gift.....	80.6	89.1	77.4	90.9
Percent of total.....	10	10	8	4
Customs.....	118.9	210.5	226.4	378.3
Percent of total.....	15	25	24	18
Miscellaneous revenues.....	85.8	68.1	62.7	97.6
Percent of total.....	12	8	7	5
Total revenue ³	771.1	851.2	958.9	2,060.3

UNITED STATES

[In millions of dollars]

Individual income taxes.....	1,096.0	1,358.0	1,769	4,457
Percent of total.....	29	26	31	33
Corporate income and excess-profits taxes.....	1,242.0	1,219.0	1,277	5,022
Percent of total.....	32	23	23	37
Sales and excise taxes.....	538.0	1,742.0	1,744	3,128
Percent of total.....	14	33	31	23
Death, estate, and gift taxes.....	62.0	305.0	361	432
Percent of total.....	2	6	6	3
Customs.....	602.3	486.0	319	389
Percent of total.....	15	9	6	3
Miscellaneous revenue.....	281.1	168.0	144	240
Percent of total.....	7	3	3	1
Total revenue ³	3,822.4	5,251.0	5,624	13,668

¹ Includes dividend tax and national defense tax.

² Includes tax on bank, insurance companies, etc.

³ All figures on total revenue exclude postal revenues and nonrevenue receipts.

⁴ Includes national defense contribution for 1939 and 1942.

THE BRITISH PURCHASE TAX ¹

(A) GENERAL STATEMENT

It was not until the fall of 1940 that the British adopted a general sales tax as a part of their internal revenue system. Prior to that time, the British had relied upon the income and estate taxes, a selected list of excises, and customs to produce the required revenue.

In September 1940, the British imposed what is known as a purchase tax. The first return covered the period from October 21, 1940, to December 31, 1940, and was required to be rendered not later than January 10, 1941. The following quotation is taken from Staples on the purchase tax:

As its name implies, the tax is a tax on purchases, but it is obvious that collection could be made at any one of many stages which arise between the production of goods and their ultimate disposal by the retail trader. It is important for the revenue to ensure that collection takes place at the stage which will be the most convenient from the revenue's point of view (in order to minimize the collection costs and administrative difficulties), but which will, at the same time, afford the least opportunity for avoidance by unscrupulous taxpayers. The tax is therefore normally charged at the time when the goods are sold by the wholesaler to the retailer and the wholesaler is responsible for the payment of the tax.

(B) REVENUE RECEIPTS

For the first full year of its operation, the fiscal year 1941-42, the returns on the purchase tax represented 5 percent of Britain's tax revenue, or £98,535,000. With fewer taxable articles the yield will not rise greatly despite higher rates in later years. The following table may be interpreted according to the rate of £1 equal to \$4.

TABLE 1.—*British tax returns 1940-43*

[In millions of pounds ¹]

Tax	1940-41	1941-42	1942-43 ²	Tax	1940-41	1941-42	1942-43 ²
Purchase tax.....	3 26	98	80	Surtax.....	76	75	78
Other excise taxes.....	198	224	286				
Custom duties.....	304	379	438	Total tax rev-			
Income tax.....	524	769	913	enues.....	1, 358	1, 962	2, 341

¹ £1 = \$4.025-.035.

² Budget estimate.

³ Returns for the 3 months in which the purchase tax was operative.

(C) PERSONS TAXABLE

The persons who are required to pay the tax are wholesale merchants and manufacturers who deal in goods subject to the tax. A wholesale merchant, under the act, is defined as any person who carries on in the United Kingdom a business of selling by wholesale chargeable

¹ Sources: Purchase Tax by Ronald Staples, London, 1940; London Economist, January 3, 1942; British and Canadian Tax Systems, Joint Committee on Taxation, 1941; Finance Act 1940 (No. 2), 1941, 1942, Shirrar and Rostas, British Taxation, Cambridge, 1942.

goods bought by him, and includes a person who carries on in the United Kingdom the business of selling his chargeable goods as materials to manufacturers. Chargeable goods will be regarded as manufacturers' materials if some process is applied to them by manufacturers in the course of making their products or if they are parts of, or accessories for, the manufactured articles. A person is considered to be a manufacturer if his business consists of making chargeable goods or of applying any process in making any goods or in assembling any parts of the goods made. An exception is made in the case of persons whose gross receipts from the sale of chargeable goods do not exceed £2,000 or \$8,000 per year. Such persons are not required to register or pay taxes. The tax is passed on to the purchaser (usually retailers) who, in turn, pass the tax on to the consumer by means of an increase in the normal sales price of the goods. Steps are taken to prevent the retail trade from making a profit out of the tax by requiring the retail price to be increased only by the amount of the tax. The seller is required to add to the invoice which he delivers to the buyer in connection with the sale a statement showing the amount due for the tax for which the seller is required to pay. A retailer purchasing taxable goods is thus in a position to know the amount of the tax payable on all of his purchases, and can allocate the tax between the various classes of goods.

Relief is granted where a contract for the sale of the goods was entered into before the date of the act. In general, the seller is entitled to recover the tax from the buyer where the purchase price did not include the amount of the tax.

When chargeable goods are imported from abroad for home use, the person accountable for the tax is the person by whom, or on whose behalf the goods are entered. If, however, the goods are imported by a registered person who intends to use the goods as stock for his business the tax is not chargeable at the time of entry of the goods into the country but on their ultimate sale by the registered person. One registered person is not entitled to acquire chargeable goods from another registered person without the addition of the tax to the price of the goods, but the tax must be accounted for by the first registered person when he himself disposes of the goods to an unregistered concern.

The acquisition of chargeable goods by a registered wholesale merchant for the purpose of his business will not amount to a chargeable purchase since the tax is only chargeable thereon when the goods are disposed of by him. For the same reason, the purchase of chargeable goods from one retailer by another is not a chargeable purchase as the goods will bear the tax when acquired by the first retailer from his wholesaler merchant.

(D) TAX BASE

The tax applies to chargeable goods which are set forth in the revised schedule of the purchase tax.

There are four categories. The higher group was established in the Finance Act of 1942.

The first includes goods which are chargeable at the higher rate, 66½ percent of the wholesale value of the chargeable goods, which is said to represent a tax equivalent to about 48 percent of the retail price. The goods falling within this classification are regarded as

luxuries, goods which may await normal times for replacement, and goods of a nonessential character. Hence, the tax upon them is intended to be prohibitive. Examples of goods of this type are furs, real silk, lace, perfumes, carpets and rugs, musical instruments, jewelry, sculpture, and other goods which do not require frequent replacement.

The second includes goods chargeable at the basic rate, 33½ percent of the wholesale value of the chargeable goods, which is said to represent a tax equivalent to about 24 percent of the retail price. The goods falling within this classification are regarded more or less as luxuries and goods which may await normal times for replacement, the purchase of which is to be discouraged. Goods of this type are office machines, ordinary clocks and watches, cooking appliances, and so forth.

The third includes goods chargeable at the reduced rate, 16½ percent of the wholesale price, which is said to represent a tax equivalent to about 12 percent of the retail price. It applies to goods which are neither luxuries nor essential to the welfare of the community, such as china and glassware for domestic use.

The fourth includes goods which, although covered in the general classification, are exempt as essential to the welfare of the community. This includes utility clothing and footwear, essential drugs, essential industrial goods, and so forth.

Where parts of the articles in the schedule of chargeable goods are sold separately, they will not themselves be chargeable goods unless mentioned separately in the schedule. For example, while motor cars are chargeable goods, spark plugs are not chargeable with the tax, but electric lamps are chargeable.

Where a general heading is given in the schedule, such as requisites for sports, all types of articles covered by the general heading are chargeable goods.

The Treasury is given power to issue lists from time to time more particularly defining goods specified in the schedule. Drafts of these lists must be laid before the House of Commons before they are issued and will not be effective if disapproved by resolution of the House within 28 days.

The act applies only to the goods generally or specifically described in the attached schedules. Therefore, rents and savings are not taxed. Neither is food, coal, gasoline, tobacco, or liquor. These last three commodities are subject to heavy special excise taxes.

Since 1940 pressure has been brought to bear to exempt clothing from the tax in order to ease the burden on the lower classes. With this omission embodied in the 1942 Act it is estimated that only 13 to 15 percent of the cost of living would be affected. 2

Purchase tax classification (1) advanced rate, (2) basic rate, (3) reduced rate, (4) exempt

Goods chargeable at advanced rate (66½ percent) of their wholesale price	Goods chargeable at basic rate (33½ percent) of their wholesale price	Goods chargeable at reduced rate (16½ percent) of wholesale price	Goods mentioned in other columns but specifically exempt
1. Garments or footwear made wholly or partly of fur skin (including any skin with fur, hair, or wool attached) or silk (except silk used for stitching seams and button-holes); headgear, ties, scarves, handkerchiefs, muffs, collars, cuffs, and gloves so made. Walking sticks and canes.	Other headgear, gloves, and haberdashery except as specified in the first and fourth columns. Patterns for making apparel.		Utility footwear, utility cloth for making garments, garments themselves, headgear, and gloves conforming to utility specifications, protective boots and helmets designed for use by miners. Sewing thread and mending and knitting wool. Felt, bolting cloth, machinery belting, and heavy industrial canvases.
2. Textile articles of a kind used for domestic purposes, soft furnishings and bedding, and traveling rugs. Fabrics (whether in the piece, shaped, or partly made) of the following descriptions except corduroy, terry towel-ing, and floor coverings: fabrics made wholly or partly of silk, pile fabrics, woven figured fabrics.	Umbrellas, sunshades Tissues and fabrics (other than jute fabric), whether in the piece, shaped, or partly made up except as specified in the first and fourth columns. Kapok, feathers and down, and other upholstery stuffing materials. Carpets, rugs, mats, linoleum, and other floor coverings except as specified in first column.		
3. Fur skins (including any skin with fur, hair, or wool at-tached), dressed.	Articles of china, porcelain earthenware, stone ware, or other pottery ware of a kind used for domestic purposes, except as specified in the third column.	Articles of china, porcelain, earthenware, stoneware, or other pottery ware, of a kind used in the preparation or serving of food or drink; earthenware, or semiporcelain for table or kitchen use. Sanitary ware. Glassware of a kind used in the preparation or serving of food or drink, not being cut glass.	
5. Glassware of a kind used for domestic purposes except as specified in third column. Glass mirrors (whether framed or not), except those opti-cally worked and specially designed for use in connection with machinery, tools or instruments.	Glass articles including: shelves, finger plates, table tops, and advertisement tablets, whether backed with other material or not. Vacuum flasks and vacuum jars of a kind used for domestic purposes.		Utility domestic furniture.
6.	Domestic and office furniture (including wire and spring mattresses), except as specified in fourth column.		
7. Hair-waving and hair-drying machines.	Fittings for interior domestic or office lighting, including: Brackets, pendants, candelabra, and electrolights; lanterns; shades, bowls, and reflectors; lamp chimneys and other illuminating glass-ware, table and floor standards. Domestic cooking and heating appliances, and other appliances, and a paratus of a kind used for domestic purposes.		

Purchase tax classification (1) advanced rate, (2) basic rate, (3) reduced rate, (4) exempt—Continued

Goods chargeable at advanced rate (66½ percent) of their wholesale price	Goods chargeable at basic rate (33¼ percent) of their wholesale price	Goods chargeable at reduced rate (16¾ percent) of wholesale price	Goods mentioned in other columns but specifically exempt
8. Electric dry shaver and shaver heads.	Portable lamps and hand torches of all descriptions, except as specified in fourth column. Electric filament lamps (not exceeding 250 watts) and incandescent mantles; electric dry batteries of all kinds. Cutlery suitable for domestic or personal use, and spoons, forks, and similar articles suitable for domestic use. Articles of hardware, and ironmongery of kinds used for domestic or office purposes, except as specified in the third column. Turnery of a kind used for domestic or office purposes except as specified in fourth column. Lawn mowers and garden rollers.	Enameled hollow ware and other iron and steel hollow ware of a kind used for domestic purposes.	Hurricane lamps, slips, lanterns, and miners' safety lamps.
9. -----			
10. Garden furniture and ornaments. Trunks, bags, wallets, jewel cases, pouches, purses, suitcases and baskets, and similar receptacles of a kind used for personal or domestic purposes (whether fitted or not), excluding articles designed for use of the armed forces.			Household brooms and brushes.
11. Photographic camera, except as specified in the fourth column. Photographic enlargers. Projectors for substandard film or for slides. Lenses and other parts of and accessories to these cameras, enlargers, and projectors.			Cinematograph cameras for film of standard width, and X-ray and other cameras suitable only for industrial, scientific or military use. X-ray plates, film and paper; cinematograph film of standard width; ferro gallic and dyeline paper and cloth.
12. Unexposed sensitized photographic paper, cloth, plates and films except as specified in the fourth column. Musical instruments, including gramophones, pianolas, and other similar instruments, and accessories to and parts of musical instruments. Gramophone records except as specified in the fourth column. Pianola records.	Wireless receiving sets of the domestic or portable type and valves, batteries, and accumulators suitable for use therewith.		Gramophone records for the reproduction of speech specially for the use of the blind.
13. Clocks and watches, cases for, and accessories to, clocks and watches and watch chains, wristlet watch straps and similar articles made wholly or partly of platinum, gold, silver or gold plate.	Other clocks and watches, movements and cases for and accessories to clocks and watches, and watch chains, wristlet watch straps and similar articles.		

14. -----	Toys and games (including coin or disk operated machines). Appliances, apparatus, accessories, and requisites for sports, games, gymnastics or athletics (other than garments and footwear).		
15. Jewelry and imitation jewelry and other goldsmiths' and silversmiths' wares. Articles of all kinds made wholly or partly of ivory, amber, jet, or other semiprecious stones. 16. Fancy or ornamental articles of a kind suitable for personal or domestic use (including artificial flowers, photograph frames, and paperweights).	Other fancy or household goods made wholly or partly of celluloid, bakelite, or other plastic material derived from cellulose, casein, papier mâché, or synthetic resin. Ash trays, tobacco pipes, and other smokers' requisites, but not including matches and mechanical lighters. Brushes, combs, scissors, razors and razor blades, sponges, face cloths and towels, and toilet paper, except where supplied as part of a toilet set. Soap, dentifrices, eye lotions, mouth washes, and antiseptics and alleviating toilet preparations unperturbed.		
17. Toilet requisites of all kinds except as specified in the second column.			
18. Perfumery and toilet preparations (whether medicated or not), except as specified in the second column.	Drugs and medicines, manufactured or prepared, except as specified in the fourth column.		Essential drugs of an exceptionally costly character (insulin, etc.).
20. -----	Typewriters, dictaphones, calculating machines and other office machinery. Cash registers. Paper manufactures, including diaries, calendars, greeting cards, picture postcards, and similar articles; note-paper and stationery; paper hand towels and other articles of table or kitchen use. Pencils, pens, fountain pens, drawing pens and other stationery and office requisites. Account books and plain books (whether ruled or not).		
21. -----			
22. Pictures, prints, engravings, photographs, figures, busts, relief, and similar articles if produced in quantity for general sale.	Road vehicles and cycles (whether mechanically propelled or not) being vehicles and cycles constructed or adapted solely, or mainly, for the carriage of passengers, except as specified in the fourth column. Tires except as specified in the fourth column.		Tramcars, trolley vehicles, omnibuses, and charabancs. Ambulances, fire engines, invalid carriages, and perambulators.
23. -----			Pneumatic tires of a sectional width of more than 5 inches being tires not suitable for use on vehicles of the class mentioned in column 2.

(E) DETERMINATION OF WHOLESALE PRICE

The wholesale value of the goods is taken to be the price which in the opinion of the commissioners of customs and excise the goods would fetch, if sold at wholesale in the open market to a retailer carrying on business. If any dispute arises as to the wholesale value of any particular goods, the matter is to be referred to the arbitration of a referee appointed by the Lord Chancellor, who cannot be a Government official. The decision of the referee will be final and conclusive.

In computing the price which the goods would fetch in the open market, the following assumptions must be made:

(a) That any commission or other costs, charges, or expenses incidental to the making of the contract of sale are to be paid by the seller;

(b) That the price is to include the cost of delivery to the buyer at his place of business, and of insurance and other costs, charges, and expenses, incidental to such delivery;

(c) That the price is the sole consideration for the sale;

(d) That neither the seller nor any person associated in business with him has any interest, direct or indirect, in the subsequent resale or disposal of the goods; and

(e) That there has not been and will not be any commercial relationship between the seller and the buyer, whether created by contract or otherwise, other than that created by the sale.

(F) COMPUTATION OF TAX

The total tax is required to be computed at the correct rates on all sales of chargeable goods delivered during the period covered by the return. A deduction can be claimed for the tax on goods delivered but unpaid during this period. But such tax must be paid on the next return, even if the registered person has not received payment for the goods. It is possible that some abatement of the tax will be granted for debts which are proved to be bad and which are allowed as a deduction from profits for income-tax purposes.

(G) REGISTRATION

Every wholesa'e merchant and every manufacturer whose business includes the selling of chargeable goods under the act must register.

Registration is not required if the gross proceeds from the sale of chargeable goods have not, on the average, exceeded £2,000, or \$8,000, per annum. In the case of a newly established business, registration is not required if the gross sales are not likely to exceed this amount each year. In the case of an existing business, the latest day for registration was September 20, 1940. Where a new business is commenced or where a change is made in the character of the business so that registration is necessary, this must be effected within 14 days from the commencement or change in the business.

A wholesale merchant or manufacturer who has not registered owing to the fact that his sales of chargeable goods have not exceeded £2,000 per annum must register with the Commissioners as soon as he becomes aware of any change in his business which would result

in his gross sales exceeding the average of £2,000, or \$8,000, per annum. For failure to register, a penalty of £100, or \$400, is imposed which is increased by a further £10, or \$40, for every day during which the default continues.

A certificate of registration will be issued to all registered persons, which will be canceled if it becomes no longer necessary for them to be registered under the Act.

If the commissioners of customs and excise decide the registration should be made in any particular case, at least 14 days' notice of intention to register must be given to the person concerned.

The fact that a person purchases goods in large quantities at wholesale prices does not of itself necessitate registration by him. Thus a hotel or institution may purchase commodities in bulk but such a buyer is not a wholesale merchant.

The advantage of registration to the wholesale merchant or manufacturer is that he is able to purchase his goods free of tax, and he does not have to pay the tax until the goods are sold. The retailer, on the other hand, must pay the tax when he acquires his goods from the wholesaler and is, therefore, compelled to finance the tax during the whole of the period that the goods remain his stock-in-trade.

If a wholesale merchant purchases chargeable goods other than his stock for his business, he is chargeable with the tax at the time of the purchase of the goods. This is also true with respect to a manufacturer who acquires goods other than for use as materials in his business.

All chargeable goods received or purchased tax-free from other registered firms or from abroad must be recorded as such and the seller's name and address or the importation particulars must be traceable if required. The disposal of all chargeable goods in the firms' business must be traceable, therefore, whether used in the manufacture, whether sold to other firms, whether transferred to separate retail branches, or whether used other than as materials or stock.

Where goods are sold as stock or as material to other registered firms, the written order for the goods on which the buyer's registered number is shown must be retained for production as a voucher. In the case of tax-free sales to governments the contract or order must be kept available for inspection. Records of all transactions in chargeable goods must be kept in such form as will enable the taxpayer to file a full and correct periodical return.

(H) THE BURDEN OF THE PURCHASE TAX

The estimates in table 3 of the burden of the purchase tax, as compared to the total impact of the British fiscal structure are taken from a study, *The Burden of British Taxation*, by Shirras and Rostas (Cambridge University Press, 1943). These estimates are based upon average expenditures at each income level. The authors present an explanation and justification of these averages. The taxes are taken from 1941-42 rates, before the advanced rate of the purchase tax was imposed and while the tax was still levied on clothing.

Table 3 assumes that the income is fully earned, hence, liable to slightly lower income tax rates than investment income, and at the lower levels, liable to social insurance deductions from wages. These

expenditures are those of a family of four although the authors extend their analysis to all classes of taxpayers.

It will be noted in the table that the percentage of income taken in taxes is higher for the very low levels than it is for the lower middle classes. This regressivity is characteristic of modern tax systems. So far as it is due to the heavy taxes on alcohol and tobacco it is intended. Hence, the table gives two sets of figures for the total tax burden. The unavoidable burden assumes that there is no expenditure on tobacco and alcohol. The average burden assumes a moderate use of these stimulants.

TABLE 3.—*The burden of the purchase tax*¹ (fully earned income spent on a family of 4)

Income	Percentage income taken in unavoidable taxation ²	Percentage income taken in normal taxation ³	Percentage income taken in purchase tax	Amount taken in purchase tax ⁴
				£ s
£100.....	7.5	28	1.8	1 17
£150.....	5.3	24	2.0	3 2
£200.....	4.0	22	1.7	3 7
£250.....	3.2	20	1.6	4 2
£300.....	6.0	21	1.7	5 0
£350.....	9.3	24	1.8	6 7
£500.....	16.1	31	2.0	10 0
£1,000.....	30.4	40	1.5	15 0
£2,000.....	39.0	46	1.2	25 0
£5,000.....	55.2	59	.9	43 15
£10,000.....	67.9	70	.5	50 0
£20,000.....	80.5	82	.3	60 0

¹ Figures taken from *The Burden of British Taxation*, Shirras and Rostas, Cambridge University Press, 1943.

² This includes virtually all tax items, including taxes on production in general, but excludes death duties, taxes on business profits and on dwelling houses. It also excludes "avoidable" taxes on tobacco and alcohol.

³ As column 2 but it presumes moderate use of tobacco and alcohol.

⁴ £1=\$4.025-\$4.035.

(I) BUDGET MESSAGE OF 1943-44

On April 12, 1943, the Chancellor of the Exchequer delivered his message on budget estimates and recommendations to the House of Commons. He proposed an increase in the total tax yield from £2,341,000,000 to £2,907,000,000. Excise taxes in general were raised while there were no recommendations for increasing income tax, either personal or corporate. Specifically he recommended raising the higher rate of the Purchase Tax from 66½ percent to a record 100 percent. This would be intended as a prohibitive tax on luxuries and would not be concerned with raising revenue.

CANADIAN MANUFACTURERS' SALES TAX¹

The Dominion of Canada adopted as a part of its consumption taxes in 1920 a general sales tax. It is levied in addition to its customs import duties and its selected excise taxes. In its earlier form it was a tax of 1 percent levied on turn-over of goods. In 1924 it was established substantially in its present form. Since 1921 it has constituted one of the chief sources of revenue. From 1921 the percentage of total revenue raised by the sales tax has ranged from 10 percent

¹ Canadian Sales Tax Service, C. C. H., 1942; Double Taxation, Joint Committee on Taxation, 1933.

to as high as 29 percent in 1924. For the fiscal year 1940-41, it represented 23.1 percent of the total tax revenue. According to estimates for the later years, this may fall to 17.4 percent for 1941-42, and to 13.9 percent for 1942-43. With the advent of war, Canada has increased its tax system and in particular it has levied high consumption taxes on luxury items, but the sales tax rates have not been changed. Consumption taxes in general occupy an important part in Canada's tax structure. It is expected that in 1942-43 the sales tax along with customs and excises, including the special War Exchange tax on all imports, will account for 44.6 percent of the total tax revenue, as compared with 24.9 percent supplied by the personal income tax and the special National Defence Tax. The following table shows the revenue collected from these sources in 1939-43, inclusive.

Collections

Tax	1939-40	1940-41	1941-42	1942-43
Sales tax.....	\$141,000,000	\$185,000,000	\$236,000,000	\$218,000,000
Custom duties.....	104,000,000	131,000,000	142,000,000	135,000,000
War exchange tax.....		62,000,000	101,000,000	95,000,000
Excise duties.....	61,000,000	89,000,000	110,000,000	135,000,000
Other excises.....	25,000,000	38,000,000	85,000,000	116,000,000
Personal income tax.....	45,000,000	75,000,000	190,000,000	240,000,000
National defense tax.....		23,000,000	107,000,000	150,000,000
Total.....	468,000,000	778,000,000	1,361,000,000	1,567,000,000

The tax in its earlier forms.—In its earlier forms the tax was applied at the various stages of production and was in the nature of a turn-over tax. It was pyramided from the earlier stages of manufacture to final transfer of the finished article all the way from the producer to the consumer. For example, in the price of a pair of shoes the tax may have been added several times, the tax having fallen on each sale of the hide used by vendors whose sales were taxable.

Moreover, such pyramiding varied according to the number of taxable sales in the production and distribution of different goods. Thus the goods that went through many processes had a competitive advantage over goods processed only once, resulting in stimulation of business combination. The tax could be avoided by businesses which processed their own raw materials or by manufacturing an article all in the same factory and not turning the unfinished article over to another processor. Sometimes articles were rented instead of being sold. Machinery could be obtained and used free of the tax by the latter method of avoidance.

However, in its present form, which has existed since 1924, the tax falls but once, when goods pass from the licensee to the unlicensed transferee.

SCOPE OF THE TAX

Present form.—In its present form the tax may be considered as applicable to certain goods at the full rate (at present 8 percent), to another restricted class at one-half the sales tax rate, and as not applicable to another class of goods, or goods exempt, which are generally regarded as the prime necessities.

To this extent, therefore, it resembles a principle of the British purchase tax which treats goods as (1) subject to a full rate, (2) subject to a reduced rate, and (3) as nontaxable or exempt.

The tax underwent frequent changes from 1920 to 1924 when it was established in substantially its present form, revised to prevent all pyramiding. It consists of a consumption or sales tax on the sale price of all goods produced or manufactured in Canada, goods imported into Canada, goods sold by licensed wholesalers, goods sold by any person other than a taxable manufacturer, producer, etc., where such person has acquired from the taxable persons already mentioned, through a nontaxable transaction, the right to sell the goods.

Since 1924 this tax has been levied once only on the "sale price of all goods produced or manufactured" in Canada. Pyramiding of the tax by imposition at separate stages of manufacture is prevented by a system of licensing. The tax falls when goods are transferred from a licensed manufacturer, wholesaler, or producer to an unlicensed purchaser. Transfer of goods from a licensed manufacturer or wholesaler to another so licensed is not taxed. Sales or transfers of materials for the manufacture of an article are thus free of taxation until they have taken form in the completed article and it is transferred from the licensed wholesaler or manufacturer to the unlicensed purchaser. Likewise, to avoid duplication or pyramiding the tax is not levied on goods partly manufactured and sold or on goods imported by a licensed manufacturer or wholesaler.

As will be seen from the above, goods imported into Canada are subject to the tax, which is payable by the importer or transferee when the goods are taken out of bond for consumption.

Exemptions.—From the inception of the tax the list of exemptions has been a very long one. There has been a general tendency to extend the list, although there has been some restriction in times of depression and emergency.

The exemptions in general include necessities such as food and fuel. Foods exempt are as follows: Bread; butter; cheese; cream; eggs; honey; ice; lard; salt; sugar; apples, dried, desiccated, or evaporated; bakers' cake and pies, not to include biscuits, cookies, or other similar articles; fish and products thereof, not to include canned fish; flour, not including self-raising flour; maple sirup; meats and poultry, fresh; milk, including buttermilk; condensed milk, evaporated milk, and powdered milk; vegetables and fruits in their natural state. Also included in exemptions were newspapers, fuel, electricity, fertilizers, raw materials of farmers, farm machinery and equipment, and exports direct to foreign purchasers. Exports made indirectly to foreign purchasers are free of tax through draw-backs.

In effect sales to Provinces are exempted. This is effected by granting a refund of the tax paid on goods sold to a Province unless the goods were purchased by the Province for a purpose, which makes it subject to the tax. In general the tax applies to goods imported by the Dominion Provinces, provincial railways, or provincial commission, board, public utility, or university.

Certain goods are subject to only 50 percent of the sales tax (4 percent at the current rate). This includes all goods manufactured or produced by the labor of the blind or the deaf and dumb in institutions in Canada established for their care.

ADMINISTRATION

The administration of the tax is under the department of customs and excise. The law and regulations define taxable sales. Books and records of taxpayers are to be open to inspection by the Government.

Licenses.—Every manufacturer or producer is required to take out an annual license for the purpose of sales and excise taxes imposed by part XIII of the act. The license fee costs \$2. A wholesaler or jobber applying for a license must give bond in amounts up to \$25,000, which requires that adequate books be kept and true returns be rendered. Such licenses may be cancelled for cause.

While manufacturers must be licensed and must pay a fee of \$2 therefor, the Minister of Finance has the authority to direct that small manufacturers or producers, selling at retail, shall be exempt from licensing. Such small manufacturers as merchant dealers, druggists, shoemakers, plumbers, etc., whose sales amount to less than \$5,000 a year, and job printers, with annual sales of less than \$3,000 a year, are exempt. Wholesalers and jobbers may be granted a license to sell to other licensees without payment of tax. On the sale of goods by a licensed manufacturer or wholesaler to an unlicensed wholesaler or jobber the purchaser must be furnished an invoice of the goods, stating the amount of the tax; likewise, when an unlicensed wholesaler or jobber sells to a licensed manufacturer, wholesaler, etc. When a licensed wholesaler or manufacturer sells to a retailer or to a consumer, it is not required that the tax be shown.

Returns.—Persons liable for the sales tax are required to file a return each month of their taxable sales for the preceding month. The return must be filed even though there were no taxable sales. Such returns must be made under the regulations issued by the Minister of Finance.

Payment of the tax.—The sales and excise taxes are payable at the time of filing the return, which is due not later than the last day of the month following the month in which the sales were made. Where goods are sold under an installment contract under which payments are made as the manufacture or production of goods progresses or by conditional sales the sales tax on goods produced or manufactured in Canada is payable pro tanto as each installment falls due. Where there is no physical delivery, the tax is payable when the property in the goods passes to the purchaser.

RETAIL PURCHASE TAX

* In the Revenue Act of 1942, the Canadian Parliament adopted a special luxury tax in the form of a retail purchase tax. It is to be levied at the rate of 25 percent of the sale price when the user purchases certain taxable goods in Canada, or of the tax-paid value of those goods when they are imported by the consumer.

The tax is payable to the importer on imported goods. Before removal from the custody of the customs officer an excise stamp, or stamps, must be affixed to the customs import entry. For Canadian goods the tax shall be paid by the purchaser to the vendor who shall on each day compile a statement of goods delivered and affix the excise stamps to the statement. Heavy penalties are imposed for the failure to affix or cancel excise stamps.

No returns are available at this time but the forecast of the Minister of Finance in his Budget message of 1942 estimated the collections under this tax for a full year at \$7,750,000.

Taxable.—Trunks and baggage; clocks and watches for personal use; jewelry; articles made of ivory or semiprecious stones; cut glass and crystal; chinaware except articles for use in the preparation and serving of food or drink; smokers' accessories; fountain pens or other writing implements.

If any article falling within the group of clocks and watches, and articles made of ivory, or semiprecious stones has a total cost to the user of less than \$1, it is exempt. Any other of the taxable articles is exempt if its total cost to the user is less than 50 cents.

PRICE REGULATIONS

In the 1942 Budget Resolutions in Canada a number of new excises were levied that came into conflict with existing maximum price regulations. By an order of June 1942 the Wartime Prices and Trade Board permitted the entire amount of the new or increased tax to be added to the maximum price in most cases. The few exceptions were cigarette paper, Canadian raw leaf tobacco, soft drinks, and carbonic acid gases used in making soft drinks. Here the Board permitted mark-ups on each product varying from one-half to one-sixth of the amount of the tax.

This type of regulation must be enforced to prevent retailers from increasing prices by more than the amount of the tax. There will be considerable temptation for the retailer to do so for should the tax result in decreased sales for him there will be a smaller gross profit out of which he must cover his overhead expenses and his own return.

REMARKS OF FINANCE MINISTER J. L. ILSLEY CONCERNING THE RETAIL PURCHASE TAX IN THE BUDGET SPEECH OF MARCH 2, 1943, TO THE HOUSE OF COMMONS

There are serious arguments today in favour of a very substantial purchase tax on all but the most essential goods and services. Such a tax would mop up a considerable amount of excess purchasing power, and would assist in securing the orderly distribution of scarce supplies. It would make those who will spend on nonessentials pay dearly for the privilege. Such expenditure in itself is evidence of ability to pay. However, there are several serious objections to such a plan. In the first place, there are not going to be enough really nonessential goods and services to provide much revenue unless either we apply such a tax also to what are fairly essential goods, or put a tax on at exceedingly high rates. Probably, we would have to do both if we were to get enough revenue to meet any large proportion of our prospective deficit. I do not feel prepared to do this. I don't believe there are many goods today which should in effect be reserved for those with the longest purses. That would be the result of putting very heavy taxes on such articles.

(Source: House of Commons Debates, Mar. 2, 1943.)

SALES TAX OF AUSTRALIA ¹

GENERAL STATEMENT

Australia imposed a sales tax in 1930 (Sales Tax Assessment Act No. 1, 1930). The tax was laid on the sale value of goods manufactured in Australia. The tax also applies to importations.

Present form.—The law requires the registration of all manufacturers and wholesalers and the tax is levied on the sales value of goods manufactured in or imported into Australia when such goods are sold to unregistered persons. No tax attaches to the sale by a registered manufacturer to a registered wholesaler and the act is intended to be effective on the wholesale price whenever possible.

The sale value of goods, where the goods are sold at wholesale, is the sale price; where the goods are sold at retail, if the goods are of a class which the manufacturer himself sells at wholesale, the sale value is the amount for which the goods would be sold by the manufacturer if sold at wholesale; and in any other case the sale value is the amount for which the goods could have been purchased by the taxpayer from another manufacturer if such other manufacturer had manufactured the goods in the ordinary course of his business for sale to the taxpayer.

Rates and exemptions.—During its first 10 years the single rate of the Australian Sales tax varied from 2½ percent to 8½ percent. In November 1940, a three-rate system was introduced. The general rate was 10 percent; certain essential goods were exempt; other less than essential goods were taxed at 5 percent; and so-called luxuries were taxed at 20 percent.

On May 1, 1942, the general rate was increased from 10 to 12½ percent; goods formerly taxable at 5 percent were made exempt; and the tax on luxuries was raised from 20 to 25 percent.

The 25-percent luxury rate applies to the following classes of articles: jewelry, crystal, pottery, cutlery, traveling, and fancy goods; beauty and toilet preparations, hair-waving apparatus, musical instruments, phonographs, and radios; motion picture and sound equipment; statuary, photographs and photographic equipment; furs; sporting equipment, confectionery, and toys; refrigerators, washing machines, and similar apparatus; office appliances and typewriters; garden equipment and advertising signs; printed matter and paper products.

The list of exemptions is voluminous, but they fall into certain categories: certain basic necessities; medicines and surgical goods; fuel, power, and light; footwear and specified essential foods, excluding certain luxury foods and all desserts; a limited number of goods used in production; agricultural supplies; commercial fishing equipment; nondurable aids to manufacture; containers; industrial fuel and power; tobacco, liquor, and gasoline, already heavily taxed; unprocessed primary products of Australian agriculture, mining, logging, and fishing, most of which would be exempt sales to manufacturers; scientific, educational, and religious goods; goods for use by governments, representatives of governments, and public bodies; sales by firms having an annual total sales volume of less than £ A 700 (\$2,500); and second-hand goods.

All other goods are taxed at the general rate of 10 percent.

¹ The Sales Tax Law and Supplement, by R. Ewing, Commissioner of Taxation; Double Taxation by Joint Committee on Taxation, 1933; Department of Commerce, Bureau of Foreign and Domestic Commerce.

ADMINISTRATION

Registration.—Every person who becomes a manufacturer or a wholesale merchant after the commencement of the act is required within 28 days to become registered. A certificate of registration is issued which remains in force until the death or bankruptcy or the cancellation of the certificate of the registered person. The issuance of these certificates is conditioned upon the keeping of proper books or accounts, rendering true statements of all sales and duly paying all tax required under the law. Heavy penalties are imposed for violation of these and other conditions required by law and regulations.

As security for compliance with the conditions of any certificate of registration there may be required a deposit of cash or Treasury bonds in such amount as the Commissioner of Revenue may consider reasonable.

Returns.—Every person who makes sales subject to the tax or treats any goods as stock for sale by him at retail or applies to his own use any goods subject to the tax must make a return within 21 days after the close of the month, setting forth such information as shall be required by the regulations. The Government may require further return, showing such additional information as the Government may require, or attendance and giving of evidence with respect to sales.

Collection.—Payment of the tax must accompany the return which is to be made within 21 days after the close of the month in which the sales were made. In case the Commissioner shall find that further tax is payable by any person, he may assess the sale value upon which the tax should have been paid, and the tax must be paid within the date set in the notice in writing demanding payment. Where the Commissioner finds that tax has been overpaid and is satisfied that the tax has not been passed on by the taxpayer to some other person, he may make refund of such overpayment.

Revenue.—In the fiscal year 1942-43 it is expected that sales tax collections will represent 12.2 percent of the total tax collections as compared to 15 percent for the year 1941-42. The main categories of collections are shown for 1939-43.

TABLE 1.—*Australian tax revenues 1939-43*

[In thousands of £A (\$3.22)]

Tax	1939-40	1940-41	1941-42	1942-43 ¹
Customs.....	34, 830	29, 401	25, 209	21, 500
Excises.....	19, 885	24, 370	31, 572	40, 500
Sales.....	12, 196	19, 793	26, 830	30, 000
Income.....	16, 430	43, 305	77, 560	85, 000
Total taxes.....	90, 011	125, 383	179, 430	246, 766

¹ Budget estimate, Debates of Australian Parliament, Sept. 2, 1942.

Incidence of the tax.—It would appear that the tax is passed on to the consumer and that pyramiding of the tax by imposition on successive transfers is prevented, since the tax apparently falls only when goods pass from a registered to an unregistered person subject to the

tax. This is in effect the cardinal principle of the Canadian sales tax where it has been generally regarded that pyramiding has been effectually avoided.

THE FRENCH SALES (TURN-OVER) TAX ¹

("Impôt sur le chiffre d'affaires")

INTRODUCTION OF TAX IN FRANCE

The present French turn-over tax was introduced in that country in 1920. At that time the financial condition of France was in an alarming state, with revenues far below ordinary budget requirements, and with a program of rehabilitation about to be launched. A turn-over tax upon the gross receipts of all business transactions was adopted as the quickest and easiest way in which to raise the large amount of revenue needed, although even its most earnest advocates admitted its defects and inequities.

The direct forerunner of the turn-over tax was what was known as the payments-tax system, inaugurated during the war period, under which taxes were levied upon receipts for certain commercial and non-commercial payments, for luxury articles, and for expenditures in de luxe restaurants and hotels. Even these taxes were not strictly an innovation, since France had imposed a graduated stamp tax on all acknowledgments for payments ever since 1871.

LEGISLATIVE DEVELOPMENT

As originally enacted on June 25, 1920, the French turn-over tax imposed a rate of 1.1 percent on the turn-over, or gross receipts, originating in France, of two chief classes of persons: (a) Those who either customarily or occasionally buy to resell; and (b) those who perform acts connected with activities which are taxable under the commercial and industrial-profits schedule of the income tax. The first class included merchants and manufacturers, while the second covered certain commercial middlemen, such as brokers, commission men, etc. There was also a third class, of minor importance, composed of those liable to a proportional tax on mine profits under the law of 1810, who do not pay the regular profits tax.

There were two types of exemptions, express and implied. The implied exemptions included farmers, professional men, and salaried workers or wage earners who did not come within the definition of those "buying and reselling" and whose profits were not taxable under the commercial and industrial profits schedule of the income tax. The express exemptions included exports, goods, and services with fixed Government prices, and transactions already subject to special taxes.

Payment of the tax was to be made each month, the taxpayer drawing up a statement of his turn-over for the preceding month, calculating the tax due, and sending the statement and the money to the administration. In practice, certain businessmen were permitted to send in annual statements, under a so-called forfait system. In 1922 the forfait was extended to a larger group of taxpayers, but

¹ Source: Preliminary Report on Federal and State Taxation, Staff of the Joint Committee on Internal Revenue Taxation, 1933.

a true forfait system was not introduced until 1924. Under this system an estimated tax base is used, payments are made quarterly, and there is absolute freedom from all inspection of books by tax agents.

The chief developments of the French turn-over tax since its original enactment in 1920, in addition to the inauguration of the forfait system, have been the increase in rates in 1924 and 1926 and the enactment of "replacement" taxes in 1925. The commodities subject to the replacement tax were withdrawn from the scope of the turn-over tax; and instead of the low rate of that tax being imposed every time these commodities changed hands, a single tax, at a higher rate, was levied at some early stage in their economic development. In 1926, when the Parliament raised the general rate from 1.3 to 2 percent, it made the increase applicable only to sales other than those made at retail or for consumption on the spot. However, the confusion engendered by the necessity of distinguishing retail sales from all others caused Parliament, four months later, to include retail sales within the scope of the higher rate.

Before discussing the operation of the present French turn-over tax, mention should be made of the luxury and import taxes which have been an integral part of the turn-over-tax system. The luxury taxes are divided into two groups: (a) Those imposed on luxury articles sold at retail and (b) those imposed on the gross receipts of luxury hotels, restaurants, etc. The import tax is applicable to all goods entering France whether or not as a result of a sale, and is imposed in addition to any customs duties.

This study of the French turn-over tax covers the law up to about May 1, 1932. It is hoped that it is substantially accurate, although some difficulty was encountered in following the many changes that have taken place since its codification in 1926. It has been necessary to translate the law from the French.

In the following table there are shown the rates applicable to sales, gross receipts, and luxuries under the acts of 1920, 1924, 1926, and 1930.

Rates of French sales and luxury taxes

	Act of 1920	Act of 1924	Act of 1926	Act of 1930
	Percent	Percent	Percent	Percent
I. Sales tax:				
All sales in general (turn-over) ¹	1.1	1.3	² 2	2
On gross receipts of those whose acts are concerned with activities taxable under the business profits tax of 1917.....	1.1	1.3	2	2
On gross receipts of those subject to the mine tax.....	1.1	1.3	2	2
II. Luxury taxes:				
On retail sales of articles classed as luxuries.....	10	12	12	{ ³ 6 43
Payments for food, lodging, and drink consumed on premises of luxury establishments—				
Of second class.....	3	3.6	4	{ ⁴ 3 64
Of first class.....	10	12	13	{ ⁵ 6 13

¹ The "decime," or 0.1 percent tax on all sales, which goes to the communes or local authorities, is included in the rates of sales in general.

² In April 1926, the rates were: Retail rates, 1.3 percent; wholesale rate, 2 percent; intermediaries, 2.5 percent; newspapers and periodicals, 1.3 percent. In August 1926, the rate was made 2 percent for all except newspapers and periodicals, which remained at 1.3 percent.

³ On articles classed as luxuries by their inherent nature.

⁴ On articles classed as luxuries because selling above a certain fixed price.

⁵ For establishments absorbing tax in their sales price.

⁶ For establishments adding tax as a separate item in sales price.

OPERATION OF THE PRESENT SALES TAX

Generally speaking, the application of the French sales tax has been practically unchanged since its original enactment in 1920. The present rate of 2 percent applies to the following classes of taxpayers, and is imposed upon the base shown opposite each classification:

Taxpayers	Tax base
I. Those who buy and resell in France. (Merchants, manufacturers, real estate dealers, building contractors, corporation sales to subsidiaries, and consumers' cooperatives.)	The gross receipts or turn-over of sales of tangible goods actually made.
II. Those whose acts are concerned with activities taxable under the business profits tax of 1917:	
(a) Travel agencies, theater ticket agencies, labor agencies, or any agency that by contracting independently for the services at one agreed price with the rendor and then by reselling at whatever profit can be made removes the customer from contracting with the person or agency actually rendering the service.	(a) The total gross receipts from the sale of such services bought to resell.
(b) Agents, brokers, or other intermediaries between customer and actual seller or rendor of services.	(b) The total gross receipts of commissions, fees, etc., received from the sale of services as an intermediary.
III. Those subject to the mine tax. (Extraction of material from the earth not equivalent to purchase, so not covered by the "buy and sell" clause.)	Total gross receipts from the sale of tangible goods.

The phrase "buy and resell" was for a time construed to include only gross receipts of those dealers buying with an intent to resell at a profit. This interpretation excluded consumers' cooperatives, but court decisions rendered in 1923 and 1924 nullified this interpretation and held the tax applicable to any sale, regardless of the vendor's intent when the purchase was made. However, this does not include the casual disposition of an article of no further use to the owner because obsolete, unneeded, or replaced by another article. Up to 1925, sales of real estate bought with an intent to resell were not taxed on the ground that they were "civil," not "commercial," transactions, but this interpretation of the taxing authorities was nullified by court decisions and later by statute.

The turn-over tax may be said to be imposed on money payments made in exchange for commodities delivered and services rendered, but it is limited to such payments made in the ordinary course of business between merchants and manufacturers and their customers. No tax is imposed on payments received by certain economic classes, such as farmers, laborers, and professional men, and on business payments received from the sale of certain classes of commodities and services. These exemptions of persons and things have sprung from different motives. That in favor of persons is usually implied from the wording of the law, and originated not only from a desire to avoid political unpopularity but from a fear that the burden of the tax could not be shifted to the ultimate consumer as intended, and to avoid administrative difficulties. The exemptions in favor of certain commodities and services are noted specifically in the law, and have been adopted because of other taxes on these sales and in order to lessen the burden on the poorer classes of consumers. These exemptions are summarized below under three divisions: (A) Those specifically embodied in the basic law of 1920, (B) those specifically provided for subsequent to the enactment of the basic law, and (C) those implied from the wording of the law:

(A) Specific exemptions under basic law of June 25, 1920:

1. Sales transactions already subject to tax under previous laws. These include:

(a) Sales on the stock and commodity exchange made by those who habitually carry on this activity.

(b) Pharmaceutical preparations subject to a tax levied on the manufacturer and/or importer. (Wholesalers and retailers are therefore not exempt from the turn-over tax.)

(c) Savings societies and insurance companies.

(d) Amusements subject to an admission tax.

(e) Vehicular passenger and freight traffic (taxicabs and drayage).

2. The turnover of any business subject to governmental control as to sales price. This includes:

(a) Sales of bread by bakers. (Pastries, however, are not exempt.)

(b) Sales of retailers of State monopolies, viz., tobacco, matches, stamped paper, telephone and telegraph service.

(c) Revenue from rates of public utilities subject to governmental control of rates (power companies, railroads).

(d) Commissions and fees of stockbrokers, shipbrokers, marine-insurance brokers, land banks, and real-estate-loan societies when their rates are fixed by the Government.

3. Exports except antiques and certain works of art. (However, only the last sale made in France to a foreigner, delivery to be made abroad, is exempt.)

(B) Specific exemptions by law made subsequent to basic law:

1. Newspapers and periodicals with a sale price not in excess of 25 centimes. (Increased to 50 centimes in 1926.)

2. In 1923, artisans whose gross receipts came from the sale of finished products, made by their own labor from raw materials, were declared exempt if they qualified under regulations defining the extent of business one might carry on and still be a "small artisan."

3. In 1924, wheat and rye if used in the making of bread.

4. In 1925, sales of articles made subject to a replacement tax.

5. By act of April 4, 1926, sales of milk for consumption in its natural state.

6. Commission merchants, as well as true buyers and sellers of cereals and grains, if not already exempt as dealers in bread, were placed on a turn-over rate of 0.55 percent on total value of grain handled by them by the act of March 26, 1927. (By act of April 16 1930, dealers in potatoes, and by act of April 26, 1930, dealers in milk, eggs, fresh and dried fruits, fish, cream, butter, and similar articles were added to the list of products the sales of which by commission merchants or true dealers were to be taxed at 0.55 percent.)

7. In 1928, receipts from the sales of, and of advertisements in, philanthropic publications. Receipts from all schools if not coming from commercial operations. Receipts of nonprofit restaurants for students.

8. In 1929, by act of July 13, flour, semolina, and refuse grain.

9. In each year articles that were made subject to the replacement taxes were exempt from the turn-over tax.

(C) Exemptions implied from wording of the law:

1. Sales of farmers' produce grown by themselves.

2. Gross receipts of liberal professions, viz, doctors, lawyers, accountants, etc.

3. Wages and salaries of laborers.

4. Consumers' cooperatives were considered exempt until specifically ruled *not* exempt by the administration in 1924. However, such cooperatives buying farm materials are held exempt.

The French turn-over tax, being a tax on the gross sales of all business and not a single levy on a completed article or transaction, naturally results in a pyramiding, or piling up, of the tax. This pyramiding may be illustrated by the following example:

Example I.

A, a manufacturer, sells an article to B, a wholesaler, for \$100. A pays a tax of 2 percent on his gross receipts. B sells the article to C, a retailer, for \$140. B pays a tax of 2 percent on his gross receipts. C sells the article to an ultimate consumer for \$200. C pays a tax of 2 percent on his gross receipts.

The total taxes that would be collected on the above sales would amount of \$8.80. This sum would be paid as follows:

A—Gross receipts \$100, tax \$2. B—Gross receipts \$140, tax \$2.80.
C—Gross receipts \$200, tax \$4.

Included in the gross receipts of B is the sum of \$100, representing the recovery of the original cost of the article to B. B is actually paying a tax of 2 percent on his recovered capital. In the case of C, his sales price of \$200 includes his recovered cost, or capital of \$140, on which another tax of 2 percent is levied by the Government.

Pyramiding is illustrated by breaking up the total taxes paid as follows:

The amount of \$100 at 2 percent, three times, \$6; \$40 at 2 percent, two times, \$1.60; \$60 at 2 percent, once, \$1.20.

Middlemen such as B and C have escaped the penalizing effect of the French sales tax by giving up their status of dealer and becoming commission merchants, paying a tax on the gross receipts of their commissions. In that situation, A would consign the article to B, B might put the article out on consignment to C, and C would sell the article for \$200, retaining \$60 as his commission and forwarding the balance to B. B would retain \$40 of that amount and send the balance, \$100 on to A. A would pay a tax of \$2; B a tax of \$0.80; and C a tax of \$1.20; the Government receiving a total tax of \$4. The replacement taxes, taken up later in this discussion, sought to correct this legitimate evasion of the tax.

Pyramiding results in a somewhat larger tax being collected as a result of a situation that permits the dealers to pass the tax on to the ultimate consumer by adding the tax to the sales price of the article. This result is illustrated as follows:

Example II.

A's selling price	\$100
Anticipated tax	2
A's actual selling price to B	102

The tax is levied on A's actual selling price (gross receipts) and amounts to \$2.04. A has recovered all but \$0.04.

Cost to B	\$102. 00
Expense and profit margin	40. 00
Anticipated tax	2. 84
B's actual selling price to C	144. 84

The tax on B's actual selling price (gross receipts) amounts to \$2.896. A has recovered all but \$0.056.

Cost to C	\$144. 84
Expense and profit margin	60. 00
Anticipated tax	4. 096
C's actual selling price	208. 936

The tax on C's actual selling price to the ultimate consumer amounts to \$4.178. C has recovered all but \$0.082.

The total taxes that would be collected on the above sales would amount to \$9.114 distributed as a burden as follows: On A, \$0.04; on B, \$0.056; on C, \$0.082; on the ultimate consumer \$8.936. A, B, and C have paid a tax on the taxes recovered by them in their sales price (gross receipts), but in most cases that is also passed on by the dealers by adding an estimated amount to cover the tax on the anticipated tax already included in the sales price.

THE IMPORT TAX

The import tax, which is levied in addition to the regular customs duties, is in distinct contrast to the turn-over tax proper, since it has no relation to sales. On the other hand, the importation of goods is the sole occasion for imposing the tax, and it is all-inclusive so far as tangible goods are concerned, except for a few items which have been exempted either by law or administrative ruling. The base upon which the import tax is levied includes not only the value of the article at the port of entry but the amount of the customs duty, if any, as well. Aside from raising revenue, the purpose of the tax is to protect French manufacturers and merchants from competition with tax-free foreign goods in the domestic market. Until just recently, the rate of the import tax corresponded with that of the turn-over tax, but under the law of March 31, 1932, there is a rate of 2 percent on raw products, 4 percent on products that are further advanced than their natural state, and 6 percent on finished products. Once imported, the goods are subject to the regular turn-over tax. There are certain exceptions, however, which should be mentioned. Merchant importers are granted exemption from the turn-over tax in connection with the first sale in France of certain raw materials on which the import tax has been paid. Under the decree of August 14, 1925, which still appears to be in effect, this exemption covers such raw materials as hides, wool, silk, cereals, rice, cacao, rubber, rough lumber, cotton, flax, hemp, jute, and natural phosphates. Imports of commodities which are subject to the replacement taxes (hereafter referred to) are exempt from the import tax just as domestic products subject to these taxes are exempt from the turn-over tax. A special import tax, in lieu of the regular tax, is imposed upon the following articles:

Commodity	Special import tax	Remarks
Luxury articles for the personal use of the importer:		
Luxury by nature.....	10	If imported by merchant for resale, regular import rate applies. Later sale taxed at luxury-tax rates.
Luxury on account of price.....	7	Do.
Automobiles:		
Passenger, valued at more than 7,500 francs.....	10	Payable no matter to whom destined.
Mixed passenger and commercial..	7	Do.
Chassis, bodies, etc.....	7 or 10	If destined to manufacturer, regular import rate applies. Later sale of completed car taxed at luxury-tax rates.
Perfumery and toilet articles.....	16	If destined to manufacturer, tax payable when article leaves manufacturer's hands.

THE REPLACEMENT (SINGLE) TAXES

In 1925 there was originated the first of a series of exemptions of certain commodities from the turn-over and import taxes and the substitution of "replacement" or "production" taxes on them. The replacement tax is a tax at a high rate levied upon a commodity only once, at some early stage of its production, and in lieu of all turn-over or import taxes. The rate is calculated to replace the amount of revenue which was derived from the low turn-over rate when imposed every time the commodity changed hands. This innovation constituted an attempt to free as many taxpayers as possible from the continual visits of the tax collector, to lessen the burden on the administration of checking a large number of taxpayers, and to do these things without any decrease in revenue. Another purpose was to check the evasion of the turn-over tax accomplished by certain true dealers in coal, grain, and other commodities who were changing their commercial status, actually or apparently, to that of commission merchants and paying a tax on the basis of their commissions (profits) only, rather than on the total gross receipts from the sale of these commodities.

The following table summarizes the commodities subject to the replacement taxes and the special rates imposed.

Articles subject to replacement taxes (single taxes imposed in lieu of all turn-over and import taxes)

Articles	Rate of tax	When levied
Coal, coke, etc.....	2.5 percent.....	At mine or coke plant or on importation.
Slaughtering and fresh meats:		
Calves and sheep.....	20 centimes per kilogram.....	Before slaughter.
Cattle other than calves.....	12.5 centimes per kilogram.....	Do.
Hogs.....	25 centimes per kilogram.....	Do.
Horses.....	10 centimes per kilogram.....	Do.
Veal and mutton.....	40 centimes per kilogram.....	On importation.
Beef and horse meat.....	25 centimes per kilogram.....	Do.
Pork.....	50 centimes per kilogram.....	Do.
Coffee.....	8 percent.....	On importation (no domestic production).
Tea.....	7 percent.....	Do.
Sulphur.....	5 percent.....	Do.
Sugar.....	6 percent ¹	At factory or refinery or on importation.
Denatured alcohol:		
Methyl.....	3 percent.....	On importation or production.
Heating and lighting.....	6 percent.....	Do.
Alcohol and spirits for consumption.....	47 and 8½ percent.....	Do.
Resinous products, turpentine, etc.....	2.5 percent.....	Do.
Petroleum products:		
Crude or refined and gasoline.....	8 percent.....	Do.
Benzol, toluene, benzine.....	4 percent ²	Do.
Oils and fatty bodies:		
Oleaginous fruits and grains.....	5 percent.....	Do.
Fish and vegetable oils.....	6 percent ³	Do.
Refined coconut oil.....	5 percent.....	Do.
Oleomargarine, emulsions, and animal fats for consumption.....	4 percent.....	Do.
Stearic and oleic acid and deglycerined oils.....	5 percent.....	Do.
Soaps and candles.....	7 percent.....	Do.
Industrial soaps if sent by producer to industrial user.....	4 percent.....	Do.

¹ Certain manufacturers using sugar in their products are entitled to a credit for one-half the replacement tax previously paid.

² Sale to manufacturer for further production, 2 percent.

³ Sale to manufacturer for further production, 4 percent.

This departure from the principle of the French law, i. e., taxing only one sale instead of all sales, has been somewhat in the nature of an experiment, and will continue to be limited in application to but few articles. To be a proper subject for this form of taxation, a commodity should be—

- (a) Inclined more or less to be stable in price.
- (b) The sole line of the producer or dealer.
- (c) To a great extent in finished form and unlikely to be combined with another article or commodity to be taxed again in (another) finished form under the turn-over tax or replacement tax.

THE LUXURY TAXES

Luxury taxes are an important part of the present turn-over-tax system. These taxes were imposed before the sales tax was enacted, being first levied under the payments-tax system inaugurated during the war period. They are continued under the sales tax at much higher rates than the general turn-over levy of 2 percent, and supplant the latter tax. There are two separate divisions to the luxury taxes: (a) The tax on luxury articles sold at retail, and (b) the tax on gross receipts of luxury hotels, restaurants, and so forth. The luxury taxes, of course, are imposed in lieu of the turn-over tax when the sale is made at retail.

In the case of articles sold at retail there is a double standard of "luxury." Certain goods are considered *de luxe*, because of their inherent nature, while others become luxury goods only when sold at retail above a certain price. The determination of what constitutes luxury articles is by the Minister of Finance, who issues decrees from time to time listing such articles. These decrees are subject to legislative ratification, but have the force of law until Parliament rejects them. The present rate on articles which are classed as luxuries by their inherent nature is 6 percent, while those taxed as luxuries because selling above a fixed price are taxed at the rate of 3 percent. The responsibility for the payment of the tax rests with the seller, and unless otherwise provided or obviously not relevant the laws and regulations governing the turn-over tax apply with full force to the luxury taxes.

The standard of luxury for the hotel and restaurant tax is quite different from that under the luxury tax on retail sales. An establishment pays a luxury rate on its gross receipts if it is judged "luxurious," and there are two grades of luxury, to which different rates are applicable. Establishments of the first class pay a rate of 6 percent if they include the tax in their sale price and 13 percent if the tax is added as a separate item. Second-class establishments are taxed at the rate of 3 percent if they include the tax in their sale price and 4 percent if they do not. The classification of hotels and restaurants is handled by an official commission in each "department," with a commission of appeal in Paris.

SPECIAL TAX ON RETAIL SALES

In addition to the tax on industrial and commercial profits, levied under the income-tax provisions of the internal revenue laws of France, there is levied a tax termed "*taxe speciale sur le chiffre d'affaires*," literally translated as a special tax on gross receipts. This tax is not

considered a part of the sales tax, nor are the receipts from it included in statistics of sales-tax receipts published by the Ministry of Finance. The tax was first levied in 1918, and is administered by the income-tax administration. Its similarity to the turn-over tax is so decided that a brief mention of the tax seems to be pertinent to any discussion of the French sales-tax system. As can be seen it is solely a tax on sales.

The tax is imposed on the amount of business (gross receipts, i. e., sales) transacted by enterprises having for their principal object the retail sale of provisions or goods when the amount of such business exceeds 1,000,000 francs, exclusive of exports. The amount of business turn-over is taken as the total amount of sales realized each year by the taxable enterprise. It comprises all the elements of the sales price and consequently all duties and taxes, as, for example, the general sales (turn-over) tax, which are incorporated therein. The tax also applies to banking, credit, savings, and capitalization enterprises when the amount of their annual turn-over exceeds 1,000,000 francs. The present rates, which date from 1926, range from 0.0012 percent on gross receipts of between 1,000,000 and 2,000,000 francs to a maximum of 0.006 percent on the excess over 200,000,000 francs. During the operation of the present rates, the annual receipts have been well over 100,000,000 francs.

ADMINISTRATION

The collection of internal revenue in France is divided among three administrative groups—the direct-tax, indirect-tax, and registration administrations, all quite distinct from each other. There is another administration—customs—for collecting export and import duties. No new agency was created for the control and collection of the turn-over tax. The burden of collection fell upon the indirect-tax administration and the registration administration, the former making the collection in communes of under 5,000 population and the latter in the larger communes. The direct-tax administration assisted the others in checking the turn-over-taxpayer's records of receipts. This division of control worked unsatisfactorily, and not until 1925 was the entire enforcement of the turn-over tax placed under the indirect-tax administration with the customs administration attending to levies on imports and exports affected by the turn-over taxes or replacement taxes. With the administration and enforcement of the tax centralized, collections and control have become much more satisfactory.

Under the law of June 25, 1920, the turn-over tax was due under a monthly payment system. The taxpayer was to prepare a statement of the previous month's receipts, calculate the tax, and make payment when he sent in his statement before the end of the current month. Under later regulations, statements might be made on a quarterly, semiannual, or annual basis, but payments "on account" were due at least quarterly. Taxpayers under the forfait system are not required to send in any statement but must make quarterly payments on their allowed estimate. Taxpayers with a permanent place of business established, and not on the forfait basis, are allowed to make an annual statement under the present law.

Payment is made by cash, postal order, check, draft, or by other commonly accepted negotiable instruments. Stamps are not used in any instance except on articles of luxury sold at retail.

During the first few years of the operation of the turn-over tax, evasions were more the rule than the exception. The law was new, there was doubt as to its continued existence, and the administrative bureau was inadequately forced and composed of several independent units. Due to the resultant lax enforcement the Government lost large sums properly due under the law. The actual receipts for the first year were less than 50 percent of the estimated return of 2,000,000,000 francs.

The law required that merchants, or anyone continually or occasionally buying and reselling, should keep a record of all transactions subject to the tax. The burden of proving omissions of this duty fell on rather indifferent collectors and inspectors. Merchants posed as commission men when in fact they were not, and sales for cash of uninventoried stock could be completely concealed.

The small merchants especially rebelled against keeping records of their transactions for monthly inspection and complained even more vociferously when the failure to keep such records resulted in more strict surveillance by the collector. Bookkeeping among this group was scarcely more detailed than a statement of annual gross receipts and many neglected that. The Government finally conceded to merchants with an annual gross for the previous year (by their records) of less than 48,000 francs (or 12,000 francs if they were intermediaries taxed on commissions, fees, etc.) the privilege of paying on the basis of such receipts for the ensuing year. The taxpayer under this system would show his receipts for the closing year and on the basis of that would pay his installments for the current year (on a quarterly basis: 2 percent of one-fourth of the preceding year's gross receipts). By the act of December 31, 1921, this privilege was extended to merchants and commission men having an annual gross of 120,000 francs and 30,000 francs, respectively. This was called the "forfait" system; inaccurately, however, for in 1924 the true "forfait" system or estimated tax-base system was inaugurated.

Under the true forfait system, the tax collectors estimated the business of the taxpayer by external indicia, i. e., number of employees, size of establishment, equipment, social status of owner, mode of living, etc., and therefrom estimated the gross receipts of the business, and the taxpayer paid on the basis of that estimate. The taxpayer is not required to give any information or disclose any records unless he disputes the estimate or wishes to renounce the agreement to abide by the estimate. The Government may likewise renounce, but either party must so indicate that intention during the last two months of the year. The estimate lasts for two years and the tax as fixed for each year by this system is payable quarterly. Under the law of 1924 this system was available to merchants having gross receipts not in excess of 200,000 francs (or 40,000 francs in the case of commission men) but under the law of 1927 the larger figure was raised to 300,000 francs.

In 1922 out of 1,720,739 sales-tax payers, 553,806, or slightly over 32 percent, paid a yearly tax of less than 60 francs each, amounting to less than 1 percent of the total tax collected. Seventy-eight percent of the taxpayers could have been entirely exempted from the tax in 1922 with a loss of only 10 percent in the total revenue from it. In 1924 over 65 percent of the sales-tax payers paid on an estimated basis but their payments aggregated less than 10 percent of the total

revenue from the levy. These figures indicate the extent of small-scale commerce in France and of evasion.

The establishment of the forfait system, and of the replacement taxes, as well as more efficient administrative efforts have gone far in checking the evasion that was so prevalent during the early years of the tax. The legal evasion that can be accomplished by a dealer becoming a commission merchant cannot be circumvented. However, the replacement taxes on those commodities in the sale of which the merchandizing status was more often changed has retarded somewhat this form of evasion.

The automobile tax presents an interesting example of the difficulty of checking evasions that are apparently legal. The tax on passenger automobiles was placed at the luxury-tax level and on commercial automobiles at the low turn-over rate. This did not prevent the widespread use of commercial automobiles in transporting their owners and their families on purely pleasurable pursuits. When such use was proved, an attempt was made to collect the higher tax. This presented so many difficulties and caused so much opposition that the Government finally provided a medium rate for commercial cars whenever the owner intended to put it to uses of pleasure, retaining the low turn-over rate on strictly commercial automobiles. These rates were: Passenger car, 12 percent; semicommercial, 6 percent; commercial, 2 percent. The 1930 rates were 6, 3, and 2 percent, respectively.

Disputes may arise between the taxpayer and the administration on several points; whether or not any tax is due; whether all gross receipts or commissions only are taxable; or whether or not certain gross receipts are exempt. Unless these disputes are settled by agreement (conference) they are carried to the administrative tribunals, "Conseils interdepartementaux," which handle "direct-tax" cases. "Indirect-tax" cases, and questions concerning construction of the civil law, are taken to the civil courts with the burden of proof on the taxpayer. However, although taken to "direct-tax" tribunals, the burden of proof in turn-over tax cases is placed on the taxpayer, differing in that respect from other "direct-tax" cases. When the case first comes before this tribunal, a fact-finding committee is first appointed, composed of three members, one chosen by the taxpayer, one by the administration, and one by the court. The conclusions of this committee are submitted to the court and the law applied by the court in rendering a decision. Appeals from the "Conseils interdepartementaux" to the "Conseil d'Etat" are provided for, limited, however, to merely a review of the lower court's decision. This appeal, however, does not arrest execution of the lower court's judgment.

The above procedure applies to appeals from additional assessments as well as claims for refunds and must be begun within two years. Other administrative boards are provided for securing a different estimated-tax base, or luxury classification.

In the event that the administration is awarded a judgment for an additional assessment, it still enjoys no preference over other creditors in the case of the bankruptcy of the taxpayer. Recent decisions of the courts have held that the turn-over tax is not a true indirect tax and that no claim to insure its payment attaches to the taxpayer's assets or personal effects.

APPENDIX

PROPOSED MANUFACTURERS' EXCISE TAX, REVENUE
BILL OF 1932, AND WAYS AND MEANS
COMMITTEE REPORT

A. BILL

B. REPORT

A. FROM PROPOSED REVENUE BILL, 1932

TITLE IV—MANUFACTURERS' EXCISE TAX

SEC. 601. IMPOSITION OF TAX

(a) In addition to any other tax or duty imposed by law, there shall be imposed a tax of $2\frac{1}{4}$ per centum of the sale price (except as provided in subsection (d)) on the sale of every article sold in the United States by the manufacturer or producer thereof, if licensed or required to be licensed under this title, except in the case of—

(1) sales by a licensed manufacturer to another licensed manufacturer of articles for further manufacture;

(2) sales by a licensed manufacturer to a registered dealer, of articles for further manufacture to be resold to a licensed manufacturer;

(3) sales by a licensed manufacturer to any person of articles for further manufacture to be resold to a licensed manufacturer, but only if such articles are delivered by the first licensed manufacturer to the second licensed manufacturer;

(4) sales for exportation;

(5) sales to a State or political subdivision thereof, or any agency thereof, of articles for use solely in the exercise of a governmental function; or

(6) sales of articles hereinafter specifically exempted.

(b) In addition to any other tax or duty imposed by law, there shall be imposed a tax of $2\frac{1}{4}$ per centum ad valorem (except as provided in subsection (d)) on every article imported into the United States, unless—

(1) the consignee (within the meaning of the Tariff Act of 1930) is a licensed manufacturer (or his agent) and the article is an article for further manufacture, or

(2) the consignee (within the meaning of such Act) is a registered dealer (or his agent) and the article is an article for further manufacture to be resold to a licensed manufacturer, or

(3) the article is imported by a State or political subdivision thereof, or any agency thereof, for use solely in the exercise of a governmental function, or

(4) the article is specifically hereinafter exempted.

(c) The tax imposed under subsection (b) shall be levied, assessed, collected, and paid in the same manner as a duty imposed by the Tariff Act of 1930, and shall be treated for the purposes of all provisions of law relating to the customs revenue as a duty imposed by such Act, except that—

(1) the value on which such tax shall be based shall be the dutiable value (under section 503 of such Act) of the article, plus the customs duties, if any, imposed thereon under any provision of law;

(2) for the purposes of section 489 of such Act (relating to additional duties in certain cases of undervaluation) such tax shall not be considered an ad valorem rate of duty or a duty based upon or regulated in any manner by the value of the article;

(3) such tax shall not be imposed upon any article imported prior to the date on which this title takes effect;

(4) no drawback of such tax (except tax paid upon the importation of an article described in subsection (d) (4)) shall be allowed under section 313 (a), (b), or (f) of the Tariff Act of 1930 or any provision of law allowing a drawback of customs duties on articles manufactured or produced with the use of duty-paid materials;

(5) such tax shall be imposed in full notwithstanding any provision of law or treaty granting exemption from or reduction of duties to products of any possession of the United States or of any country; and

(6) when he deems such action to be in the interest of the revenue, the Secretary may direct that such tax with respect to any class of articles designated by him shall be levied, assessed, collected, and paid in the same manner and subject to the same provisions of law as the tax imposed by subsection (a).

(d) In the case of the following articles, the tax imposed by this title shall be at the following rates:

(1) Lubricating oils, of the grades designated (at the time of the enactment of this Act) by Society of Automotive Engineers viscosity numbers 20 to 70, inclusive, 4 cents a gallon;

(2) brewer's wort, liquid malt, malt syrup, and malt extract, fluid, solid, or condensed, if containing less than 15 per centum of solids by weight, 5 cents a gallon; if containing 15 per centum or more of solids by weight, 35 cents a gallon;

(3) grape syrup, grape concentrate, and evaporated grape juice, if containing more than 35 per centum of sugars by weight, 40 per centum of the basis on which the tax is computed under subsection (a) or (b) of this section or section 603, as the case may be;

(4) crude petroleum, fuel oil derived from petroleum, gas oil derived from petroleum, and gasoline, imported into the United States, 1 cent a gallon; but no article described in this paragraph shall be exempted upon importation from tax under this title as an article for further manufacture, and no credit or refund of tax imposed upon the importation of any article described in this paragraph shall be allowed under section 605 (a).

(e) Exemption under this section of sales or importations shall be allowed or granted only upon compliance with the regulations.

SEC. 602. EXEMPT ARTICLES

No tax under this title shall be imposed on the sale or importation of the following articles:

(1) Farm or garden products produced in the United States;

(2) fertilizers and such grades of articles as are used chiefly for fertilizers, or chiefly as ingredients in the manufacture of fertilizers;

- (3) garden or field seeds;
- (4) bran and shorts and feeds for animals or fowls;
- (5) meat, fish (including shellfish), and poultry, fresh, dried, frozen, chilled, salted, or in brine;
- (6) bacon, hams, pig shoulders, and pig jowls, not cooked or packed in air-tight containers;
- (7) butter, oleomargarine, and other substitutes for butter;
- (8) cheese;
- (9) milk and cream, in any form;
- (10) eggs in the shell;
- (11) bread;
- (12) flour and meal made of grain, and semolina;
- (13) sugar;
- (14) tea;
- (15) coffee;
- (16) salt;
- (17) any article with respect to which an internal-revenue tax is imposed under existing law;
- (18) water not in closed containers;
- (19) newspapers, magazines, and other periodicals;
- (20) books, pamphlets, and music, in raised print, used exclusively by or for the blind;
- (21) textbooks for use in private or public schools or other institutions of learning;
- (22) Bibles, comprising the books of the Old or New Testament, or both;
- (23) rosaries, chaplets, medals, and similar articles of religious devotion; hymn books, prayer books, and manuals of religious devotion; books of religious reading, thought, or action; books of religious statistics; and
- (24) altars, pulpits, communion tables, baptismal fonts, and shrines; parts thereof; religious statuary and pictures; collection envelopes, plates, and baskets; stationery and record books; cassocks, banners, and articles of regalia worn on the person or carried in the hand; tapers, lights, and candles; sanctuary oil; all the foregoing when manufactured exclusively for use in houses of worship.

SEC. 603. TAX ON SALES BY REGISTERED DEALERS

(a) There shall be imposed on the sale or other disposition by a registered dealer of any article sold to or imported by him free of tax by virtue of his registration, if not sold to a licensed manufacturer, as an article for further manufacture, a tax of $2\frac{1}{4}$ per centum of the price (subject to the provisions of section 604 (a)) at which such article was sold to such registered dealer, plus, in the case of an imported article, the amount of customs duties imposed thereon under any provision of law, if not included in such price (except that in the case of an article specified in section 601 (d) the tax shall be at the rate therein provided). If the Commissioner determines that the records with respect to any article are inadequate, such article shall be held to be sold otherwise than to a licensed manufacturer as an article for further manufacture.

(b) If the Commissioner determines that it is not necessary in the interests of the revenue to trace the identity of articles of any class in the hands of registered dealers, the regulations may provide a method of determining the proper tax liability of registered dealers with respect to articles of that class without regard to the identity of the individual articles.

SEC. 604. SALE PRICE

(a) **GENERALLY.**—In determining the sale price of an article there shall be included any charge for coverings and containers of whatever nature, and any charge incident to placing the article in condition packed ready for shipment, but there shall be excluded the amount of tax imposed by this title. A transportation, delivery, insurance, installation, or other charge (not required by the foregoing sentence to be included) shall be excluded from the sale price only if the amount thereof is established to the satisfaction of the Commissioner, in accordance with the regulations.

(b) **SALES ON CONSIGNMENT.**—In the case of an article sold by a consignee, the sale price shall be the fair manufacturer's price for the article.

(c) **RETAIL SALES BY LICENSED MANUFACTURER.**—In the case of an article sold by the manufacturer or producer thereof at retail (or directly to the consumer or user), the tax shall be imposed upon the price at which so sold, except that in the case of any such article ordinarily sold at wholesale by manufacturers or producers, the tax shall be imposed upon the fair manufacturer's price for the article.

(d) **INSTALLMENT SALES.**—In the case of a contract for the sale by a licensed manufacturer of an article, wherein it is provided that the sale price shall be paid to the manufacturer by installments, and the title to the article sold does not pass to the purchaser thereof until a future date notwithstanding partial payment by installments, or in the case of a conditional sale, each partial payment shall be regarded as a sale and the tax shall be paid on the portion of the sale price represented by the installment.

(e) **LEASES AND ROYALTIES.**—If a licensed manufacturer leases an article or transfers the right of using the article but not the title thereto or imposes a royalty on the use of an article, each payment with respect to the article shall be treated as a sale and the tax shall be paid on the amount of such payment. Any such lease, transfer, or imposition of royalty on the use of any article by a registered dealer shall be treated as a sale.

(f) **MANUFACTURE UNDER CONTRACT.**—For the purposes of this title, a person who manufactures or produces an article for another person (other than a licensed manufacturer) who furnishes materials and retains title thereto, shall be regarded as the manufacturer or producer of the article, and the tax shall be imposed upon the payment, or, if there is more than one payment, the tax shall be imposed upon each payment.

(g) **USE OR TRANSFER OF ARTICLE IN SPECIAL CASES.**—If a licensed manufacturer—

(1) uses otherwise than as an article for further manufacture (including use as material in repair work) an article manufactured

or produced by him, or sold to or imported by him free of tax by virtue of his license;

(2) transfers the title to an article by gift;

(3) transfers the title to, or the right to use, an article to any person (otherwise than through an arm's-length transaction) at less than the fair market price;

such use or transfer shall be considered a sale for the purposes of this title, and the sale price shall be the fair manufacturer's price for such article, with allowance for any tax previously paid with respect to any materials used in manufacturing or producing the article.

(h) For the purposes of this section, the fair manufacturer's price for an article shall be the sale price for such articles, in the ordinary course of trade, of manufacturers or producers thereof, as determined by the Commissioner.

SEC. 605. OVERPAYMENTS, CREDITS, AND REFUNDS

(a) A credit against tax under a later return, or a refund, may be allowed or made—

(1) to a licensed manufacturer, in the amount of any tax under this title which has been paid with respect to an article for further manufacture purchased by him;

(2) to a manufacturer or producer when he becomes licensed, in the amount of any tax paid under this title with respect to articles for further manufacture on hand when the license is granted;

(3) to the exporter, in the case of an article sold for exportation or exported for sale, in the amount of any tax paid under this title with respect to the article; and

(4) to a licensed manufacturer or registered dealer who has paid tax under this title with respect to an article, when the sale price on which the tax was based is readjusted by reason of return or repossession of the article or a covering or container, or by a bona fide discount, rebate, or allowance; in the amount of that part of the tax proportionate to the part of the sale price which is refunded or credited.

(b) Credit or refund under subsection (a) shall be allowed or made only upon compliance with regulations.

(c) In no case shall interest be allowed with respect to any amount of tax under this title credited or refunded.

(d) In no case shall both credit or refund under subsection (a) and remission or drawback under the customs laws of the tax imposed by this title be allowed on account of the exportation of an article.

(e) No overpayment of tax under this title shall be credited or refunded (otherwise than under subsection (a)), in pursuance of a court decision or otherwise, unless the person who paid the tax establishes, in accordance with regulations, (1) that he has not included the tax in the price of the article with respect to which it was imposed, or collected the amount of tax from the vendee, or (2) that he has repaid the amount of the tax to the ultimate purchaser of the article, or unless he files with the Commissioner written consent of such ultimate purchaser to the allowance of the credit or refund.

SEC. 606. LICENSED MANUFACTURERS AND REGISTERED DEALERS

(a) MANUFACTURERS AND PRODUCERS.—Every manufacturer or producer (except as hereinafter provided) is hereby required to take out an annual license, in accordance with regulations, and shall pay a fee of \$2 therefor. Licenses under this section shall expire upon the expiration of one year after the date on which this title becomes effective, and annually thereafter.

(b) EXEMPTIONS.—No license shall be required (but a license may be granted upon application) in the case of a manufacturer or producer—

(1) if a farmer, with respect to his farm or garden products; or
(2) if for the preceding year the total sale price of all articles (other than exempt articles) manufactured or produced by him was less than \$20,000; or

(3) if, in the case of a manufacturer or producer not engaged in manufacture or production of articles (other than exempt articles) during the whole of the preceding year, such manufacturer or producer files with the Commissioner a statement under oath that to the best of his belief the probable total sale price of all articles (other than exempt articles) to be manufactured or produced by him during the year for which the exemption is claimed will be less than \$20,000;

but in the case of any manufacturer or producer exempted under clause (2) or (3) of this subsection, if the Commissioner determines, on the basis of sales for any period during the year for which the exemption was granted, that the probable total sale price of all articles (other than exempt articles) manufactured or produced by such manufacturer or producer during such year will not be less than \$20,000, or if the total sale price of all articles (other than exempt articles) manufactured or produced and sold by such manufacturer or producer during such year reaches \$20,000, such manufacturer or producer shall thereupon be required to be licensed.

(c) DEALERS AND IMPORTERS.—A dealer in or importer of articles for further manufacture to be sold to licensed manufacturers may be granted an annual registration by the Commissioner upon application in accordance with regulations and—

(1) payment of a fee of \$2 and giving bond with sureties approved by the Commissioner and in such form and in such amount (not less than \$2,000 nor more than \$15,000) as the Commissioner shall prescribe, as liquidated damages, conditioned that he will keep adequate books, records, and accounts in accordance with this title and regulations, will render true statements of all sales by him, taxable or nontaxable, of articles sold to him free of tax by virtue of his registration, and will pay any tax imposed by this title; or

(2) payment of a fee of \$100.

Registrations under this subsection shall expire upon the expiration of one year after the date on which this title becomes effective, and annually thereafter.

(d) REVOCATION OR CANCELLATION OF DEALER'S REGISTRATION.—If the Commissioner finds that a registered dealer has violated any provision of law applicable to the tax imposed by this title, he may

revoke his registration. If the registration of any registered dealer is revoked, he shall not be entitled to registration within a period of one year after such revocation. The registration of any registered dealer may be canceled upon application by him.

(e) **TAX ON REVOCATION, CANCELLATION, OR EXPIRATION OF REGISTRATION.**—If a registered dealer's registration is revoked or canceled under subsection (d), or if a registered dealer's registration expires and is not renewed, he shall pay the tax imposed by this title (as if on a taxable sale at the time of revocation, cancellation, or expiration) on all articles purchased or imported by him free of tax by virtue of his registration and not resold by him prior to such revocation, cancellation, or expiration.

(f) **TAX ON REGISTERED DEALER ON DATE TITLE CEASES TO BE IN EFFECT.**—Every dealer or importer registered on the day on which the tax imposed by this title ceases to be in effect, shall pay the tax imposed by this title (as if on a taxable sale on such date) on all articles purchased or imported by him free of tax by virtue of his registration and not resold by him on or before such date.

(g) **TAX ON EXPIRATION OF MANUFACTURER'S OR PRODUCER'S LICENSE.**—If a manufacturer or producer ceases to be licensed before the date on which the tax imposed by this title ceases to be in effect, he shall pay the tax which would be imposed on a sale to him, as of the date on which he ceases to be licensed, of all articles purchased or imported by him free of tax by virtue of such license and not used as articles for further manufacture in the manufacture or production of articles on the sale of which tax has been imposed under this title prior to such date.

SEC. 607. RETURNS, RECORDS, AND PAYMENT AND COLLECTION OF TAX

(a) Every licensed manufacturer or registered dealer and every person liable for any tax under this title (other than tax under section 601 (b)) shall make monthly returns under oath and pay the taxes imposed by this title to the collector for the district in which is located his principal place of business, or if he has no principal place of business in the United States, to the collector at Baltimore, Maryland. Such returns shall be made on or before the last day of each month for the preceding month, and shall contain such information and be made in such manner as the regulations prescribe.

SEC. 608. EVASION OF TAX

(a) **DIVERSION OF ARTICLES SOLD FOR EXPORTATION.**—No article the sale of which has been exempted from tax under section 601 (a) (4) (relating to sales for exportation) shall thereafter be sold for use, or used, in the United States, unless the person so selling or using it pays the tax which would have been imposed on such sale if it had not been so exempted.

(b) **TAX ON SALES TO OR IMPORTATIONS BY LICENSED MANUFACTURERS OR REGISTERED DEALERS.**—If the Commissioner finds that payment of tax under this title is being evaded or is likely to be evaded by a licensed manufacturer or registered dealer, or a class of licensed manufacturers or registered dealers, he may require that the

tax shall be imposed on the sale of any class of articles (even though articles for further manufacture or for resale to licensed manufacturers as articles for further manufacture) to, or the importation thereof by, such licensed manufacturer or registered dealer, or class of licensed manufacturers or registered dealers. Credit or refund of tax so imposed may be allowed on proof by a licensed manufacturer that such articles have been used as articles for further manufacture in the manufacture or production of articles on the sale of which tax has been paid, or by a registered dealer that such articles have been resold to licensed manufacturers as articles for further manufacture.

(c) SALE OF ARTICLE PURCHASED AS ARTICLE FOR FURTHER MANUFACTURE.—If a licensed manufacturer sells an article purchased or imported free of tax by virtue of his license he shall be liable for tax under this title in the same manner as if such article were an article manufactured or produced by him.

SEC. 609. TAX ON MANUFACTURER OR PRODUCER NOT LICENSED

Any manufacturer or producer not licensed or required to be licensed under this title, who sells an article and adds to the price any amount as tax under this title, shall be liable for tax under this title equal to such amount; and any such person who sells an article at a price represented to include tax under this title shall be liable for tax under this title on such sale.

SEC. 610. CONTRACTS FOR SALE ENTERED INTO BEFORE MARCH 1, 1932

If a manufacturer or producer required to be licensed under this title has, prior to March 1, 1932, made a contract with any other person for the sale, on or after the effective date of this title, of an article, which sale is taxable under this title, and such contract does not permit the adding, to the amount to be paid thereunder, of the whole of the tax imposed by this title, then the vendee shall be liable for so much of the tax imposed by this title as is not added to the contract price, and the vendor shall collect such amount from the vendee and account therefor to the United States, or in case of failure or refusal by the vendee to pay such amount to the vendor, the vendor shall report the facts to the Commissioner, who shall cause collection of such amount to be made from the vendee.

SEC. 611. FINAL AGREEMENTS

The Commissioner (or any officer or employee of the Bureau of Internal Revenue, including the field service, authorized in writing by the Commissioner) is authorized to enter into an agreement in writing with any person relating to the liability of such person (or of the person for whom he acts) in respect of the tax imposed by this title (including the basis or method upon which such liability shall be determined or computed) for any period (past or future) specified in such agreement. If such agreement is approved by the Secretary or the Undersecretary, within such time as may be stated in such agreement, or later agreed to, such agreement shall be final and conclusive, and, except upon a showing of fraud or malfeasance, or misrepresentation of a material fact, (1) the case shall not be reopened as to the

matter agreed upon, or the agreement modified, by any officer, employee, or agent of the United States, and (2) in any suit, action, or proceeding, such agreement or any determination, assessment, collection, payment, abatement, refund, or credit made in accordance therewith, shall not be annulled, modified, set aside, or disregarded; except that in its application to sales made after the date on which it is approved or agreed to, such agreement shall be held to be modified to the extent necessary to conform to any change in the law after such date.

SEC. 612. EFFECT OF CHANGES IN ADMINISTRATIVE DECISIONS

No amendment or revocation of any regulation, ruling, or decision of the Commissioner or Secretary (or any official authorized in writing by either of them to make rulings or decisions which shall be subject to this section), in force at the time of the sale of an article, shall have the effect of increasing the liability of any person with respect to such sale beyond his liability determined in accordance with such regulation, ruling, or decision in force at the time of such sale.

SEC. 613. APPLICABILITY OF ADMINISTRATIVE PROVISIONS

(a) All provisions of law (except criminal penalties) applicable in respect of the taxes imposed by section 600 of the Revenue Act of 1926, shall, insofar as applicable and not inconsistent with this Act, be applicable in respect of the tax imposed by this title.

(b) The tax shall, without assessment by the Commissioner or notice from the collector, be due and payable to the collector at the time for filing the return. If the tax is not paid when due, there shall be added as part of the tax interest at the rate of 1 per centum a month from the time when the tax became due until paid.

(c) Every licensed manufacturer and registered dealer, and every person liable for any tax imposed by this title, shall keep such records, render under oath such statements, and comply with such regulations, as the Commissioner with the approval of the Secretary may from time to time prescribe. Whenever in the judgment of the Commissioner it is necessary, he may require any person, by notice served upon him, to make a return, render under oath such statements, or keep such records, as the Commissioner deems sufficient to show whether or not such person is liable for tax under this title, and the amount of any such liability. All records required under authority of this section with respect to any sale shall be kept in such manner as to be readily accessible to the Commissioner or his agents for a period of four years from the date the tax with respect to such sale became due, unless the Commissioner authorizes the destruction of such records at an earlier date, or unless an agreement under section 611 determining the amount of liability under this title with respect to such sale is approved by the Secretary or Under Secretary.

(d) In case any person other than a licensed manufacturer or registered dealer acquires from or against a licensed manufacturer or registered dealer, by operation of law or as a result of any transaction not taxable under this title, the right to sell any article, the sale of such article by such person shall be taxable as if made by such licensed manufacturer or registered dealer, and such person shall be liable for the tax.

(c) If the Commissioner finds that a person liable for tax under this title designs quickly to depart from the United States or to remove his property therefrom, or to conceal himself or his property therein, or to do any other act tending to prejudice or to render wholly or partly ineffectual proceedings to collect taxes accrued under this title unless such proceedings be brought without delay, the Commissioner shall cause notice of such finding to be given such person, together with a demand for an immediate return and immediate payment of such taxes, and such taxes shall thereupon become immediately due and payable. The provisions of section 146 (b) and (c) of Title I (relating to security for payment and exemption of taxpayer) shall be applicable with respect to this subsection.

SEC. 614. PENALTIES

Any person willfully violating any provision of this title or any provision of law, in respect of the tax imposed by this title, shall (in lieu of any other criminal penalty provided for therein) be fined an amount equal to one-half the amount of tax evaded or not paid or collected and accounted for (or if such amount cannot be determined to the satisfaction of the court, or if no tax was evaded or not paid or collected and accounted for, then not more than \$1,000), or imprisoned not more than six months, or both, together with the cost of prosecution.

SEC. 615. EXCLUSION OF TAX FROM GROSS INCOME

If a licensed manufacturer or registered dealer includes in his gross income for income tax purposes, any portion of his gross receipts paid to the United States as tax under this title, he shall be allowed such amount as a deduction from gross income for income tax purposes; but no deduction in respect of such tax shall be otherwise allowed under section 23 (c) or (d) of Title I (Income Tax).

SEC. 616. REGULATIONS

The Commissioner, with the approval of the Secretary, shall prescribe and publish such regulations as he may deem necessary for the enforcement of this title.

SEC. 617. DEFINITIONS

When used in this title—

(a) The term "article" includes commodities of every description, including gases and electricity, and also including any commodity used for producing power, heat, or light; but does not include real property.

(b) The term "licensed manufacturer" means a manufacturer or producer licensed or required to be licensed under this title.

(c) The term "registered dealer" means a dealer or importer registered under this title.

(d) The term "manufacturer" includes a printer, publisher, lithographer, engraver, photographer, and producer of motion-picture films.

(e) The term "manufacture or produce" includes fabricate, cure, tan, dress, dye, bleach, blend, can, mix, spin, weave, refine, and process or manipulate in any manner, but does not include repair, nor the

cleaning or ginning of cotton nor the cleaning and threshing of grain, nor the preparation of food or beverages for consumption on the premises where prepared.

(f) The term "article for further manufacture" means only an article (1) which is to be used in, wrought into, attached to, or used as a covering or container for, an article to be manufactured or produced for sale which will be subject to tax under this title, or (2) which is consumed in the process of manufacturing or producing such an article; but does not include plant equipment, machinery, and tools.

(g) The term "United States" when used in a geographical sense includes only the States, the Territories of Alaska and Hawaii, and the District of Columbia.

(h) The terms "imported" and "importation" mean, respectively, brought and bringing into the United States from any port or place outside thereof.

(i) The terms "exported" and "exportation" mean, respectively, shipped and shipment to any place outside of the United States or laden and lading as bunker coal, other fuel supplies, ships' stores, sea stores, or legitimate equipment on vessels of war of any foreign nation, vessels employed in the fisheries or in the whaling business, or actually engaged in foreign trade or trade between the Atlantic and Pacific ports of the United States or between the United States and any of its possessions.

(j) The term "farm products" means agricultural (other than forestry) products in the broadest sense, not processed (otherwise than by cleaning and ginning or cleaning and threshing) by any person other than the original producer thereof, or an association of such producers, organized and operated on a cooperative basis.

(k) The term "farmer" means a producer of farm or garden products.

(l) The term "exempt article" means an article the sale or importation of which is exempt from tax under section 602.

(m) The term "regulations" means regulations prescribed under this title by the Commissioner and approved by the Secretary.

SEC. 618. PERSONNEL

The Secretary is authorized to appoint, in the office of the Assistant Secretary in Charge of Fiscal Offices, two officers at salaries of \$9,000 per annum, and in the Bureau of Internal Revenue, one Deputy Commissioner at a salary of \$9,000 per annum, and, subject to the Classification Act of 1923, as amended, such other officers and employees as are necessary to administer the provisions of this title.

SEC. 619. EFFECTIVE DATE—DATE OF EXPIRATION

This title shall take effect on the thirtieth day after the date of the enactment of this Act, except that sections 606, 611, 616, and 618 shall take effect on the date of the enactment of this Act. No sale or importation after June 30, 1934, shall be taxable under this title.

B. PROPOSED MANUFACTURERS' EXCISE TAX, WAYS AND MEANS COMMITTEE REPORT, 1932

General statement

MANUFACTURERS' EXCISE TAX

After the increases in the income and estate taxes were tentatively agreed to by your committee, it was faced with the necessity of raising an additional \$1,073,000,000. Exhaustive hearings were held, and it is believed that every conceivable source of revenue was investigated and considered. A great many special taxes at comparatively high rates upon selected industries, such as the automobile industry, the power industry, etc., were considered. In each case the representatives of the industry appeared before the committee and made convincing arguments showing the unjust discriminations which would result from such taxes. After careful consideration your committee concluded to abandon this source of revenue and look elsewhere.

Your committee recommends that as a temporary measure to last only during the period of the present emergency, a manufacturers' excise tax at a rate of 2¼ percent be levied upon all manufactured articles with a few specified exemptions, including an exemption of farmers and of staple food products, and an exemption of small manufacturers. Such a tax will produce, it is estimated, \$595,000,000 of revenue for the fiscal year 1933, and it is believed that this tax is an essential part of any program to balance the Budget for that year. The detailed provisions of this manufacturers' excise tax are fully discussed and the exemptions set forth in the portion of the report under the heading "Title IV", and will not be further discussed here. There are a few major considerations in connection with this tax, however, which should be considered.

It has been argued that a general manufacturers' excise tax is unfair in that it imposes a burden upon the purchaser of necessities. Those who so argue propose in place of such a tax a tax on specified luxuries or a selective tax on certain industries. A tax on luxuries, however sound in principle, will not meet the present need for revenue. No matter how high a rate were levied on such luxuries (assuming it were possible to agree as to what constitutes a luxury), it not only would not produce the required revenue but would produce only a small fraction of it. As to a tax on certain selected industries, it has been pointed out above that such a tax involved unfair discrimination.

Further it is argued by the opponents of a manufacturers' excise tax that it imposes a burden on the poor man and violates the principle of taxation in accordance with the ability to pay. There are two answers to this argument: First, a tax on a manufacturer at a 2½ percent rate will be so small on a poor man, even assuming (which is not the case in many instances) that the entire tax is passed on to

the consumer by the manufacturer, as to be negligible. Assume the case of a family which spends \$2,000 a year. Probably one-half of this amount would be spent on foodstuffs exempt under the proposed tax. The remaining one-half would probably be spent for articles on which the manufacturers had paid a tax. However, this does not mean that the individual would pay $2\frac{1}{4}$ percent or \$22.50 tax on his \$1,000 of purchases, for the tax is levied on the manufacturers' sale price and not on the jobbers' or retailers' price. The manufacturers' sale price on many of the common commodities is not over 70 percent of the retail sales price, thus the tax burden on the individual would only be \$15.75 for the year even if the tax were all passed on. If the tax were one-half absorbed by the manufacturer, the consumer would only pay \$7.88. Surely this is no intolerable burden for him to bear in support of his country in these times of great stress.

It should also be pointed out that the more one spends the greater his tax under this manufacturers' excise tax. The poor man with small living expenses will pay much less than the wealthy man who lives in great luxury. And, in addition, there will be no avenue of avoidance for the wealthy of this tax such as tax-exempt securities afford for the avoidance of the income tax.

Furthermore, in the opinion of your committee, this manufacturers' excise tax will not be universally passed on to the consumer, but in many instances will be absorbed by the manufacturer. It is impossible, of course, to anticipate with accuracy the extent to which such tax will be passed on and the extent to which it will be absorbed, but it is believed that in many instances the competitive condition within the industry will result in the absorption of the tax by the manufacturer, and thus no burden will be imposed on the ultimate consumer.

In considering this manufacturers' excise tax your committee has made a careful study of the effects and operation of a similar tax in Canada and other countries and has found that it has been most effective as a revenue producer and has occasioned little if any protest or opposition. A similar tax, at much higher rates, has recently been inaugurated in Australia with a favorable reception and with excellent results.

Your committee submits that there is no other source of revenue which will yield the amount imperatively required with as little protest, as little annoyance, and as little disturbance to business as a manufacturers' excise tax.

* * * * *

Detailed report

TITLE IV. MANUFACTURERS' EXCISE TAX

The reasons which make necessary and advisable the imposition of a general excise tax on manufacturers have been discussed in the introductory statement.

Briefly, a general manufacturers' tax, in the opinion of your committee, must meet six fundamental tests:

(1) The rate must be low, so that undue burdens will not be imposed.

(2) Certainty, both as to liability and amount, must be attainable in advance of the sale.

(3) Pyramiding must be prevented.

(4) The tax must be imposed uniformly and without discrimination.

(5) The law must present the least possible number of difficult administrative problems (such as the questions of classification arising in connection with exemptions).

(6) Adequate authority must be granted to assure a sound, smoothly functioning, and flexible administration.

Your committee believes that the manufacturer's excise tax it has adopted (title IV of the bill) adequately complies with each of the above tests; that the tax will be an effective revenue producer; and that it can be satisfactorily administered at a reasonably low comparative cost.

Although each section of the title will be discussed in detail, it is believed that, even at the risk of duplication, a general discussion of the more essential features will prove of value.

THE RATE

Your committee recommends a rate of $2\frac{1}{4}$ percent. This rate is imposed (generally) upon the price at which the manufacturer or producer sells the commodity. Only through firm insistence upon the application of the tax to all commodities, with substantially no exemptions, was the committee enabled to recommend this rate. Every effort was made to adopt a rate of 2 percent. This, however, proved impossible.

Your committee must point out that any extension of the exemptions necessarily narrows the tax base, reduces the yield of the tax, and necessitates a correspondingly higher rate. It is believed that the proposed rate is as high as the circumstances in the United States will justify. Taxpayers seeking exemptions from the application of the tax should bear in mind that the granting of further exemptions means a shifting of the burden to other commodities—and in the last analysis the burden upon the ultimate consumer will not be lessened.

CERTAINTY AS TO TAX LIABILITY

It is essential that the persons who will be called upon to make returns and pay the tax to the Government must know, in advance of the sale, whether the sale is taxable and the amount of the tax liability. Having ascertained the taxability of the sale and the basis upon which the amount of tax is to be computed, they must be able to rely upon the determination. Retroactive imposition of the tax, or change in the method by which the tax is computed, necessarily results in hardship and dissatisfaction, which in turn will bring about the breakdown of the tax.

The bill assures the essential certainty by authorizing advance decisions, by preventing the retroactive application of changes in rulings and regulations, and by authorizing final closing agreements.

ELIMINATION OF PYRAMIDING

The imposition of several taxes with respect to any article, commonly referred to as pyramiding, is effectively eliminated under the bill by a system of licensing. All manufacturers and producers (other

than those whose gross receipts are less than \$20,000) must be licensed. The bill then permits the sale of articles tax free from one licensee to another. Thus, the product of one manufacturer which is to be used as a material by a second manufacturer, passes through all stages of manufacture without the imposition of a tax. In this manner the tax is imposed but once—upon the final sale as a finished product entering the channels of consumption.

In order that partly manufactured goods may pass, in the ordinary channels of trade, through wholesalers, dealers, or importers, the licensing system is applied also to persons of this class—referred to in the bill as “registered dealers.” The limitation of the privilege of tax-free purchases by dealers to those articles which they are to resell to licensed manufacturers for further manufacture is one of the important features of the bill. If, as in Canada, all wholesalers are allowed to be licensed and to make all their purchases tax-free, the administrative burden of issuing licenses and supervising licenses will be tremendous, and collection of the revenue will be greatly deferred, since few wholesalers will forego the privilege of postponing tax payment until they resell. Furthermore, the temporary nature of the tax will give rise to serious difficulties particularly in the proper collection of the tax after the termination of the law. The proposed plan will eliminate these undesirable aspects and confine the privilege and benefits of registration within the limits required to prevent disturbance of normal dealings in commodities which are supplied to manufacturers through dealers.

UNIFORM APPLICATION OF TAX

It is of utmost importance that the tax be imposed and administered uniformly and without discrimination. Each member of a competitive group must pay upon substantially the same basis as all his competitors, even though his sales methods may differ. Consequently, the bill requires that every effort be made to ascertain the manufacturers’ or producers’ price at the place of manufacture or production. In the case of those commodities which are ordinarily sold at wholesale, this price will be the price at which the manufacturer sells to the wholesaler, even though the particular sale is at retail. This price may be established with respect to any particular sale or class of sales, for example, by existing wholesale prices, or by a system of discounts from retail prices, or by a building up from cost of production, whichever method may be the most practical. On the other hand, many commodities are not sold at “wholesale”—such as articles sold on specification or on special order. In cases of this kind, the tax is imposed upon the price at which the article actually is sold by the manufacturer.

It is expected that the officials in charge of the administration of the tax will confer with representatives of each particular industry and with groups of taxpayers confronted with similar problems, and reach an agreement with them as to the methods by which the amount of their tax liability is computed. A principle agreed on in this manner should be applied uniformly to each member of the industry or group, whether or not he participated in the conference. Severe and justified criticism may be expected whenever one manufacturer is permitted to pay a lesser tax than his competitor.

Here, again, the matter of exemptions presents itself. Whenever an exemption is granted with respect to any particular article, the competing article must also be granted an exemption. Thus, the list of exemptions expands. And notwithstanding, unfairness and discrimination will appear, by reason of changes in competitive conditions, or by reason of our failure to consider or appreciate fully existing competitive conditions.

AVOIDANCE OF ADMINISTRATIVE DIFFICULTIES

A general sales tax may, unless every precaution is taken, involve so many administrative problems almost impossible of solution that it will fall of its own weight. Your committee has made every effort to avoid the imposition of administrative problems of this kind. It believes, however, that a word of caution is justified, in order that problems of this nature may be avoided during the enactment of the bill.

Again, the matter of exemptions is a typical illustration. If additional exemptions are made, an agency similar to the Customs Court will be required to determine upon the proper classification of articles. Obviously, the decisions will require time. The imposition, retroactively, of tax liabilities will follow. Businesses will be ruined. And the tax will become unbearable.

ADEQUATE ADMINISTRATIVE AUTHORITY

Innumerable situations arise which can be met only by administrative determination. This determination must be made upon a sound and fair basis. Taxpayers must have confidence in the administrative officials. The administrative officials must cooperate with the taxpayers. Hesitancy or refusal to assume responsibility will be fatal. Decisions must be made without delay. Increases in tax liability with respect to sales already made must be avoided. Promptness, certainty, and finality must be attained.

Your committee is confident that the bill gives adequate power to assure these results.

SCOPE OF TAX

In order to spread the incidence of the tax over the broadest possible field, the "articles" on the sale or importation of which the tax is imposed are defined in section 617 to include commodities of every description, that is, everything movable that is bought and sold—goods, wares, and merchandise of all kinds. It is not limited to the ordinary concept of "article" but includes such intangible substances as natural or artificial illuminating gas and gases (such as helium) used for other purposes. Even air in a processed and salable form, such as compressed air in tanks, will be taxable. The definition also covers electricity and any other kind of power in a form in which it is susceptible of sale. Services, such as telephone and telegraph, are not proper subjects of a manufacturers' tax and are not included in this tax, but those mentioned are taxed under Title V. Since buildings are not within the concept of manufactured articles, real property is excluded. This means that tax will be collected upon

materials and fixtures going into the building or used in building operations, and not upon the value of the completed building. Boats, ships, and aircraft are within the definition. Articles produced for the use of the manufacturer or producer are included.

SECTION 601. IMPOSITION OF TAX

This section provides for the imposition of the tax upon the sale of every article sold in the United States by the manufacturer or producer thereof, except manufacturers or producers exempt from licensing under section 606, with the exceptions necessary to prevent pyramiding and those required by the Constitution. The first class of exceptions provides for tax-free transfers between licensed manufacturers of articles for further manufacture. These transfers may be direct, or through an unlicensed or unregistered person if delivery is direct from the first manufacturer to the other. This last provision will relieve some dealers in articles for further manufacture from the necessity of being registered, and will therefore simplify administration of the law. Licensed manufacturers are allowed to sell to registered dealers, free of tax, articles to be resold to licensed manufacturers for further manufacture. Sales for exportation and sales made directly by manufacturers to States and political subdivisions thereof, and agencies thereof, for governmental purposes, are exempt for constitutional reasons, but sales to the United States, the Territories, and the District of Columbia will be taxable.

Subsection (b) provides for the imposition of tax at the same rate on the duty-paid value of imported articles, with the exemptions necessary to prevent pyramiding, and the constitutional exemption in favor of the States. Customs duties (but not internal-revenue taxes collected on importation) are added to the dutiable value in order to give a basis for the tax corresponding to the domestic manufacturer's sale price. Provision is made for the collection of the tax in the same manner as a customs duty. This is believed to be the most certain and the simplest way to collect the tax on imports, since all imported articles are handled by the Customs Service for customs purposes. For the Internal Revenue Service to collect the tax either at the time of importation or after the articles enter the commerce of the country would occasion confusion and duplication of effort. This plan also makes applicable the regulations governing mail importations, the procedure governing the handling of passengers' baggage, the \$100 exemption of returning residents, the warehousing and transportation-in-bond privileges, the right to review by the customs courts of questions of law and valuation, and the usual entry procedure. The burden on the Customs Service will be lessened by the exemption from the tax of articles for further manufacture imported by licensed manufacturers and registered dealers, since a large proportion of imports, and especially of the duty-free goods, are in this class.

Provision is made that the heavy additional duties imposed under section 489 of the Tariff Act of 1930 in certain cases of undervaluation shall not apply by reason of the imposition of this tax to an article otherwise free of duty or subject only to a specific duty; that articles in warehouse on the effective date of the tax shall not be subjected to the tax; that drawback of the tax (except of the tax on imported oil)

shall not be allowed on the exportation of articles manufactured or produced from imported articles, since the bill provides for credit or refund in such cases; and that treaties such as the Cuban reciprocity treaty, and provisions of law exempting products of the various insular possessions from duty, shall not be applicable with respect to the tax.

Certain commodities taxable under the bill, such as electricity, which enter the United States from foreign countries, are not susceptible of customs treatment. Authority is given the Secretary to provide for the collection of the tax in such cases in the same manner as in the case of domestic commodities.

As a necessary supplement to the yield of the general tax, subsection (d) provides special higher rates on a limited number of articles. The grades of lubricating oil taxed at the rate of 4 cents a gallon are those suitable for use in internal-combustion engines.

In the case of imported petroleum and products thereof, a special tax of 1 cent a gallon is imposed. This tax is to be collected even though the merchandise is imported for further manufacture, the product of which will be taxable, but under subsection (c) drawback will be allowed on the exportation of products refined or manufactured from such imported merchandise.

The special rates under this subsection, it is estimated, will yield \$80,000,000 during the fiscal year 1933.

Subsection (c) provides that exemption of sales from tax shall be granted licensed manufacturers and registered dealers only when they comply with the regulations. This permits a flexible system of rules governing procedure and proof of right to exemption which will safeguard the revenue, with a minimum of trouble and expense to licensed manufacturers and registered dealers.

SECTION 602. EXEMPT ARTICLES

This section grants exemption from the tax to a limited number of commodities. For administrative reasons it is not desirable to require the licensing of farmers, with respect to their farm or garden products. "Farm products" is given a broad definition in section 617, to include all plant and animal products useful to man except forestry products, but not such products when they have been processed by any person other than the original producer or a cooperative association of such producers. An exception is made in the case of the cleaning and ginning of cotton or the cleaning and threshing of grain, in order to remove every possibility that buyers, if subjected to the tax, might attempt to force the tax upon the growers. Livestock and products thereof, as well as plant products, are covered by the definition. The loss of revenue by reason of the exemption of farm and garden products will be largely offset by the tax which will later be collected on articles manufactured therefrom. Exemption is also granted in the case of fertilizers and seeds and feeds for livestock and poultry. For administrative reasons, these exemptions are made dependent on the character of the commodity rather than ultimate use.

Your committee believe that sound policy requires the exemption of the essential foodstuffs. Accordingly, meat, fish (including shellfish), and poultry will not be taxed if fresh, dried, frozen, chilled, salted, or in brine. Cooked, cured, smoked, or canned meats, fish, and poultry will not be exempt, but cleaning, dressing, slicing, grind-

ing, etc., will not deprive these articles of the exemption so long as they remain within the description of the paragraph. Bacon, hams, pig shoulders, and pig jowls are specifically exempted, although smoked or cured. The other food exemptions are butter, oleomargarine, and other butter substitutes; cheese; milk and cream in any form (including fresh, pasteurized, dried, powdered, or condensed, but not products of milk, such as ice cream and malted milk); eggs in the shell; bread (which term does not include biscuits, wafers, and crackers); flour and meal made of grain (including only true flours and meals, not such things as oatmeal), and semolina; and sugar, salt, tea, and coffee. These exemptions of foodstuffs are similar in scope to those provided for by the Australian law.

Products already taxed under the internal revenue laws are exempted from this tax, but nonexempt materials used in their production will be taxed. Water sold by public-service companies or otherwise (but not bottled water) is free of tax. Newspapers, magazines, and other periodicals would present difficult administrative problems, and have been exempted with the expectation that the tax on the paper, ink, and other materials used in their manufacture will yield as much revenue as would a tax based on wholesale prices for the completed publications, if not more. Books for the blind, educational textbooks, and Bibles are exempted. Exemption is also granted to certain articles for religious and devotional purposes and for use in churches. To avoid the administrative difficulties inherent in classifications dependent on ultimate use, the exemption in favor of articles for churches is restricted to those manufactured exclusively for such use, and articles suitable for other uses, although they may be used in churches, or are sold for such use, will not be exempt.

SECTION 603. TAX ON REGISTERED DEALERS

Articles purchased or imported by registered dealers, free of tax, as articles for further manufacture to be resold to licensed manufacturers, may be diverted to other channels, either with intent to evade the tax or by reason of unforeseen business contingencies. In such cases the bill provides that the registered dealer shall pay the tax which would have been imposed on his purchase or importation if he had not received the exemption. Since registration is a privilege extended to dealers, this section very properly places the burden upon registered dealers to satisfy the commissioner as to the disposition of articles purchased free of tax, and provides that if a registered dealer fails to sustain the burden, he shall pay the tax on the articles concerned.

Subsection (b) authorizes the commissioner to provide in certain cases a more elastic system which will permit registered dealers to establish their proper liability without tracing individual articles. An inventory system, for example, might be prescribed, under which a registered dealer's liability will be discharged when he has sold to a licensed manufacturer a quantity of like articles equal to the quantity purchased tax free.

SECTION 604. SALE PRICE

Section 604 provides rules for determining the sale price which is the basis of the tax. In general, this should be the manufacturer's or producer's price at the factory or place of production. This means

that charges for coverings and containers and charges incident to preparing the article for shipment or delivery should be included, while transportation, delivery, insurance, and like charges should be excluded. To avoid administrative difficulties, however, the bill provides that these charges may be excluded only if the invoices or other records of the seller establish the amount to the satisfaction of the commissioner. The amount of tax under this title is to be excluded.

It is not intended to require the tax to be separately charged. If no separate charge is made, the tax is to be presumed to be included. For example, the invoice may specify the charge for the merchandise as \$100, plus \$2.25 for the manufacturers' tax, or it may simply state the charge as \$102.25 for the merchandise, and in either case the manufacturers' tax will be \$2.25. This has been found in Canada to be the most workable plan and the fairest to industry in general.

Provision is made in various cases that the tax shall be on the "fair manufacturers' price," which under subsection (h) is the price for which manufacturers or producers of like articles would ordinarily sell the article—in short, the normal factory price—as determined by the commissioner.

Under subsections (b) and (c) the fair manufacturer's price will be the basis in the case of sales on consignment, where the amount charged by the consignee does not represent factory price, and retail sales by licensed manufacturers, where an adjustment to obtain the normal factory price is obviously necessary. This adjustment has been left to the commissioner for the reason that the manufacturer may have no sales at wholesale, or his wholesale sales may be made at various prices or at an unfair price, although in most cases there will be a bona fide wholesale price which can be accepted. In the case of any article made to order or on specification, of a character which is not usually sold at wholesale, no adjustment of the actual sale price is allowed.

In the administration of the provision with respect to retail sales, it is expected that the commissioner will be able to make agreements on the same basis with all manufacturers in a given industry, as to the method of arriving at the basis for the tax. This will eliminate the discrimination in the operation of the tax between competitive manufacturers which would inevitably result if the statute compelled the use of the actual retail price, or if it provided an inflexible rule for determining the fair manufacturer's price.

One of the most difficult problems in the administration of the act may be encountered in its application to gas and electricity. Each is produced and sold upon bases peculiar to the industry. Prices are dependent upon place, use, quantity, and time. Distribution costs normally absorb a much greater percentage of gross income than cost of production, and naturally are subject to infinite variables. If competition is to be unaffected and if unequal burdens are not to be imposed upon communities or classes, the tax must be measured by and computed upon a reasonably constant and nondiscriminatory base. The provisions of the bill in this respect are adequate. The tax will be imposed upon the producers' price at the place of production or generation. In many cases this price can be fairly arrived at from actual sales. In other cases (for example, where electricity is generated and sold only for domestic use), it will be necessary to con-

struct the price basis, probably by a method of discounting from the actual prices at which sold, by adopting prices of other producers, by reference to rate schedules, or by building up from cost of production. In each case, however, the tax should be imposed upon the producers' price—that is, cost of production plus a reasonable (and uniform) return upon the value of the properties devoted to production.

Under subsection (g) the fair manufacturer's price is used as the basis in certain special cases. First, a manufacturer may use in his own business, otherwise than as an article for further manufacture, articles manufactured or produced by him or purchased tax free, and should be taxed on such use. For example, a manufacturer may make his own machinery and equipment, or a railroad may generate its electric power in its own plant, or a manufacturer may paint his buildings with paint purchased tax-free for use on his product. Second, gifts and free distributions are covered. Third, provision is made for transactions in which, by reason of the relationship of the parties, the price charged does not represent a fair value arrived at by an arm's-length sale. For example, a manufacturer may transfer his product to a selling agency controlled by him, at a bookkeeping price below market value. Or a manufacturing corporation may sell plant equipment to an affiliated concern at an arbitrary price. It is essential that in such cases the tax be imposed on the same value as in the case of similar sales between independent parties.

The section also provides for an equitable method of imposing the tax on each payment in cases of installment and conditional sales, leases and royalties, and manufacture under contract.

SECTION 605. OVERPAYMENTS, CREDITS, AND REFUNDS

In order to minimize claims for refund, and as a matter of fairness to the taxpayers, this section provides that a taxpayer entitled to a refund may take credit of the amount against a later return.

Under subsection (a) refund or credit may be allowed in cases where articles bought by a licensed manufacturer for further manufacture have passed through the hands of a person not licensed or registered and tax has been paid; when a manufacturer or producer who becomes licensed, and will thereafter be taxable on his product, has on hand tax-paid materials; when tax has been paid with respect to articles exported; and when the sale price has been readjusted after the sale. This last provision covers readjustments such as cash or quantity discounts, credit for return of goods or containers, and any other bona fide rebate or allowance amounting to a change in the sale price. No provision is made with respect to bad debts, which do not in fact constitute a rescission of the sale or readjustment of the price, and should be covered by the manufacturer himself, either by a reserve for bad debts or otherwise.

Subsection (b) requires, as a condition precedent to credit or refund, compliance with such regulations as to proof and procedure as may be prescribed.

Subsection (c) prohibits interest on credits and refunds, whether allowed or made administratively or pursuant to a judgment of a court. This is desirable to discourage delay in claiming credit or refund and to discourage litigation. Your committee sees no reason why the Government should pay 6-percent interest on amounts taxpayers have erroneously paid in.

Subsection (d) prohibits double allowance in those cases (for example, exportation of imported merchandise not conforming to sample or specification and exportation of imported merchandise from bonded warehouse) in which the customs laws allow drawback or remission. This provision will allow taxpayers to elect the most convenient procedure.

Subsection (e) is an important and just provision which will encourage agreements by taxpayers and discourage litigation. In many cases the tax will be passed on to consumers. No manufacturer or dealer should be permitted to recover an overpayment which in fact has been borne by the purchasers. Provision is therefore made against credit or refund of overpayments unless the taxpayer can show that he has not passed on the tax or that he has reimbursed the ultimate purchaser or obtained his consent.

SECTION 606. LICENSED MANUFACTURERS AND REGISTERED DEALERS

Section 606 provides for the licensing of manufacturers and producers and the registration of dealers and importers.

Farmers are exempted from licensing. Small manufacturers and producers, with gross sales of less than \$20,000, are exempted to lessen the great administrative burden which would be occasioned by licensing them. While these exempt manufacturers and producers will not pay tax on the value of their finished product, tax will be imposed on the taxable materials sold to them by licensed manufacturers for use in the product.

The most practicable yardstick for this exemption is sales for the preceding year, and a manufacturer whose sales for any year are more than \$20,000 will be required to be licensed for all the next year regardless of any decrease in his business. Provision is made for cases in which a new business is commenced or in which there is an increase in the volume of business of a manufacturer who has been exempted.

The registration of dealers (including importers) is restricted to those supplying articles for further manufacture to licensed manufacturers. It is believed that a fee of \$100 is justified for this registration, in view of the additional administrative work occasioned by registration of dealers, but an option is given them of paying a fee of \$2 and posting a bond sufficient to safeguard the revenue. In the case of a dealer doing a business of any considerable size, it will probably be less expensive and more convenient for him to pay the \$100 fee than to post the bond, and it is believed that the fees in the aggregate will afford the Government at least as much protection against loss. It should also be pointed out that the registered dealer will save interest on the tax he would otherwise have to pay on his purchases and which would not be refundable until his resale, and this interest will in many cases amount to much more than the fee. The difference in the fees for manufacturers and for wholesalers is justified by the fact that registration is optional for wholesalers and an advantage to them, while the licensing of manufacturers subject to the tax is compulsory.

Provision is made for cancellation and revocation of dealers' registrations, and for collection from registered dealers on expiration, cancellation, or revocation of registrations, and on the expiration date of

the tax, of tax which would have been payable on articles which they have purchased under their exemption and have not resold. This is necessary because after a dealer ceases to be registered he is not subject to supervision and tax, and might escape tax properly due on articles purchased by him free of tax.

Provision is also made that when a manufacturer or producer becomes exempt from licensing, so that his sales will no longer be taxable, he shall pay the tax on all articles for further manufacture purchased under his exemption which have not gone into the manufacture of articles on the sale of which he has paid tax. The converse of this, when an unlicensed manufacturer becomes licensed, is covered in the provisions for credit and refund.

SECTION 607. RETURNS, RECORDS, AND PAYMENT AND COLLECTION OF TAX

Section 607 makes provision for returns, records, and payment and collection of the tax. All records are required to be preserved for the period during which the tax may be assessed, unless destruction is authorized by the commissioner or liability is finally settled.

Subsection (d) makes provision for tax on sales by transferees by operation of law, such as assignees in bankruptcy, and persons who acquire articles through other nontaxable transactions, who would otherwise be able to sell, free of tax, articles the sale of which by the manufacturer would have been taxable.

Subsection (e) provides for early assessment when delay might jeopardize collection of tax.

SECTION 608. EVASION OF TAX

Subsection (a) of section 608 makes liable for tax any person diverting to domestic use or sale any article sold free of tax for exportation.

Subsection (b) gives the commissioner authority to safeguard the revenue by providing for collection of the tax on sales to licensed manufacturers or registered dealers of articles for further manufacture, and crediting or refunding such tax only when it is shown that such articles have been properly used or resold to a licensed manufacturer for further manufacture. This provision will be especially useful in its application to cases in which manufacturers use the same article sometimes in further manufacture and sometimes otherwise—for example, paint which might be used on the product or might be used on the manufacturer's buildings or resold by him.

Subsection (c) imposes the tax when licensed manufacturers resell articles which they have purchased free of tax under a representation that they are articles for further manufacture.

SECTION 609. TAX ON MANUFACTURER OR PRODUCER NOT LICENSED

It may happen that a manufacturer or producer exempt from licensing and therefore not taxable on his sales will take advantage of the passage of the law to add to his selling price an amount which he represents to be a tax imposed by this title upon his sale. This section will make any such manufacturer or producer liable to tax on such sales.

SECTION 610. CONTRACTS FOR SALE ENTERED INTO BEFORE MARCH 1, 1932

A manufacturer or producer who made a contract before the date (March 1 has been specified) on which he should reasonably have foreseen this tax and protected himself against it, should not be forced to bear the tax himself when the contract does not allow the price of the articles sold to be increased. This section provides that in such cases the purchaser shall be liable for the tax, which will ordinarily be collected from him and paid over to the Government by the seller.

SECTION 611. FINAL AGREEMENTS

Certainty in the application of this tax is essential, since manufacturers must know, when they sell, the amount they must include in the price to cover the tax. It is believed that questions as to tax liability, particularly such points as the percentage of adjustment of a retail price to arrive at fair manufacturer's price, can be agreed upon in advance by the Government and the manufacturer, so that the manufacturer will not face the alternative of risking a loss or overcharging his customers, and so that litigation may be avoided. Provision is made for finality of such agreements. This provision is vital to the administration of a tax such as this, which can only operate justly when uncertainty is eliminated before the manufacturer sells.

SECTION 612. EFFECT OF CHANGES IN ADMINISTRATIVE DECISIONS

For the same reasons given with respect to the preceding section, this section enables manufacturers to rely on administrative regulations, rulings, and decisions by providing that reversals of such regulations, rulings, and decisions shall not have retroactive effect.

SECTIONS 613 AND 614. APPLICABILITY OF ADMINISTRATIVE PROVISIONS—PENALTIES

The necessary administrative provisions of law are made applicable by section 613. Since this tax is collected monthly and the rate is low, so that large amounts will not be involved, section 614 provides that in the case of violations with respect to this tax there shall be imposed, in lieu of the severe criminal penalties specified in some of the general provisions, a more reasonable penalty proportionate to the amount of tax involved.

SECTION 615. EXCLUSION FROM GROSS INCOME

When a manufacturer sells at a tax-included price, his gross receipts will not reflect his true gross income, and this section allows him in such cases to deduct the amount included in gross income which represents the tax. To preclude any possibility that purchasers might claim a deduction on the ground they have actually borne the tax, deduction on account of the tax is prohibited except as above specifically provided for.

SECTION 616. REGULATIONS

This section is designed to give the commissioner (with the approval of the Secretary) broad authority to prescribe the regulations which he finds necessary in the administration of the act.

SECTION 617. DEFINITIONS

The definition of "article" has been explained in the introductory statement under the heading "Scope of the tax."

Subsection (d) enumerates certain persons who shall be considered manufacturers. These are not, however, the most doubtful cases which can arise, and it is not intended to indicate that any other person is not included.

Subsection (e) is intended to give the broadest possible scope to the term "manufacture or produce," so that no one processing or manipulating an article, no matter how slightly, will escape classification as a manufacturer or producer. Exemption of the cleaning and ginning of cotton and the cleaning and threshing of grain is provided for to avoid unfair operation of the tax with respect to original producers of cotton and grain, who might be forced by purchasers to bear the burden of the tax if the purchasers had to pay it by reason of such manipulation. The preparation of food in hotels, restaurants, etc., and of drinks at soda fountains, drug stores, etc., is not properly within the scope of a manufacturers' tax, and such processing is excepted. All persons so exempted from treatment as manufacturers or producers will, of course, bear the tax in the price of materials they purchase. The provision will not exempt the preparation or manufacture of food and beverages otherwise than for immediate service. Repairing, laundering, refrigerating, repacking, sorting, and other operations which do not change the article, are not within the meaning of manufacture or produce, but any process which changes the condition of the article—for instance, even the "fast freezing" processes—regardless of the slight extent of the change or the relative insignificance of the value added by the process to the value of the article, will be regarded as a manufacture or production. A number of processes are enumerated in the definition to indicate its scope, but it is not intended that any inference should be drawn that any process not named is not covered.

Subsection (f) defines "article for further manufacture" so as to include anything (such as fuel and chemicals) consumed in the production of an article or becoming a part of a finished article or a covering or container for it, when the sale of the article is taxable. Plant equipment, machinery, and tools, although their cost enters into the cost of the product, are not exempted from tax as articles for further manufacture, since their long life takes them out of the class of ordinary materials and supplies. The term does not extend to articles used by small manufacturers who are exempt, or to articles used by manufacturers of articles specifically exempt, who can buy tax-free only such materials and supplies as are specifically exempt.

Subsection (i) gives the benefit of tax-free purchase of supplies to ships of certain classes which are likely to touch at foreign ports. It is not believed that the tax should apply in such a manner as to

give an advantage to foreign manufacturers in competition with domestic manufacturers.

The definition of "farm products" is explained in connection with section 602.

SECTION 618. PERSONNEL

This section authorizes the appointment of necessary additional personnel. It is important that adequate appropriation be made for the administration of the act. The cost of collection in proportion to yield will in any event be low, and an attempt to keep the cost too low will undoubtedly be false economy both from the standpoint of the revenue and of the businesses affected by delay, inefficiency, or uncertainty in the administration of the tax.

SECTION 619. EFFECTIVE DATE—DATE OF EXPIRATION

This section postpones the effective date of the tax for 30 days after the enactment of the act. Exception is made of certain sections so that licenses may be issued in advance, so that agreements with taxpayers may be made in advance, so that regulations may be published at an early date, and so that the administrative organization may be set up as soon as possible. Provision is made that the tax shall cease to be in effect at the close of the fiscal year 1934. The tax is an emergency measure, and assurance should be given the country that it is not intended to remain permanently in force.

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