A COMMISSION REPORT

STATE-LOCAL TAXATION
AND
INDUSTRIAL LOCATION

ADVISORY COMMISSION ON

INTERGOVERNMENTAL RELATIONS

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PREFACE

In this report the Commission turns its attention once again to the problems generated by State and local competition for industry. The focus of this report is the interrelationship between industrial location and State and local tax and expenditure policies. It attempts to determine (1) the extent to which industrial development trends have been influenced by the decision of State and local tax policymakers and (2) the effect that industrial development policies have had on State and local revenue systems. An earlier Commission report, Industrial Development Bond Financing, approved in January 1963, dealt with the debt aspects of this competitive situation.

The report poses for the Commission three basic policy questions:

1. Do special tax concessions to new industry have a place in the economic development policies of State and local governments?

2. Should States be urged to neutralize local tax competition for new industry?

3. In view of the discriminatory impact of local taxes on business personalty, should the States be encouraged to abolish the local tax on inventories and to assume responsibility for administering the property tax on machinery and equipment?

In carrying out the study, the staff drew on the experience of tax officials in business firms concerned with plant location decisions, reviewed the extensive literature in these fields, assembled information on the decentralization of industry, analyzed a large body of statistical data drawn largely from Federal Government sources, and prepared estimates of trends in State and local taxes paid by business firms.

Public Law 86-380 directs this Commission to point the way to the most desirable allocation of governmental revenues among the several levels of government, more orderly and less competitive fiscal relationships between governments, and reduced tax compliance burdens. Changes in State and local business tax policies, as the Commission's recommendations make clear, afford a prime opportunity to advance toward these goals.

This report was adopted by the Commission on April 14, 1967.

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Farris Bryant
Chairman

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ACKNOWLEDGMENTS

Wm. G. Colman
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WORKING PROCEDURES OF THE COMMISSION

This statement of the procedures followed by the Advisory Commission on Intergovernmental Relations is intended to assist the reader's consideration of this report. The Commission, made up of busy public officials and private persons occupying positions of major responsibility, must deal with diverse and specialized subjects. It is important, therefore, in evaluating reports and recommendations of the Commission to know the processes of consultation, criticism, and review to which particular reports are subjected.

The duty of the Advisory Commission, under Public Law 86-380, is to give continuing attention to intergovernmental problems in Federal-State, Federal-local, and State-local, as well as interstate and interlocal relations. The Commission's approach to this broad area of responsibility is to select specific, discrete intergovernmental problems for analysis and policy recommendation. In some cases, matters proposed for study are introduced by individual members of the Commission; in other cases, public officials, professional organizations, or scholars propose projects. In still others, possible subjects are suggested by the staff. Frequently, two or more subjects compete for a single "slot" on the Commission's work program. In such instances selection is by majority vote.

Once a subject is placed on the work program, a staff member is assigned to it. In limited instances the study is contracted for with an expert in the field or a research organization. The staff's job is to assemble and analyze the facts, identify the differing points of view involved, and develop a range of possible, frequently alternative, policy considerations and recommendations which the Commission might wish to consider. This is all developed and set forth in a preliminary draft report containing (a) historical and factual background, (b) analysis of the issues, and (c) alternative solutions.

The preliminary draft is reviewed within the staff of the Commission and after revision is placed before an informal group of "critics" for searching review and criticism. In assembling these reviewers, care is taken to provide (a) expert knowledge and (b) a diversity of substantive and philosophical viewpoints. Additionally, representatives of the American Municipal Association, Council of State Governments, National Association of Counties, U. S. Conference of Mayors, U. S. Bureau of the Budget and any Federal agencies directly concerned with the subject matter participate, along with the other "critics" in reviewing the draft. It should be emphasized that participation by an individual or organization in the review process does not imply in any way endorsement of the draft report. Criticisms and suggestions are presented; some may be adopted, others rejected by the Commission staff.

The draft report is then revised by the staff in light of criticisms and comments received and transmitted to the members of the Commission at least two weeks in advance of the meeting at which it is to be considered.

In its formal consideration of the draft report, the Commission registers any general opinion it may have as to further staff work or other considerations which it believes warranted. However, most of the time available is devoted to a specific and detailed examination of conclusions and possible recommendations. Differences of opinion are aired, suggested revisions discussed, amendments considered and voted upon, and finally a recommendation adopted (or modified or diluted as the case may be) with individual dissents registered. The report is then revised in the light of Commission decisions and sent to the printer, with footnotes of dissent by individual members, if any, recorded as appropriate in the copy.

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Chapter I

INTRODUCTION

In recent years all levels of government have demonstrated concern over the economic health of the areas they serve. While State and local governments do not possess the variety of tools for affecting economic growth possessed by the Federal Government, they are exhibiting a general tendency to replace their traditional "passive" or neutral role toward economic growth with active programs. One important reason for this change in attitude is the close relationship between economic activity and State and local tax revenues and expenditures.

An "active" role toward economic growth means that State and local governments are anxious to create an "economic climate" calculated to encourage business activity. One very important part of such a "climate" is a tax structure which encourages economic growth.

The particular part of economic growth which has been selected for "encouragement" is manufacturing. While it is recognized that manufacturing is but one part of the economy, it has been singled out for special attention. This is done in the belief that, from a regional standpoint, growth in manufacturing employment gives rise to additional jobs in areas such as marketing, transportation and finance, and, further that an advanced manufacturing complex is the hallmark of a modern economy.

The effectiveness of State and local governments' efforts to encourage manufacturing continues to be the subject of extensive debate. Is it possible for these governmental units to alter significantly the national economic growth patterns?

State and local governments' powers for influencing economic activity are sharply limited by the Federal Constitution. The interstate commerce clause of the Constitution prevents these government units from regulating economic activity to any large degree. But through the powers to tax and to spend, both State and local units may influence economic activity.

The relationship between State and local taxes and industrial location and growth has been repeatedly examined by citizens' committees, chambers of commerce, promotional groups, and scholars. Some public officials argue that State and local taxes are such a minor item of business costs that they cannot significantly influence business decisions. They argue further that in exchange for its tax payments, business receives services from State and local governments which are of equal, if not of greater value than the taxes paid. This line of argument concluded that no one enjoys paying taxes and that industry's complaints of State and local tax burdens are normal reactions to the payment of taxes; that business threats to move elsewhere are merely ill-advised attempts to win special concessions.

The counter argument advocated by business groups and industrial promotion organizations is that State and local governments have taken advantage of the limited mobility of business in times past to impose tax burdens which were out of line with ability to pay. The situation of railroads, taxed heavily upon unprofitable operations, is often cited. Business contends that it lives in a competitive climate and that State and local tax burdens in excess of those imposed upon similar business located elsewhere tend to restrict the growth of business at the high tax locations.

Although tax studies have generally downgraded the influence of the tax consideration on location decisions, there remains a persistent demand for more definitive information on the effect of both tax and expenditure policies on industrial location decisions. The other side of this industrial development issue--the effect that development policies have exerted on State and local revenue systems--has gone largely unnoticed.

Study Objectives

In order to evaluate both sides of this question, we seek to examine the extent to which industrial development trends have been influenced by the decisions of State and local tax policymakers and the effect that industrial development policies have had on State and local revenue systems.

An examination of the effect which industrial development policies have on State and local tax systems precipitates the question of tax neutrality. The "neutralists" hold to the position that State and local tax policy should be designed with revenue and equity objectives in mind--ends which should not be compromised in a futile or wasteful pursuit of economic development goals. They tend to regard tax concessions to new industry, for example, as being wasteful of public resources and interfering with the market allocation of private resources. They are particularly fearful that interstate tax competition will degenerate into a "cutthroat" affair.

At the other end of this policy spectrum we find the champions of unrestricted competition who contend that in a federal system intergovernmental competition for new industry is natural and healthy. They urge State and local governments to promote their economic development objectives by using tax and expenditure means to reinforce unique social, locational, or physical environment advantages.

Hopefully, therefore, this study provides more factual information on the effect of tax and expenditure policies on industrial location and policy guidelines for reconciling intergovernmental competition for economic development with the need for adequately financing public services.

The point must be emphasized that the scope of this study is strictly limited to the State and local tax and public expenditure factors of the industrial development equation. Admittedly, there are other ways in which public authorities can influence location and expansion decisions--not the least of which is the field of public regulation. Many business executives, for example, may be more interested in whether a State has a "right to work" law than in the particular dimensions of its tax policy.

Because another facet of this issue--the practice of using the credit of the government to finance the acquisition or construction of an industrial facility for

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lease to private enterprise--was examined in the Commission's recent report on Industrial Development Bond Financing, that subject is excluded from the scope of this report.

Finally, it must be noted that the limited focus of this study, confined as it is to State and local tax and expenditure policies, excludes an assessment of the ways and means by which the Federal Government can promote and channel economic development. This is a subject that merits separate treatment.

Chapter II

THE LOCATION OF ECONOMIC GROWTH

Since World War II Americans have witnessed surging growth in their
Nation's economy. The economic indicators for the period 1950 to 1965 reveal:

- Gross national product rising from $285 billion
  to $681 billion, up 139 percent;

- Employment in nonagricultural establishments rising
  from 45 million to 60 million workers, up 33 percent;

- Per capita personal income rising from $1,496 to
  $2,746, up 84 percent;

- Annual median family income rising from $3,319 to
  $6,900, up 108 percent.

While every section of the country experienced significant economic
growth since 1950, there are marked regional variations as evidenced by a
comparison of per capita income and industrial employment statistics.

In order to provide the economic backdrop for evaluating the role that
State and local tax and expenditure policies play in accelerating economic de-
velopment, this chapter compares the economic and industrial growth trends
since 1950 of regions, States, and areas within States--metro versus non-metro,
and central city versus suburban communities.

REGIONAL GROWTH PATTERNS

A striking feature of the U. S. economy is its ever changing structure
of employment. The history of the transformation of this country from a sub-
sistence, rural economy to a market economy is well known. Throughout the
18th Century, employment in this country was largely confined to agriculture,
forestry, and fishing. With the spread of the industrial revolution during the
19th Century, an increasing share of employment centered in manufacturing,
mining, and building. In this century, further economic development has brought
rising employment in trade, transportation, and service industries. Colin Clark
described and generalized on this experience in the following terms:

> Studying economic progress in relation to the economic
> structure of different countries, we find a firmly established
> generalization that a high average level of real income per

head is always associated with a high proportion of the working population engaged in tertiary industries. Primary industries are defined as agriculture, forestry, and fishing; secondary industries as manufacturing, mining and building; the tertiary industries include commerce, transport, services, and other economic activities. [1]

Because each of the great regions of the U. S. is at a somewhat different stage of economic development (equivalent to different countries) they, too, tend to follow Clark's generalizations--with the highest income associated with strong tertiary economic development (table 1). New England, Mideast, Great Lakes, and Far West regions all had relatively less employment in primary industries in 1940 and these regions enjoyed the highest levels of per capita income. In the following 20 years all regions experienced a shift in employment away from primary industry and a rise in per capita income. The most remarkable shift occurred in the Southeast where the portion of total employment in secondary and tertiary industries combined rose from 65 percent to 89.8 percent between 1940 and 1960 while employment in primary industries fell from 35 to 10.2 percent. This region's proportion of employment in tertiary industries alone rose from 41 percent to 59 percent of total employment (table 2). Translating these economic indicators into arresting word pictures, Sid Moody reported that "by any standards the growth has been remarkable."

> The rising steel webs of the Atlanta skyline change so rapidly the Chamber of Commerce has taken eight different photographs of it in the last six months to keep current, invariably with Braves Stadium in the foreground. Around the courthouse squares of the county seats, bib-overalled farmers still lounge and chat and spit tobacco. But on the outskirts there likely is a new plant or the arm of a crane unloading dull red steel girders. In Marietta, Ga., they sold wagons in the square as late as 1940. The town now numbers 100,000 people and has one of the south's largest single employers in Lockheed. [2]

Increased reliance on secondary or tertiary industries for employment and higher per capita incomes go hand in hand. The contribution of rising employment in secondary industry to increased per capita income is evident in all regions. The relationship between rising employment in tertiary industry and economic growth is demonstrated in New England. There the proportion of total employment in secondary industries declined between 1950 and 1960 as did the proportion in primary industries; nevertheless, per capita income rose relative to the nation. A more graphic example of the relationship of high employment in tertiary industry and high per capita income can be seen in Nevada, where the entire economy is seemingly devoted to service-type industries.

While States and localities concentrate on manufacturing industries as the main source of economic development, this single-minded concern may

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[1] Colin Clark, <u>The Conditions of Economic Progress</u> (London: 1940), pp. 6-7.

[2] <u>Washington Sunday Star</u>, July 24, 1966, Section C, p. 3.

TABLE 1.--PER CAPITA REAL DISPOSABLE INCOME AND EMPLOYMENT IN PRIMARY,
SECONDARY, AND TERTIARY INDUSTRIES, BY REGION, 1940, 1950, AND 1960

Region		Per capita real disposable income (1954 dollars)	Total employment	Primary industry	Secondary industry	Tertiary industry
United States	1940	1,158	45,375,815	8,538,419	13,578,195	23,259,201
	1950	1,506	57,474,912	7,042,750	18,988,826	31,443,336
	1960	1,755	66,372,649	4,349,884	21,983,029	40,039,736
New England	1940	1,396	3,060,127	161,209	1,316,030	1,582,888
	1950	1,627	3,661,175	142,938	1,599,019	1,919,218
	1960	1,926	4,137,938	92,889	1,698,048	2,347,001
Mideast	1940	1,489	10,876,182	544,097	4,005,692	6,326,393
	1950	1,745	13,363,190	464,133	5,160,921	7,738,136
	1960	2,008	14,892,051	312,154	5,428,566	9,151,331
Great Lakes	1940	1,333	9,256,812	1,239,985	3,415,315	4,601,512
	1950	1,692	11,931,323	1,058,279	4,880,922	5,992,122
	1960	1,889	13,403,412	677,927	5,383,883	7,341,602
Plains	1940	954	4,513,537	1,449,189	785,389	2,278,959
	1950	1,436	5,378,931	1,326,032	1,184,967	2,867,932
	1960	1,672	5,683,325	897,861	1,397,881	3,387,583
Southeast	1940	682	9,878,326	3,457,506	2,377,099	4,043,721
	1950	1,033	11,913,419	2,641,095	3,348,174	5,924,150
	1960	1,308	13,414,097	1,371,644	4,073,950	7,968,503
Southwest	1940	825	3,087,536	935,263	556,400	1,595,873
	1950	1,299	4,091,466	675,071	969,144	2,447,251
	1960	1,546	5,055,606	421,454	1,265,606	3,368,546
Rocky Mountain	1940	1,053	929,350	247,142	181,411	500,797
	1950	1,443	1,264,098	234,630	270,456	759,012
	1960	1,644	1,558,329	168,355	365,727	1,024,247
Far West	1940	1,564	3,773,945	504,028	940,859	2,329,058
	1950	1,820	5,871,310	500,572	1,575,223	3,795,515
	1960	2,029	8,227,891	407,600	2,369,368	5,450,923

Source: Department of Commerce, Office of Business Economics, Growth Patterns in Employment by Counties, 1940-1950 and 1950-1960, (1966), and Survey of Current Business, April 1965.

TABLE 2.--PRIMARY, SECONDARY, AND TERTIARY EMPLOYMENT AS A PERCENT OF
TOTAL EMPLOYMENT, BY REGION, 1940, 1950, AND 1960

Region		Total employment	Primary industry	Secondary industry	Tertiary industry
United States	1940	100.0	18.8	29.9	51.3
	1950	100.0	12.3	33.0	54.7
	1960	100.0	6.6	33.1	60.3
New England	1940	100.0	5.3	43.0	51.7
	1950	100.0	3.9	43.7	52.4
	1960	100.0	2.3	41.0	56.7
Mideast	1940	100.0	5.0	36.8	58.2
	1950	100.0	3.5	38.6	57.9
	1960	100.0	2.1	36.5	61.4
Great Lakes	1940	100.0	13.4	36.9	49.7
	1950	100.0	8.9	40.9	50.2
	1960	100.0	5.0	40.2	54.8
Plains	1940	100.0	32.1	17.4	50.5
	1950	100.0	24.7	22.0	53.3
	1960	100.0	15.8	24.6	59.6
Southeast	1940	100.0	35.0	24.1	40.9
	1950	100.0	22.2	28.1	49.7
	1960	100.0	10.2	30.4	59.4
Southwest	1940	100.0	30.3	18.0	51.7
	1950	100.0	16.5	23.7	59.8
	1960	100.0	8.4	25.0	66.6
Rocky Mountain	1940	100.0	26.6	19.5	53.9
	1950	100.0	18.6	21.4	60.0
	1960	100.0	10.8	23.5	65.7
Far West	1940	100.0	13.4	24.9	61.7
	1950	100.0	8.5	26.8	64.7
	1960	100.0	5.0	28.8	66.2

Source: Computed from table 1.

represent too narrow a view of the possibilities for encouraging economic growth and achieving economic progress. 1/

Economic Growth Indicators

Because specific data on industry location in various parts of the Nation are not readily available, it is necessary to rely in part on "proxies"--both general and fairly specific indicators of economic and industrial growth. For purposes of this study, three indicators--population, per capita personal income, and nonagricultural employment--are used to describe general economic growth trends and two "proxies"--employees in manufacturing establishments and value added by manufacture--are used to trace changes in industrial activity (table 3). In addition, the trends in the location of manufacturing industry by region and State are analyzed using manufacturing establishments' gross stocks of plant and equipment. Throughout the following regional and State analyses the standard of reference is the percent change in the economic indicator for the Nation as a whole.

Only three regions of the Nation--the Southwest, Rocky Mountain, and Far West--outpaced the national average increase in population between 1950 and 1965. The Far West, with its rate of growth better than twice the national rate, contrasts sharply with the Plains region where population grew at slightly less than half the national rate.

Greater than average population gains were not, however, accompanied by commensurate gains in per capita personal income. New England and Southeast regions, both with slower than average population gains, were the only regions that showed above average increases in per capita personal income between 1950 and 1965. The other regions did not fare as well as did the Nation as a whole.

The most significant relative increase in nonagricultural employment took place in the South and West. As might be expected, due to their more advanced stage of urbanization, the Mideast and New England regions lagged significantly behind the Nation in nonagricultural employment gains.

Manufacturing Growth Indicators

Since 1950 the growth in manufacturing activity has been greatest in the Southeast, Southwest, Rocky Mountain, and Far West regions. In these regions manufacturing employment was double and, in some cases, triple the national average growth rate. Manufacturing employment in the Plains region moved up at a faster pace than the national average while the Great Lakes and Mideast regions lagged behind the national rate of increase and the New England region suffered a loss of jobs in manufacturing. Similarly, value added by manufacture

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1/ In support of this observation, see Donald A. Schon's "Thinking Ahead--The New Regionalism" (Harvard Business Review, January-February 1966) where he urges States to place less emphasis on "pirating companies from other areas and concentrate on plans to train local entrepreneurial talent and develop local public markets."

TABLE 3.--TRENDS IN ECONOMIC INDICATORS, BY REGION

(Index of Percent Changes: U.S. Average = 100)

Regions	Population 1950-1965	Per capita personal income 1950-1965	Nonagricultural employment 1950-1965	Value added by manufacture 1954-1963	Manufacturing employment 1950-1965
United States	100	100	100	100	100
New England	70	104	55	76	-11
Mideast	80	93	53	70	3
Great Lakes	91	95	66	84	43
Plains	46	99	80	106	129
Southeast	89	125	151	158	255
Southwest	135	96	164	162	369
Rocky Mountain	124	89	141	203	272
Far West[1]	226	90	208	146	398

1/ Excluding Hawaii and Alaska.

Source: Prepared by ACIR Staff from data published by the Department of Commerce and the Department of Labor.

rose rapidly across the South and West while the North and East sections lagged somewhat behind the national rate of growth.

A wider dispersal of manufacturing enterprise among regions is indicated by the employment and value added data and is further confirmed by the percentage change from 1950 to 1962 in the gross stock of manufacturing plant and equipment (table 4). Manufacturing plant and equipment stock rose fastest in the Southeast, Southwest, Rocky Mountain and Far West regions. Again, this indicator shows the Plains region holding its own. New England, Mideast, and Great Lakes regions, however, failed to keep up with the national increase in the gross stock of manufacturing plant and equipment.

Evaluation

As the Nation's economy has developed over the period 1950-1965, the poorer regions claimed larger relative shares of new capital expenditures for manufacturing plant and equipment and experienced more rapid economic growth than the richer regions. The shift in employment structure away from agriculture and other primary industries to manufacturing, commerce, service, and other secondary and tertiary industries was most spectacular in the poorer regions. The richer regions meanwhile held their own in terms of per capita personal income indicating that wider dispersion of manufacturing activity throughout the Nation does not work against economic progress in all regions. Personal income, once heavily weighted in favor of the Northern and Eastern regions of the United States, is still less than uniformly distributed among all regions, but a leveling process is definitely indicated by the available economic barometers.

STATE GROWTH PATTERNS

Except for the fact that they deviate more widely from the national averages (table 5), State economic growth patterns are largely a "repeat" of the regional trends described above.

Economic Growth Indicators

Nature and technology played important roles in the relative rise and fall of State populations. Mechanization of the mines contributed to the absolute drop in West Virginia's population between 1950 and 1960, while mechanization of agriculture held down the Plains States' population. In five States (Delaware, Florida, Arizona, Nevada, and California) the rate of population growth exceeded twice the national rate with a salubrious climate playing a part in attracting population in most of these States.

While population growth lagged behind the Nation in the Southeast, these States (led by Alabama and including West Virginia) showed the most rapid increase in per capita personal income between 1950 and 1965. The New England States also fared well on this score. Because of spectacular population gains, with a heavy concentration in the older age group, per capita personal income in Arizona, Nevada, and California failed to keep pace with the national rate of income growth.

TABLE 4.--MANUFACTURING ESTABLISHMENTS' GROSS STOCK OF

PLANT AND EQUIPMENT, BY STATE, 1950 AND 1962

(Dollar amounts in millions)

State and Region	1962		1950		Percent change		
					1950-1962	Related to U.S. average	
United States	$140,053	Rank	$56,820	Rank	146	100	Rank
New England	8,203	(6)	3,881	(5)	111	76	(8)
Maine	740	32	333	31	122	84	44
New Hampshire	387	39	187	36	107	73	47
Vermont	229	43	101	41	127	87	41
Massachusetts	3,536	10	1,668	10	120	82	45
Rhode Island	606	36	430	29	41	28	49
Connecticut	2,705	13	1,162	13	133	91	33
Mideast	34,612	(2)	14,653	(2)	136	93	(6)
New York	10,447	3	4,576	3	128	88	37
New Jersey	6,740	9	2,946	8	129	88	38
Pennsylvania	14,083	1	5,822	1	142	97	28
Delaware	652	35	164	38	298	204	5
Maryland	2,534	15	1,099	14	131	90	34
Dist. of Col.	156	46	46	45	239	164	9
Great Lakes	42,471	(1)	19,122	(1)	122	84	(7)
Michigan	9,702	5	4,406	5	120	82	46
Ohio	12,312	2	5,297	2	132	90	35
Indiana	6,858	8	3,436	6	100	68	48
Illinois	10,223	4	4,500	4	127	87	40
Wisconsin	3,376	11	1,483	11	128	88	39
Plains	7,259	(7)	2,833	(6)	156	107	(5)
Minnesota	1,626	25	686	22	137	94	31
Iowa	1,446	27	455	27	218	149	14
Missouri	2,478	16	1,056	15	135	92	32
North Dakota	78	48	18	49	333	228	2
South Dakota	83	47	32	47	159	109	25
Nebraska	511	37	167	37	206	141	17
Kansas	1,037	29	419	30	147	101	27
Southeast	23,191	(3)	8,350	(3)	178	122	(4)
Virginia	2,218	20	986	16	125	86	42
West Virginia	2,022	22	897	18	125	86	43
Kentucky	1,615	26	556	25	190	130	20
Tennessee	2,427	17	938	17	159	109	26
North Carolina	2,958	12	1,250	12	137	94	30
South Carolina	1,678	24	631	24	166	114	23
Georgia	2,141	21	745	20	187	128	22
Florida	1,809	23	437	28	314	215	4
Alabama	2,248	19	642	23	250	171	7
Mississippi	674	34	234	35	188	129	21
Louisiana	2,591	14	763	19	240	164	8
Arkansas	810	30	271	33	199	136	19

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(Dollar amounts in millions)

State and Region	1962		1950		Percent change	
					1950-1962	Related to average
		Rank		Rank		
Southwest	$8,882	(5)	$2,757	(7)	222	152
Oklahoma	770	31	254	34	203	139
Texas	7,609	7	2,405	9	216	148
New Mexico	166	45	40	46	315	216
Arizona	337	40	58	44	481	329
Rocky Mountain	2,022	(8)	714	(8)	183	125
Montana	336	41	106	40	217	149
Idaho	328	42	93	42	253	173
Wyoming	168	44	73	43	130	89
Colorado	706	33	296	32	139	95
Utah	484	38	146	39	232	159
Far West	13,413	(4)	4,510	(4)	197	135
Washington	2,307	18	715	21	222	152
Oregon	1,380	28	531	26	160	110
Nevada	68	49	22	48	209	143
California	9,658	6	3,242	7	236	162

Note: Interregional rank shown in parentheses.

Source: U. S. Department of Commerce, Business and Defense Services Administration.

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TABLE 5.--TRENDS IN ECONOMIC INDICATORS, BY STATE

(Index of Percent Changes: U.S. Average = 100)

State and Region	Population 1950-1965	Per capita personal income 1950-1965	Nonagricultural employment 1950-1965	Value added by manufacture 1954-1963	Manufacturing employment 1950-1965
United States	100	100	100	100	100
New England	70	104	55	76	-11
Maine	31	109	39	60	-16
New Hampshire	91	115	88	95	76
Vermont	18	127	68	61	16
Massachusetts	50	103	42	73	-47
Rhode Island	45	90	7	57	-130
Connecticut	147	99	98	88	85
Mideast	80	93	53	70	3
New York	78	89	47	60	-28
New Jersey	143	94	103	91	51
Pennsylvania	35	94	17	64	1/
Delaware	209	71	137	140	176
Maryland	179	107	142	91	80
Dist. of Col.	2/	80	72	104	63
Great Lakes	91	95	66	84	43
Michigan	103	94	63	78	5
Ohio	103	90	61	82	44
Indiana	86	106	82	104	92
Illinois	79	95	60	80	43
Wisconsin	74	100	86	95	70
Plains	46	99	80	106	129
Minnesota	68	105	97	122	161
Iowa	19	90	69	133	140
Missouri	49	102	67	98	90
North Dakota	18	100	100	169	200
South Dakota	27	80	81	131	50
Nebraska	41	89	86	140	196
Kansas	62	105	88	58	164
Southeast	89	125	151	158	255
Virginia	122	115	151	139	237
West Virginia	-34	108	-136	135	-18
Kentucky	28	128	114	156	274
Tennessee	60	121	133	156	312
North Carolina	75	118	157	172	241
South Carolina	72	129	144	163	237
Georgia	94	134	157	163	224
Florida	390	108	377	302	847
Alabama	47	143	119	122	158
Mississippi	23	131	161	187	453
Louisiana	113	102	127	98	62
Arkansas	9	136	149	173	434

See footnotes at the end of table.

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TABLE 5.--TRENDS IN ECONOMIC INDICATORS, BY STATE   (Concl'd)

(Index of Percent Changes: U.S. Average = 100)

State and Region	Population 1950-1965	Per capita personal income 1950-1965	Nonagricultural employment 1950-1965	Value added by manufacture 1954-1963	Manufacturing employment 1950-1965
Southwest	135	96	164	162	369
Oklahoma	40	116	102	105	318
Texas	131	90	151	160	316
New Mexico	182	109	216	252	420
Arizona	408	90	443	347	1,658
Rocky Mountain	124	89	141	203	272
Montana	69	59	63	104	133
Idaho	62	98	96	148	273
Wyoming	60	59	64	97	100
Colorado	173	100	190	244	252
Utah	156	96	175	244	434
Far West[3/]	226	90	208	146	398
Washington	91	87	90	135	154
Oregon	89	93	115	81	83
Nevada	623	76	564	123	450
California	270	89	240	157	511
Alaska	342	51	n.a.	n.a.	n.a.
Hawaii	150	134	n.a.	n.a.	n.a.

n.a.   --Data not available.
1/   Increase of less than 0.5 percent.
2/   Decrease of less than 0.5 percent.
3/   Excluding Alaska and Hawaii.

Source: Prepared by ACIR Staff from data published by the Department of Commerce and the Department of Labor.

Nonagricultural employment, as might be expected, rose fastest in States with the biggest population gains--Florida, Arizona, Nevada, and California-- while West Virginia, which lost population between 1950 and 1965, also lost jobs in the same period. States usually regarded as having a solid manufacturing employment base--New England and Great Lakes States--did not show up too well. The Southeastern and Southwestern States (led by Florida and Arizona) enjoyed better than average gains in nonagricultural employment.

Manufacturing Growth Indicators

The Southeastern, Southwestern, Rocky Mountain, and Far West States, with few exceptions (notably West Virginia), led the Nation in increased manufacturing employment between 1950 and 1965. The industrialized States of the Northeast generally experienced the slowest manufacturing employment gains. Three of the New England States, New York, and West Virginia actually lost jobs in manufacturing industry between 1950 and 1965. In the Far West, only Oregon failed to match the national average increase in manufacturing employment. Value added by manufacture rose in every State without exception. Even in those States where manufacturing employment declined, this rough measure of productivity rose substantially between 1954 and 1963.

Over the period between 1950 and 1962, gross stocks of manufacturing plant and equipment increased faster in 26 States than in the Nation. While every State had a higher stock of plant and equipment assets in 1962 than it did in 1950, Delaware, North Dakota, Florida, New Mexico, and Arizona were the leading gainers with rates of increase greater than twice the national rate. The slowest growth State was Rhode Island (28 percent of the U. S. average) where tax concessions for new and expanded industry have been added to acceler- ate industrial development. The States of the Southeast (except Virginia, West Virginia, and North Carolina) did better than the Nation as a whole. Only Minnesota and Missouri among the Plains States failed to keep pace with the national growth in manufacturing plant and equipment stocks. Among the Rocky Mountain States, Colorado and Wyoming lagged behind their neighbors and the national average. The traditional center of manufacturing activity encompassing the States of the New England, Mideast, and Great Lakes regions could claim about two-thirds of the Nation's gross stock of manufacturing plant and equip- ment in 1950. By 1962 these States as a group could lay claim to about 60 per- cent of the national total.

Evaluation

Every State has shared in the overall growth in the Nation's economy over the past 15 years, but the poorer States as a rule have shown faster growth than the rich. Thus, because business activity is now better distributed be- tween North and South, and between East and West, the disparity in personal income levels of States has decreased since 1950.

This growth pattern prompted William D. Ross nine years ago to suggest a new set of assumptions for industrial promotion.

...First, the economy of the United States is no longer a scarcity economy; we can have both an increasing supply of

capital goods through new industrial investment and a rising
standard of living for all segments of our population. The
size of the economic pie is not fixed; it is growing. Growth
in one sector or geographic area of our economy generates
growth in other areas. It would appear that a "growth"
philosophy may now replace the "scarcity" philosophy that
has characterized the capitalistic economic system to date. 1/

Where manufacturing employment lagged or dropped in the State data re-
ported here, the image of economic decline was far more apparent than real.
Massachusetts is a case in point; manufacturing employment declined yet per
capita income rose 3 percent faster than it did for the Nation as a whole.
Throughout the New England, Mideast, and Great Lakes States, except Delaware
and Indiana, the growth in manufacturing employment was less than the growth
in nonagricultural employment. Nevertheless, per capita income rose at a rate
equal to or greater than the national average in six States--four in New England
joined by Maryland and Wisconsin. Economic progress, at least insofar as States
are concerned, would appear to depend not only on growth in the manufacturing
sector of the economy, but also on the growth in commercial and service-type
activities.

METROPOLITAN AND NON-METROPOLITAN AREA GROWTH PATTERNS

As our attention shifts from interstate comparisons to an analysis of
industrial growth trends of areas within States, the task becomes more diffi-
cult because there are fewer economic and industrial indicators. Because in-
come and non-agricultural employment data are not currently available, compari-
sons between metropolitan and non-metropolitan areas must be based on census
benchmark years. Thus, the change in population from 1950 to 1960 is used as
a general economic growth indicator and employees in manufacturing establish-
ments and value added by manufacture become the proxy indicators for specific
data on plant locations for the period between 1958 and 1963. It should be
noted that these proxy data will be supplemented in the following section of
this chapter by specific plant location statistics for selected States.

Manufacturing Growth Trends

A striking feature of recent industrial development is the more rapid
growth in manufacturing <u>outside</u> the metropolitan areas, despite the fact that
general population growth trends favor the metropolitan areas. For the Nation
as a whole, population in SMSA's increased 26.3 percent while population outside
SMSA's increased only 7 percent between 1950 and 1960 (table 6)--a trend that
seems to be continuing. The 5-year period between the last two Census of
Manufactures (1958-1963) reveals a generally opposite trend in manufacturing
employment and value added by manufacture: nationally, manufacturing employment
rose 13.6 percent outside SMSA's compared to 3.4 percent inside SMSA's; and
value added by manufacture increased 44.1 percent inside SMSA's compared to

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1/ William D. Ross, "Tax Concessions and Their Effect," <u>National Tax Associa-</u>
    <u>tion Proceedings</u>, 1957, (Harrisburg: 1958).

TABLE 6.--PERCENT CHANGE IN SELECTED ECONOMIC INDICATORS INSIDE AND
OUTSIDE STANDARD METROPOLITAN STATISTICAL AREAS, BY STATE

State and Region	Population 1950 to 1960		Employees in manufacturing establishments 1958 to 1963		Value added by manufacture 1958 to 1963	
	In SMSA's	Outside SMSA's	In SMSA's	Outside SMSA's	In SMSA's	Outside SMSA's
United States	26.3	7.0	3.4	13.6	32.8	44.1
New England	12.0	14.8	-5.0	26.3	27.8	37.5
Maine	1.4	7.3	-4.3	3.5	14.3	25.6
New Hampshire	13.0	14.0	-4.0	10.7	29.9	34.7
Vermont	-0-	3.2	-0-	4.8	-0-	31.2
Massachusetts	8.5	17.4	-2.1	3.4	22.9	34.1
Rhode Island	6.2	25.8	-1.6	21.7	24.3	52.5
Connecticut	24.7	32.1	-13.3	108.8	37.9	55.0
Mideast	14.6	13.8	-1.8	5.9	24.1	32.8
New York	13.4	11.8	-3.8	0.5	22.5	25.1
New Jersey	20.1	50.7	2.0	16.2	30.3	47.0
Pennsylvania	9.8	1.3	-1.7	5.5	21.4	26.8
Delaware	40.5	40.0	0.9	13.2	56.2	65.8
Maryland	37.5	16.6	0.6	6.9	22.7	41.1
Dist. of Col.	-4.8	-0-	4.3	-0-	31.5	-0-
Great Lakes	23.4	11.4	3.7	11.2	34.4	46.3
Michigan	25.7	15.6	8.8	11.0	58.8	39.6
Ohio	23.9	18.3	2.0	9.7	33.0	41.5
Indiana	24.7	13.3	4.6	22.3	30.6	61.6
Illinois	20.4	2.3	1.0	8.5	23.4	35.2
Wisconsin	25.6	7.3	6.1	3.9	22.8	53.2
Plains	23.8	0.6	3.7	10.0	34.5	34.2
Minnesota	26.3	4.1	13.2	11.6	40.5	31.0
Iowa	18.0	-0.2	4.4	10.9	34.4	36.0
Missouri	18.0	-0.9	2.0	6.8	36.1	36.0
North Dakota	13.7	0.8	-19.1	12.1	9.3	18.1
South Dakota	22.1	2.1	0.2	7.1	21.5	28.1
Nebraska	27.3	-3.1	6.5	19.2	31.3	55.4
Kansas	46.4	1.1	-9.1	7.2	21.9	24.8
Southeast	36.8	3.1	10.5	18.2	41.6	55.6
Virginia	38.1	4.9	18.7	16.3	48.2	41.3
W. Virginia	3.4	-11.3	-3.6	6.8	41.2	51.1
Kentucky	22.4	-4.6	3.4	26.4	34.8	50.8
Tennessee	21.0	-0.4	10.8	31.0	43.3	63.0
North Carolina	24.8	8.6	11.8	16.1	41.0	56.0
South Carolina	34.0	4.6	17.3	15.2	53.0	57.3
Georgia	35.9	0.9	8.4	17.2	52.2	57.0
Florida	93.3	56.2	28.8	22.9	64.3	66.4
Alabama	21.0	-2.9	0.4	12.3	13.5	55.0
Mississippi	31.6	-2.2	2.1	20.0	28.2	64.1
Louisiana	32.9	11.7	-1.9	10.0	24.9	59.7
Arkansas	16.3	-10.6	28.0	28.4	65.6	60.2

State and Region	Population 1950 to 1960		Employees in manufacturing establishments 1958 to 1963		Value added by manufacture 1958 to 1963	
	In SMSA'S	Outside SMSA'S	In SMSA'S	Outside SMSA'S	In SMSA'S	Outside SMSA'S
Southwest	46.3	2.8	8.7	8.0	41.0	39.8
Oklahoma	31.7	-10.4	8.3	0.5	44.8	18.3
Texas	42.3	1.8	5.3	10.7	38.9	43.7
New Mexico	80.0	28.6	20.6	1.8	44.0	25.0
Arizona	96.4	34.8	45.6	19.8	63.1	125.0
Rocky Mountain	46.7	9.9	23.0	15.6	52.3	51.6
Montana	40.0	8.3	-0.3	-0.1	21.1	23.8
Idaho	-0-	13.3	8.3	12.1	38.5	43.4
Wyoming	-0-	13.6	-0-	7.1	-0-	32.6
Colorado	53.4	2.5	21.7	5.8	54.8	47.2
Utah	36.5	16.5	30.7	121.3	54.7	195.0
Far West	46.5	21.9	14.2	4.9	41.3	31.4
Washington	26.2	10.6	4.7	5.9	32.2	33.4
Oregon	19.5	13.1	16.1	2.2	32.7	24.1
Nevada	115.0	19.4	37.8	42.1	76.1	13.8
California	51.2	33.1	15.2	6.2	42.8	36.0

Source: Prepared by ACIR staff from data published by the Department of Commerce.

32.8 percent outside. These contrary trends as to population and manufacturing activity appear to apply generally in individual States, except in a number of New England and Mideast States (where both population and manufacturing are moving out of already densely populated SMSA's) and in some of the Western States (where both population and manufacturing are moving into developing SMSA's).

Evaluation

Manufacturing activity is increasingly located outside SMSA's in most States, not merely in heavily industrialized States. This is probably due to a variety of considerations, including the greater availability and lower cost of sites, the greater ease of access provided by the interstate highway system, and the relatively fewer social and environmental problems in less urbanized areas.

INTRAMETRO GROWTH PATTERNS

Economic Growth Indicators

The trend in population growth clearly favors the suburban communities. With but one exception, population either grew faster or declined more slowly in the suburban counties than in the city or inner core county (table 7). In the Dallas-Forth Worth area, the inner core counties, perhaps due to their large area, gained slightly more population than their suburban neighbor counties. The inner core of the Boston, Pittsburgh, and St. Louis metropolitan areas actually lost population between 1960 and 1964.

Without exception, the "outer core" areas within the metropolitan area also registered greater relative gains in covered employment between 1959 and 1964. There was an absolute drop in covered employment for the inner core portions of the Philadelphia, Pittsburgh, and Baltimore metropolitan areas during this period.

Manufacturing Growth Indicators

Except in the Minneapolis-St. Paul and New Orleans areas, the indicators of industrial activity reveal that between 1958 and 1963 outer core counties fared better than inner core counties in attracting or maintaining manufacturing employment. The major eastern metropolitan complexes, except for Washington, D. C., actually failed to gain employment in manufacturing industries. St. Louis, Chicago, and the eastern core cities (again, excluding Washington, D. C.) all lost manufacturing employment between 1958 and 1963.

The picture presented by the value added indicator is somewhat brighter for the inner core areas. No core city exhibited an absolute decline in value added by manufacture between 1958 and 1963. In four instances, Boston, Baltimore, Minneapolis-St. Paul, and New Orleans, the growth in value added was greater in the urban core than in the suburbs.

In the economic development race, the suburban or outer core areas are definitely outdistancing their inner core neighbors. Burgeoning population

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TABLE 7.--PERCENT CHANGE IN SELECTED ECONOMIC INDICATORS FOR CORE
COUNTIES AND SUBURBAN COUNTIES IN EIGHTEEN
STANDARD METROPOLITAN STATISTICAL AREAS

City	Population 1960 to 1964	Employees		Value added by manufacture 1958 to 1963
		In covered employment 1959 to 1964	In manufacturing establishments 1958 to 1963	
New York-Northeastern New Jersey	5.7	7.3	-1.0	25.3
Core	2.9	2.9	-6.1	19.6
Suburban	11.3	23.3	14.2	38.8
Chicago-Northwestern Indiana	5.6	4.7	0.2	23.6
Core	3.7	2.7	-2.4	21.6
Suburban	13.1	24.0	24.8	42.5
Philadelphia	6.3	4.1	0.1	24.1
Core	3.1	-2.7	-10.5	8.7
Suburban	10.5	18.7	19.4	48.8
Detroit	4.0	7.4	5.5	53.1
Core	0.1	0.9	0.5	49.8
Suburban	13.6	33.5	21.6	63.6
San Francisco-Oakland	9.3	15.8	5.0	29.1
Core	5.5	10.5	2.3	25.2
Suburban	15.3	33.5	14.5	41.1
Boston	2.2	6.0	-0.1	25.8
Core	-7.5	0.4	-8.8	27.3
Suburban	1.2	9.9	2.2	25.3
Pittsburgh	-1.6	-5.5	-10.4	10.2
Core	-1.9	-6.1	-14.0	3.8
Suburban	-0.8	-3.8	-2.3	19.3
St. Louis	4.7	7.1	-1.3	34.3
Core	-6.7	1.1	-9.4	15.7
Suburban	11.0	18.9	8.5	55.6
Washington, D.C.	16.7	26.1	42.5	68.1
Core	4.1	13.0	4.3	31.5
Suburban	23.4	47.7	101.9	131.7
Baltimore	5.9	4.1	-3.4	19.3
Core	0.4	-1.4	-7.8	23.8
Suburban	12.4	17.5	2.5	13.9

TABLE 7.--PERCENT CHANGE IN SELECTED ECONOMIC INDICATORS FOR CORE
COUNTIES AND SUBURBAN COUNTIES IN EIGHTEEN
STANDARD METROPOLITAN STATISTICAL AREAS (Concl'd)

City	Population 1960 to 1964	Employees		Value added by manufacture 1958 to 1963
		In covered employment 1959 to 1964	In manufacturing establishments 1958 to 1963	
Dallas-Ft. Worth	13.0	18.7	2.1	28.3
Core	13.1	18.5	1.2	27.1
Suburban	12.7	22.7	19.6	66.5
Minneapolis-St. Paul	6.5	11.4	14.1	41.2
Core	2.8	10.5	15.3	44.6
Suburban	27.9	22.8	5.6	22.1
Milwaukee	2.4	3.8	2.8	26.1
Core	0.1	1.1	0.2	23.0
Suburban	14.4	37.0	35.7	65.5
Atlanta	14.1	25.4	14.6	60.2
Core	7.9	21.1	8.0	54.4
Suburban	21.7	40.9	27.7	72.2
Denver	16.5	21.4	27.4	65.2
Core	0.3	10.9	2.8	30.9
Suburban	34.8	58.1	78.0	117.3
New Orleans	10.4	14.7	4.3	32.1
Core	3.3	10.2	5.5	50.9
Suburban	26.3	35.1	2.4	7.0
Portland, Oregon	6.5	17.6	13.1	29.2
Core	0.9	11.8	3.4	20.7
Suburban	16.4	44.4	36.1	45.2
Dayton, Ohio	5.0	8.1	7.7	42.2
Core	4.1	7.4	7.0	39.8
Suburban	7.0	8.2	12.8	59.1

Source: Prepared by ACIR staff from data published by the Department of Commerce.

outside most central cities is matched by burgeoning employment and growing
manufacturing activity. Most industrial location questionnaires indicate that
businessmen are seeking suitable sites at reasonable cost, a commodity cities
are least able to offer. The greater availability of land coupled with ease
of access, provision for adequate parking, and a more wholesome social and
physical environment give the suburbs a great advantage relative to the diffi-
culties the city experiences in trying to attract new and expanding industries.

Recent Trends in the Location of New Industrial Plants Within States

In an effort to pinpoint the location of new industrial plants within
States, locational data covering the years 1963 through 1965 were obtained from
about a dozen States. Specifically, an attempt was made to answer the following
questions:

1. Where are new industrial plants being located relative to
    the Standard Metropolitan Statistical Area (SMSA)?

2. Where are new industrial plants being located relative to
    the central cities of SMSA's?

3. Where are new industrial plants being located relative to
    the other urban centers?

Metro vs. Non-metro Location--When specific plant location data are ex-
amined the non-metropolitan areas appear to be making even greater industrial
development progress than their metropolitan counterparts. Although the more
general data had clearly indicated this trend, the specific State plant location
information not only fortifies but accentuates this conclusion. In five of the
twelve States that are included in this study the percentage of employment in
new plants established outside the SMSA's during the three-year period far ex-
ceeded that indicated for the SMSA's (table 8). Furthermore, in six of the
other seven States (New Jersey is the exception) the percentage of employment
in new plants established during the three-year period outside the SMSA;s ex-
ceeded those same areas' share of all manufacturing employment in 1963, as re-
ported in the Census of Manufactures.

For eight of the twelve States, this would appear to be a reversal of
the 1958-63 trends in manufacturing employment shown in table 6. However, it
should be borne in mind that the specific plant location data analyzed here
relate only to new plants, whereas the Census of Manufactures data reported in
table 6 are based upon the net result of new establishments and plant expansions,
as well as attrition that results from the closing of plants.

New Plant Locations Relative to Urban Centers--Without exception, by far
the largest proportion of manufacturing employment in newly established plants
is occurring outside the central cities. In all twelve States, more than three-
fifths of all new manufacturing employment went outside the SMSA central cities
(table 9). In three States more than nine-tenths, and in another three more
than four-fifths went outside central cities. Since plant locations were re-
ported in most instances according to post office addresses, the proportions
shown in table 9 for employment in cities are generally overstated.

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Our conclusion concerning the tendency of industrial plants to be located outside the central cities of SMSA's is borne out by a recent Labor Department study of new private nonresidential buildings. 1/ That study, based upon building permit valuation data, indicates that 62 percent of the value of all new industrial buildings in the United States for which permits were issued between 1950 and 1965 was for construction outside the central cities. Data reported for thirteen SMSA's show that well over half of the new industrial construction value in each of the metropolitan areas went outside the central cities. In nine of the thirteen SMSA's more than two-thirds of the value was for construction outside the central cities.

1/ Dorothy K. Newman, "The Decentralization of Jobs," Monthly Labor Review, May 1967, Vol. 90, No. 5.

TABLE 8.--RELATIONSHIP OF EMPLOYMENT IN NEW PLANTS, TOTAL MANUFACTURING EMPLOYMENT,
AND POPULATION, INSIDE AND OUTSIDE SMSA'S, 12 SELECTED STATES

(Percent of State totals)

Location	Employment in new plants 1963-1965	Total manufacturing employment 1963	Population 1960
<u>Colorado</u>	100.0	100.0	100.0
Inside SMSA's	75.0	87.5	68.0
Colorado Springs	19.3	4.0	8.2
Denver	54.8	73.8	53.0
Pueblo	1.0	9.6	6.8
Outside SMSA's	25.0	12.5	32.0
<u>Florida</u>	100.0	100.0	100.0
Inside SMSA's	62.6	71.9	65.6
Fort Lauderdale-Hollywood	7.1	4.5	6.7
Jacksonville	2.6	9.4	9.2
Miami	28.5	20.0	18.9
Orlando	3.7	9.1	6.4
Pensacola	0.2	6.1	4.1
Tampa-St. Petersburg	15.8	17.3	15.6
West Palm Beach	4.7	5.5	4.6
Outside SMSA's	37.4	28.1	34.4
<u>Illinois</u>	100.0 1/	100.0	100.0
Inside SMSA's	73.2	87.0	77.9
Champaign-Urbana	--	0.3	1.3
Chicago	71.2	71.1	61.7
Davenport-Rock Island-Moline 2/	0.2	2.3	2.0
Decatur	--	1.1	1.2
Peoria	--	3.3	3.1
Rockford	1.1	3.6	2.3
St. Louis, Mo. (Illinois portion)	0.7	4.3	4.8
Springfield	--	1.0	1.5
Outside SMSA's	26.8	13.0	22.1
<u>Kentucky</u>	100.0	100.0	100.0
Inside SMSA's	22.5 3/	58.3 3/	34.8 3/
Huntington-Ashland 2/	0.8	3.6	1.7
Lexington	5.7	6.0	4.3
Louisville 2/	2.2	43.2	20.1
Outside SMSA's	77.5	41.7	65.2
<u>Maryland</u>	100.0	100.0	100.0
Inside SMSA's	69.8	79.8	79.8
Baltimore	38.5	72.5	55.7
Wash.-Md.-Va. (Md. portion)	26.7	6.0	22.5
Wilmington, Del. (Md. portion)	4.6	1.3	1.6
Outside SMSA's	30.2	20.2	20.2
<u>New Jersey</u>	100.0	100.0	100.0
Inside SMSA's	86.0 4/	81.8 4/	78.9 4/
Atlantic City	0.7	1.0	2.7
Jersey City	19.3	13.2	10.1
Newark	23.7	30.2	27.8
Patterson-Clifton-Passaic	28.9	21.1	19.6
Trenton	2.4	4.5	4.4
Outside SMSA's	14.0	18.2	21.1

See footnotes at the end of table.

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TABLE 8.--RELATIONSHIP OF EMPLOYMENT IN NEW PLANTS, TOTAL MANUFACTURING EMPLOYMENT,
AND POPULATION, INSIDE AND OUTSIDE SMSA'S, 12 SELECTED STATES (Cont'd)

(Percent of State totals)

Location	Employment in new plants 1963-1965	Total manufacturing employment 1963	Population 1960
Pennsylvania	100.0 1/	100.0	100.0
Inside SMSA's	74.5	82.1	78.8
Allentown-Bethlehem-Easton 2/	6.2	6.0	3.8
Altoona	4.8	0.8	1.2
Binghamton, N. Y. (Pa. portion)	0.1	0.2	0.3
Erie	3.4	2.6	2.2
Harrisburg	1.6	2.4	3.3
Johnstown	1.1	1.7	2.5
Lancaster	1.7	3.4	2.5
Philadelphia 2/	21.5	33.1	31.7
Pittsburgh	7.5	19.6	21.3
Reading	1.6	3.6	2.4
Scranton	6.7	2.1	2.1
Wilkes Barre-Hazelton	10.5	3.1	3.1
York	7.6	3.5	2.6
Outside SMSA's	25.5	17.9	21.2
South Carolina	100.0 5/	100.0	100.0
Inside SMSA's	27.0	32.9	35.8
Augusta, Ga. (S. C. portion)	4.1	5.7	3.4
Charleston	1.6	4.2	10.7
Columbia	2.9	5.5	10.9
Greenville	18.5	17.5	10.7
Outside SMSA's	73.0	67.1	64.2
Tennessee	100.0 6/	100.0	100.0
Inside SMSA's	19.4	48.0	45.8
Chattanooga 2/	1.7	10.3	6.7
Knoxville	1.2	10.6	10.3
Memphis 2/	13.4	13.6	17.6
Nashville	3.1	13.5	11.2
Outside SMSA's	80.6	52.0	54.2
Texas	100.0 1/	100.0	100.0
Inside SMSA's	56.4	79.4	63.4
Abilene	0.6	0.7	1.3
Amarillo	3.6	0.7	1.6
Austin	0.6	1.2	2.2
Beaumont-Port Arthur	--	6.5	3.2
Brownsville-Harlingen-San Benito	2.8	0.9	1.6
Corpus Christi	0.8	1.5	2.3
Dallas	15.6	20.6	11.3
El Paso	1.3	2.9	3.3
Fort Worth	6.4	9.8	6.0
Galveston-Texas City	0.2	1.9	1.5
Houston	13.1	20.9	13.0
Laredo	0.4	0.2	0.7
Lubbock	2.5	1.1	1.6
Midland	--	0.1	0.7
Odessa	0.8	0.4	0.9
San Angelo	3.2	0.4	0.7
San Antonio	2.5	4.6	7.2
Texarkana (Texas portion)	--	1.1	0.6
Tyler	--	1.4	0.9
Waco	1.3	1.9	1.6
Wichita Falls	1.0	0.7	1.4
Outside SMSA's	43.6	20.6	36.6

See footnotes at the end of table.

TABLE 8.--RELATIONSHIP OF EMPLOYMENT IN NEW PLANTS, TOTAL MANUFACTURING EMPLOYMENT,
AND POPULATION, INSIDE AND OUTSIDE SMSA'S, 12 SELECTED STATES (Concl'd)

(Percent of State totals)

Location	Employment in new plants 1963-1965	Total manufacturing employment 1963	Population 1960
Virginia	100.0	100.0	100.0
Inside SMSA's	36.0	43.3	51.6
Lynchburg	3.7	5.9	2.8
Newport News-Hampton	2.5	8.1	5.7
Norfolk-Portsmouth	3.0	5.3	14.6
Richmond	11.0	15.2	11.0
Roanoke	7.5	4.8	4.0
Wash.-Md.-Va. (Va. portion)	8.4	3.9	13.6
Outside SMSA's	64.0	56.7	48.4
Washington	100.0 6/	100.0	100.0
Inside SMSA's	27.1	70.5	63.1
Portland, Oregon (Wash. portion)	9.6	3.9	3.3
Seattle-Everett	10.0	54.0	38.8
Spokane	6.6	5.3	9.8
Tacoma	0.8	7.4	11.3
Outside SMSA's	72.9	29.5	36.9

1/ Data are for 1964-1965 and for plants with 25 or more employees only.

2/ Interstate SMSA with the central city located within the State.

3/ Includes portions of 2 interstate SMSA's where central city is located in another State.

4/ Includes portions of 3 interstate SMSA's where central city is located in another State.

5/ 1965 data are for plants with 25 or more employees only.

6/ Plants with 10 or more employees only.

Source: Appendix A; Bureau of the Census, 1963 Census of Manufactures, "General Statistics for
Counties" (MC63(P)-7) and 1960 Census of Population, "Characteristics of the Population,
Number of Inhabitants" (Vol. 1, Part A).

TABLE 9.--PERCENT DISTRIBUTION OF EMPLOYMENT IN NEW MANUFACTURING PLANTS, BY POPULATION SIZE OF MUNICIPALITIES, INSIDE AND OUTSIDE SMSA'S, 12 SELECTED STATES, 1963-1965

Location	In SMSA central cities	Outside SMSA Central Cities						Outside cities	Total
		Total	In cities having a 1960 population of:						
			25,000 and over	10,000 to 25,000	5,000 to 10,000	2,500 to 5,000	Less than 2,500		
Colorado, total	32.2	67.8	42.3	7.1	6.7	4.2	7.4	--	100.0
Inside SMSA's	42.9	57.1	50.9	0.4	3.2	2.4	0.2	--	100.0
Outside SMSA's	--	100.0	16.6	27.5	17.2	9.8	29.0	--	100.0
Exhibit: Percent distribution of 1960 population	37.4	62.6	9.7	6.9	5.0	3.2	7.2	30.7	100.0
Florida, total	38.9	61.1	14.2	12.6	10.1	7.3	8.2	8.7	100.0
Inside SMSA's	62.1	37.9	14.3	9.4	4.9	0.8	3.2	5.3	100.0
Outside SMSA's	--	100.0	14.1	18.0	18.7	18.2	16.5	14.5	100.0
Exhibit: Percent distribution of 1960 population	25.6	74.4	10.3	7.7	6.2	3.8	3.7	42.7	100.0
Illinois, total[1]	26.3	73.7	14.8	24.1	12.5	4.6	17.2	0.5	100.0
Inside SMSA's	35.9	64.1	10.2	19.8	12.5	1.7	19.2	0.7	100.0
Outside SMSA's	--	100.0	27.4	35.9	12.4	12.6	11.7	--	100.0
Exhibit: Percent distribution of 1960 population	40.8	59.2	13.5	11.4	6.2	4.1	6.5	17.6	100.0
Kentucky, total[2]	6.1	93.9	7.6	2.6	5.7	8.2	15.1	54.7	100.0
Inside SMSA's	27.0	73.0	6.0	2.5	0.6	--	15.6	48.3	100.0
Outside SMSA's	--	100.0	8.1	2.7	7.2	10.6	15.0	56.5	100.0
Exhibit: Percent distribution of 1960 population	16.0	84.0	6.4	5.1	5.2	5.0	7.6	54.8	100.0

See footnotes at the end of table.

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TABLE 9.--PERCENT DISTRIBUTION OF EMPLOYMENT IN NEW MANUFACTURING PLANTS, BY POPULATION SIZE OF MUNICIPALITIES,

INSIDE AND OUTSIDE SMSA'S, 12 SELECTED STATES, 1963-1965   (Cont'd)

Location	In SMSA central cities	Outside SMSA Central Cities							Total
		Total	In cities having a 1960 population of:					Outside cities	
			25,000 and over	10,000 to 25,000	5,000 to 10,000	2,500 to 5,000	Less than 2,500		
Maryland, total[3/]	9.6	90.4	14.3	9.2	2.1	13.3	17.2	34.3	100.0
Inside SMSA's	13.8	86.2	14.1	1.9	2.4	15.4	10.5	41.9	100.0
Outside SMSA's	--	100.0	14.9	26.1	1.5	8.3	32.5	16.7	100.0
Exhibit: Percent distribution of 1960 population	30.3	69.7	3.1	4.0	2.8	1.6	3.3	54.9	100.0
New Jersey, total[4/]	25.9	74.1	32.8	18.8	11.8	7.2	1.3	2.2	100.0
Inside SMSA's	30.2	69.8	33.3	15.9	11.2	6.4	0.9	2.2	100.0
Outside SMSA's	--	100.0	29.7	37.1	15.1	12.0	3.7	2.4	100.0
Exhibit: Percent distribution of 1960 population	18.7	81.3	21.5	14.6	8.8	4.5	1.7	30.1	100.0
Pennsylvania, total[5/]	29.0	71.0	4.6	9.3	16.5	7.8	11.1	21.8	100.0
Inside SMSA's	38.9	61.1	2.1	7.3	13.3	7.0	8.8	22.6	100.0
Outside SMSA's	--	100.0	11.9	15.0	25.7	10.1	17.9	19.4	100.0
Exhibit: Percent distribution of 1960 population	31.7	68.3	3.5	9.6	8.2	4.3	5.3	37.4	100.0
South Carolina, total[6/]	12.6	87.4	7.8	16.1	31.3	10.2	19.3	2.7	100.0
Inside SMSA's	46.6	53.4	--	14.0	10.3	1.3	27.6	0.1	100.0
Outside SMSA's	--	100.0	10.7	16.8	39.0	13.6	16.2	3.7	100.0
Exhibit: Percent distribution of 1960 population	9.6	•90.4	4.8	5.6	7.5	3.5	6.3	62.7	100.0

See footnotes at the end of table.

TABLE 9.--PERCENT DISTRIBUTION OF EMPLOYMENT IN NEW MANUFACTURING PLANTS, BY POPULATION SIZE OF MUNICIPALITIES, INSIDE AND OUTSIDE SMSA'S, 12 SELECTED STATES, 1963-1965   (Cont'd)

Location	In SMSA central cities	Outside SMSA Central Cities							Total
		Total	In cities having a 1960 population of:					Outside cities	
			25,000 and over	10,000 to 25,000	5,000 to 10,000	2,500 to 5,000	Less than 2,500		
Tennessee, total[7]/	17.2	82.8	3.1	13.0	25.1	15.0	21.6	5.0	100.0
Inside SMSA's	88.8	11.2	0.3	0.6	1.8	0.5	--	8.1	100.0
Outside SMSA's	--	100.0	3.8	16.0	30.7	18.4	26.8	4.3	100.0
Exhibit: Percent distribution of 1960 population	25.5	74.5	3.3	6.6	4.3	3.5	4.7	52.1	100.0
Texas, total	37.7	62.3	8.3	13.4	6.6	5.7	7.6	20.7	100.0
Inside SMSA's	66.9	33.1	9.4	3.8	0.7	2.9	3.4	12.9	100.0
Outside SMSA's	--	100.0	6.8	25.7	14.3	9.4	13.0	30.8	100.0
Exhibit: Percent distribution of 1960 population	46.8	53.2	5.5	9.8	5.9	4.7	5.5	21.6	100.0
Virginia, total[6]/	16.6	83.4	5.0	14.4	7.1	3.8	19.6	33.5	100.0
Inside SMSA's	46.2	53.8	4.4	16.4	0.4	4.2	3.9	24.5	100.0
Outside SMSA's	--	100.0	5.4	13.2	10.9	3.6	28.5	38.5	100.0
Exhibit: Percent distribution of 1960 population	25.1	74.9	5.1	6.0	3.0	2.1	3.5	55.2	100.0
Washington, total[6]/	7.5	92.5	17.8	32.1	10.3	15.2	16.0	1.1	100.0
Inside SMSA's	27.5	72.5	24.2	18.3	5.8	3.1	20.0	1.1	100.0
Outside SMSA's	--	100.0	15.5	37.2	12.0	19.7	14.6	1.1	100.0
Exhibit: Percent distribution of 1960 population	31.1	68.9	6.3	9.4	4.5	3.4	5.6	39.7	100.0

See footnotes on the next page.

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TABLE 9.--PERCENT DISTRIBUTION OF EMPLOYMENT IN NEW MANUFACTURING PLANTS, BY POPULATION SIZE OF MUNICIPALITIES,

INSIDE AND OUTSIDE SMSA'S, 12 SELECTED STATES, 1963-1965   (Concl'd)

1/ Includes portions of two interstate SMSA's, one with central city located in Illinois and one with central city located in another State.

2/ Includes portions of four interstate SMSA's, two with central city located in Kentucky, and two with central city located in another State.

3/ Includes portions of two interstate SMSA's with central city located outside of State.

4/ Includes portions of three interstate SMSA's with central city located in another State.

5/ Includes portions of three interstate SMSA's, two with central city located in Pennsylvania, and one with central city located in another State.

6/ Includes a portion of one SMSA with central city located in another State.

7/ Includes portions of two interstate SMSA's with central city located in State.

Source: Appendix A; Bureau of the Census, 1960 Census of Population, "Characteristics of the Population, Number of Inhabitants" (Vol. 1, Part A).

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Chapter III

THE EFFECT OF STATE ECONOMIC DEVELOPMENT POLICIES
ON THE BUSINESS TAX COMPONENT OF STATE AND LOCAL REVENUE SYSTEMS

Most of the taxes imposed on business firms by States and localities do not lend themselves to easy economic rationalization. To the extent that State and local business tax payments are passed on to the consumer in the form of higher prices for goods and services, they become an indirect or hidden type of consumer tax with capricious incidence effects. Where business bears the burden of taxation, it cannot readily be related to the traditional economic rationalization of ability to pay. Nor is the benefits received concept easily employed for business tax payments unless they are related to property protection or enhancement, although by and large industry is becoming increasingly aware of the indirect benefits that flow from general welfare and educational services underwritten by business tax dollars.

The absence of a persuasive economic rationale, however, does not wipe out the long tradition of State and local taxation of business firms for the massive fiscal fact that direct business-type taxes produced an estimated $17.6 billion in 1964--approximately 35 percent of the total State and local tax take, including employment taxes (table 10). If the business user portion of sales and motor fuel tax payments is included, total State and local business taxes approximated $20.3 billion in 1964. 1/

RELATIVE DECLINE IN BUSINESS TAX PAYMENTS

Despite the fact that business tax payments (exclusive of employment taxes) rose from $5.7 billion to $14.5 billion during the 1950-1964 period, their _relative_ fiscal importance declined in comparison with personal taxes-- falling from 36 to 30 percent of total State and local tax revenue. Inclusion of unemployment compensation tax payments does not change the relative decline in the importance of taxes with initial impact on business. The share of total State and local tax receipts provided by business taxes (including employment taxes) has declined steadily between 1950 and 1964--dropping from 39.9 to 34.6 during this 14-year period.

1/ Assuming that 15 percent of the total sales tax is paid by business users, their general sales tax payment would amount to approximately $1.1 billion in 1964, while motor fuel tax payments made by business firms (estimated at 40 percent of total fuel tax payments) would amount to $1.6 billion for the same year. The general sales and motor fuel taxes were placed in the personal tax category (table 10) because they are primarily direct consumer levies.

TABLE 10.--STATE AND LOCAL TAXES COLLECTED FROM BUSINESS FIRMS
AND FROM INDIVIDUALS, SELECTED YEARS 1950-1964

Item	1950	1955	1957	1960	1962	1964
	1. AMOUNT (in millions of dollars)					
Total collections (excluding employment taxes)	15,831[1]	23,383[1]	28,645[2]	36,117	41,554	47,785
Total collections (including employment taxes)	16,863	24,524	30,159	38,259	44,209	50,838
Taxes with initial impact on business:						
Total, excluding employment taxes	5,699	8,063	9,705	11,761	13,184	14,522
Total, including employment taxes	6,731	9,204	11,219	13,903	15,839	17,575
Property (real and personal)	3,579	4,947	5,808	7,251	8,156	8,606
Unemployment compensation	1,032	1,141	1,514	2,142	2,655	3,053
Corporation net income[3]	616	774	1,043	1,200	1,332	1,723
Gross receipts[4]	632	961	1,140[4]	1,371	1,546	1,818
Licenses[5]	652	1,033	1,249	1,433	1,612	1,780
Severance	211	306	388	420	451	489
Other	9	42	78	86	85	106
Taxes primarily on individuals, total[6]	10,132	15,320	18,940	24,356	28,370	33,263
Property (real and personal)[7]	3,770	5,788	7,056	9,154	10,898	12,635
General sales and gross receipts[8]	1,854	2,978	3,879	4,983	5,860	7,005
Motor fuel	1,558	2,375	2,854	3,368	3,701	4,092
Personal income[9]	765	1,207	1,644[9]	2,443	3,013	3,763
Motor vehicle and operators' licenses[10]	787	1,225	1,404	1,635	1,719	1,974
Tobacco products	446	508	602	988	1,136	1,280
Alcoholic beverages	433	491	590	673	765	893
Other	519	748	910	1,112	1,278	1,621

See footnotes at the end of table.

Item	1950	1955	1957	1960	1962	1964
	2. PERCENT OF TOTAL, EXCLUDING EMPLOYMENT TAXES					
Total collections	100.0[1]	100.0[1]	100.0[2]	100.0	100.0	100.0
Taxes with initial impact on business, total	36.0	34.5	33.9	32.6	31.7	30.4
Property (real and personal)	22.6	21.2	20.3	20.1	19.6	18.0
Corporation net income	3.9	3.3	3.6	3.3	3.2	3.6
Gross receipts	4.0	4.1	4.0	3.8	3.7	3.8
Licenses	4.1	4.4	4.4	4.0	3.9	3.7
Severance	1.3	1.3	1.4	1.2	1.1	1.0
Other	0.1	0.2	0.3	0.2	0.2	0.2
Taxes primarily on individuals, total	64.0	65.5	66.1	67.4	68.3	69.6
Property (real and personal)	23.8	24.8	24.6	25.3	26.2	26.4
General sales and gross receipts	11.7	12.7	13.5	13.8	14.1	14.7
Motor fuel	9.8	10.2	10.0	9.3	8.9	8.6
Personal income	4.8	5.2	5.7	6.8	7.3	7.9
Motor vehicle and operators' licenses	5.0	5.2	4.9	4.5	4.1	4.1
Tobacco products	2.8	2.2	2.1	2.7	2.7	2.7
Alcoholic beverages	2.7	2.1	2.1	1.9	1.8	1.9
Other	3.3	3.2	3.2	3.1	3.1	3.4

See footnotes at the end of table.

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Item	1950	1955	1957	1960	1962	1964
	3. PERCENT OF TOTAL, INCLUDING EMPLOYMENT TAXES					
Total collections	100.0[1]	100.0[1]	100.0[2]	100.0	100.0	100.0
Taxes with initial impact on business, total	39.9	37.5	37.2	36.3	35.8	34.6
Property (real and personal)	21.2	20.2	19.3	19.0	18.4	16.9
Unemployment compensation	6.1	4.7	5.0	5.6	6.0	6.0
Corporation net income[3]	3.7	3.2	3.5	3.1	3.0	3.4
Gross receipts[4]	3.7	3.9	3.8	3.6	3.5	3.6
Licenses[5]	3.9	4.2	4.1	3.7	3.6	3.5
Severance	1.3	1.2	1.3	1.1	1.0	1.0
Other	0.1	0.2	0.3	0.2	0.2	0.2
Taxes primarily on individuals, total[6]	60.1	62.4	62.8	63.7	64.2	65.4
Property (real and personal)[7]	22.4	23.6	23.4	23.9	24.7	24.9
General sales and gross receipts[8]	11.0	12.1	12.9	13.0	13.3	13.8
Motor fuel	9.2	9.7	9.5	8.8	8.4	8.0
Personal income[9]	4.5	4.9	5.5	6.4	6.8	7.4
Motor vehicle and operators' licenses[10]	4.7	5.0	4.7	4.3	3.9	3.9
Tobacco products	2.6	2.1	2.0	2.6	2.6	2.5
Alcoholic beverages	2.6	2.0	2.0	1.8	1.7	1.8
Other	3.1	3.1	3.0	2.9	2.9	3.2

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See footnotes at the end of table.

TABLE 10.--STATE AND LOCAL TAXES COLLECTED FROM BUSINESS FIRMS
AND FROM INDIVIDUALS, SELECTED YEARS 1950-1964   (Cont'd)

Item	1950	1955	1957	1960	1962	1964
	4. PER $1,000 OF GROSS NATIONAL PRODUCT					
Total collections (excluding employment taxes)	$55.59[1]	$58.76[1]	$64.93[2]	$71.69	$74.16	$76.01
Total collections (including employment taxes)	59.21	61.62	68.37	75.95	78.90	80.86
Taxes with initial impact on business:						
Total, excluding employment taxes	20.01	20.26	22.00	23.34	23.53	23.10
Total, including employment taxes	23.64	23.12	25.43	27.60	28.27	27.95
Property (real and personal)	12.57	12.43	13.17	14.39	14.56	13.69
Unemployment compensation	3.62	2.87	3.43	4.25	4.74	4.86
Corporation net income[3]	2.16	1.94	2.36	2.38	2.38	2.74
Gross receipts[4]	2.22	2.41	2.58	2.72	2.76	2.89
Licenses[5]	2.29	2.59	2.83	2.84	2.88	2.83
Severance	.74	.77	.88	.83	.80	.78
Other	.03	.11	.18	.17	.15	.17
Taxes primarily on individuals, total[6]	35.58	38.50	42.94	48.35	50.63	52.91
Property (real and personal)[7]	13.23	14.54	16.00	18.17	19.45	20.10
General sales and gross receipts[8]	6.51	7.48	8.79	9.89	10.46	11.14
Motor fuel	5.47	5.97	6.47	6.69	6.60	6.51
Personal income[9]	2.69	3.03	3.73	4.85	5.38	5.99
Motor vehicle and operators' licenses[10]	2.76	3.08	3.18	3.25	3.07	3.14
Tobacco products	1.57	1.28	1.36	1.96	2.03	2.04
Alcoholic beverages	1.52	1.23	1.34	1.34	1.37	1.42
Other	1.82	1.88	2.06	2.21	2.28	2.58

See footnotes at the end of table.

1/   Census data adjusted to exclude $83 million in 1950 and $100 million in 1955, parking meter revenue reclassified by the Bureau of the Census as "charges for current services."

2/   Census data adjusted to exclude $105 million, parking meter revenue (see footnote 1/); adjusted also to reflect one year's collections of public utility gross receipts and personal income taxes in Virginia.

3/   Census data adjusted for amounts of State corporate income taxes reported with personal income taxes.

4/   Insurance premium, utility, and general gross receipts taxes on business firms. See also footnote 2/.

5/   Corporation franchise and miscellaneous business and occupational licenses.

6/   All of these taxes have some initial impact on business except that portion of the property tax that is derived from farm and from owner-occupied residences.

7/   Residential (owner- and tenant-occupied) and agricultural.

8/   Excludes "business and occupation gross receipts taxes" in Indiana, Washington, and West Virginia.

9/   See footnotes 2/ and 3/.

10/ Excludes licenses on motor carriers.

Source: Estimated by the Advisory Commission on Intergovernmental Relations Staff, on the basis of data from the Bureau of the Census and Office of Business Economics, U. S. Department of Commerce.

Each of the taxes with initial impact on business has declined as a percentage of total tax collections. Despite the substantial rise in corporate profits, the relative importance of corporate tax receipts to total State-local tax collections has changed little between 1950 and 1964. Although total business expenditures on new plants and equipment approached $500 billion in the 1950-1964 period, taxes on business property as a percent of total State-local collections dropped from 22.6 percent in 1950 to only 18 percent in 1964.

In striking contrast, the taxes primarily paid by individuals showed a slow but steady growth. Property taxes, which accounted for almost 24 percent of total State-local collections in 1950, rose to 26.4 percent by 1964. Sales taxes on a percent of total State-local collections rose from 11.7 to 14.7 percent between 1950 and 1964. The most impressive rise in relative emphasis involved the personal income tax, which rose from less than 5 percent of State-local tax collections in 1950 to almost 8 percent by 1964.

The decline in the relative importance of business taxes is also reflected by gross national product comparisons. Business taxes (including employment taxes) which had amounted to $23.64 per $1,000 of gross national product in 1950 had risen by 1964 to $27.95. During this same 14-year period, personal taxes rose from $35.58 to $52.91 per $1,000 of gross national product.

For the period from 1957 to 1962, it is possible to get behind the national aggregates to compare the relative reliance which each State placed on business taxes. These two census years have provided sufficient local tax information to break down the property tax collection figure for each State into its business and nonbusiness components. 1/

As set forth in table 11, the five-year trend indicates that in most States business-type taxes declined in importance when compared to personal taxes. The heavy reliance on severance-type levies accounted for the high business tax ratios for Texas and Louisiana.

The relative decline in the importance of business-type taxes cannot be attributed to a general decline in the importance of the business sector of the economy. As illustrated by table 12, the non-farm business component of GNP has remained remarkably constant since 1950--between 83 and 84 percent.

"Automatic" Explanatory Factors

Part of the steady and significant shift in emphasis to taxes on individuals and away from business-type levies can be explained in terms of the automatic or nonpolitical considerations.

The revenue yields of some of the taxes on individuals tend to grow automatically at a faster rate in response to economic growth than is the case for business-type levies. As illustrated by table 13, the personal income tax

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1/ For a description of the methodology employed for estimating the property tax payments of business firms on a State basis, see Appendix B.

TABLE 11.--RELATIONSHIP OF STATE AND LOCAL TAXES WITH AN INITIAL IMPACT
ON BUSINESS TO TOTAL STATE AND LOCAL TAXES, BY STATE, 1957 AND 1962

State and region	Taxes on business as a percent of total taxes					
	Including employment taxes			Excluding employment taxes		
	1962	1957	% change 1957-1962	1962	1957	% change 1957-1962
United States	35.8	37.2	-3.8	31.7	33.9	-6.5
New England	35.5	37.0	-4.1	30.9	32.6	-5.2
Maine	29.8	33.0	-9.7	26.2	28.9	-9.3
New Hampshire	31.7	36.3	-12.7	28.0	31.8	-12.0
Vermont	28.7	29.7	-3.4	26.2	26.8	-2.6
Massachusetts	35.6	37.7	-5.6	30.9	33.5	-7.8
Rhode Island	35.2	41.7	-15.6	28.5	33.2	-14.2
Connecticut	38.6	36.4	+6.0	34.3	32.6	+5.2
Mideast	36.4	39.5	-7.8	30.8	35.2	-12.5
New York	35.6	37.5	-5.1	30.5	34.0	-10.3
New Jersey	42.3	45.6	-7.2	37.2	40.8	-8.8
Pennsylvania	36.1	42.7	-15.5	28.6	37.1	-22.9
Delaware	35.3	31.4	+12.4	30.5	27.8	+9.7
Maryland	32.6	31.6	+3.2	26.5	28.7	-7.7
Dist. of Columbia	31.6	32.9	-4.0	29.5	31.0	-4.8
Great Lakes	36.5	36.3	+0.6	32.4	33.0	-1.8
Michigan	39.6	39.5	+0.3	34.6	35.3	-2.0
Ohio	38.6	34.1	+13.2	34.7	31.4	+10.5
Indiana	40.7	40.5	+0.5	38.2	37.2	+2.7
Illinois	32.5	33.3	-2.4	27.8	30.0	-7.3
Wisconsin	32.5	37.8	-14.0	29.9	35.5	-15.8
Plains	29.7	30.7	-3.3	27.6	28.6	-3.5
Minnesota	37.7	41.3	-8.7	35.7	39.7	-10.1
Iowa	23.0	21.2	+8.5	21.9	19.9	+10.1
Missouri	30.3	32.0	-5.3	26.8	28.7	-6.6
North Dakota	25.8	25.0	+3.2	23.5	23.2	+1.3
South Dakota	20.8	19.8	+5.1	19.3	18.5	+4.3
Nebraska	23.8	25.1	-5.2	21.5	23.2	-7.3
Kansas	30.4	31.9	-4.7	28.8	29.7	-3.0
Southeast	34.3	35.3	-2.8	31.1	32.2	-3.4
Virginia	36.0	38.2	-5.8	33.6	36.5	-7.9
West Virginia	40.8	44.8	-8.9	35.9	41.5	-13.5
Kentucky	27.9	33.8	-17.5	23.8	28.9	-17.6
Tennessee	31.0	31.1	-0.3	26.9	26.2	+2.7
North Carolina	32.8	36.1	-9.1	29.4	32.5	-9.5
South Carolina	29.4	31.4	-6.4	26.6	28.0	-5.0
Georgia	29.8	28.8	+3.5	26.7	25.4	+5.1
Florida	32.3	32.2	+0.3	29.4	30.6	-3.9
Alabama	29.1	29.9	-2.7	24.1	25.7	-6.2
Mississippi	35.9	34.6	+3.8	33.0	32.5	+1.5
Louisiana	55.0	50.0	+10.0	53.3	48.0	+11.0
Arkansas	26.0	29.3	-11.3	23.0	26.6	-13.5
Southwest	42.3	46.9	-9.8	40.5	45.3	-10.6
Oklahoma	33.4	36.0	-7.2	31.0	34.0	-8.8
Texas	46.6	53.2	-12.4	45.2	52.0	-13.1
New Mexico	38.5	30.5	+26.2	36.5	28.0	+30.4
Arizona	32.3	35.3	-8.5	30.0	32.7	-8.3
Rocky Mountain	35.7	36.9	-3.3	33.3	35.0	-4.9
Montana	39.8	40.7	-2.2	37.4	38.8	-12.2
Idaho	37.7	37.0	+1.9	33.7	34.5	-2.3
Wyoming	37.7	42.0	-10.2	35.4	40.3	-3.6
Colorado	33.1	32.7	+1.2	31.1	31.4	-1.0
Utah	36.2	40.6	-10.8	33.7	38.2	-11.8

See footnotes at the end of table.

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TABLE 11.--RELATIONSHIP OF STATE AND LOCAL TAXES WITH AN INITIAL IMPACT
ON BUSINESS TO TOTAL STATE AND LOCAL TAXES, BY STATE, 1957 AND 1962   (Concl'd)

| State and region | Taxes on business as a percent of total taxes | | | | | |
| | Including employment taxes | | | Excluding employment taxes | | |
	1962	1957	% change 1957-1962	1962	1957	% change 1957-1962
Far West[1]/	36.3	36.1	+0.6	31.8	32.8	-3.0
Washington	33.8	35.6	-5.1	29.5	30.4	-3.0
Oregon	39.8	38.5	+3.4	34.5	35.4	-2.5
Nevada	38.9	41.2	-5.6	33.6	36.9	-8.9
California	36.3	35.9	+1.1	31.8	32.8	-3.0
Alaska	39.5	n.a.	n.a.	30.7	n.a.	n.a.
Hawaii	19.7	n.a.	n.a.	17.3	n.a.	n.a.

n.a. -- Data not available.

1/   -- Excluding Alaska and Hawaii

Source: Appendix C.

TABLE 12.--RELATIONSHIP OF BUSINESS GNP TO TOTAL GNP 1950-1964

(Billions of Dollars)

Year	Total GNP	Business GNP 1/	% Business GNP is to total
1950	284.8	236.3	83.1
1955	398.0	334.1	83.9
1957	441.1	370.9	84.1
1960	503.7	420.2	83.4
1962	560.3	466.2	83.2
1964	631.7	527.0	83.4

1/ Value of goods and services produced by the non-farm
   business sector of the economy.

Source: GNP statistics derived from data prepared by the
        Office of Business Economics, Department of
        Commerce.

is the most elastic of the major State taxes. Every 10 percent increase in
GNP can be expected to yield an approximate 16 percent increase in income tax
collections without any increase in the tax rate. The corporate income tax is
the next most "elastic" or responsive to economic growth, while the others,
including some of the less significant taxes on business, either rise roughly
in proportion to the growth in the gross national product or lag substantially
behind.

License fees, a minor but widespread method of exacting tax contributions
from business, are a prime example of the inelasticity of business-type State
and local taxes. License fees, once established, often tend to be held at the
same level year after year with the result that the only growth in this revenue
source stems from an increase in the number of firms licensed.

"Non-automatic" Tax Policy Explanatory Factors

As previously noted, only part of the relative decline in the fiscal
importance of State and local business taxes can be attributed to automatic or
economic considerations. Political or tax policy factors have also played a
part. As will be outlined in the following section, the desire of State and
local policymakers to create a favorable tax climate for industrial development
stands out as an important force working for reduced State and local reliance
on strictly business-type levies.

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TABLE 13.--GROSS NATIONAL PRODUCT ELASTICITIES OF THE
MAJOR CATEGORIES OF STATE GENERAL REVENUE

Revenue source	Elasticity estimates		
	Low	Medium	High
Property taxes	0.7	0.9	1.1
Income taxes: individual	1.5	1.65	1.8
corporate	1.1	1.2	1.3
Sales taxes: general	0.9	0.97	1.05
motor fuel	0.4	0.5	0.6
alcoholic beverages	0.4	0.5	0.6
tobacco	0.3	0.35	0.4
public utilities	0.9	0.95	1.0
other	0.9	1.0	1.1
Auto license and registration	0.2	0.3	0.4
Death and gift taxes	1.0	1.1	1.2
All other taxes (including business and occupation licenses)	0.6	0.65	0.7
Higher education fees	1.6	1.7	1.8
Hospital fees	1.3	1.4	1.5
Natural resources fees	0.9	1.0	1.1
Interest earnings	0.6	0.7	0.8
Miscellaneous fees and charges	0.6	0.7	0.8

Source: Advisory Commission on Intergovernmental Relations, Federal-State
          Coordination of Personal Income Taxes, Washington, D. C., October
          1965, Table 4, p. 42.

FAVORABLE TAX CLIMATE CONCEPT

The growing State and local desire to share in the fruits of national economic growth has altered the pragmatic thinking that underpins State and local taxation of business firms--the negative fear of driving industry "out" is being replaced by the affirmative desire to bring more industry "in."

This dramatic change in State tax emphasis reflects the great transformation in economic and political thinking since World War II. The economic scarcity and stagnation theories of the Thirties have given ground before the economic growth and affluence concepts of the post World War II era. Moreover, a favorable attitude toward business is now more apt to generate voter support. The industrial promotion slogan--"profit is not a dirty word in Ohio"-- dramatically illustrates the increasing willingness of State political leaders to embrace publicly the free enterprise philosophy.

Essential Characteristics

In order to create a tax climate favorable to industrial development, State tax policymakers have followed two general strategies:

1. When additional revenue is required, they tend to place primary emphasis on those tax sources least apt to raise the hackles of the business community--direct consumer taxes such as general retail sales, cigarette, and alcoholic beverage taxes.

2. In order to enhance the States' favorable tax "image" while minimizing revenue loss, they (a) tend to restrict the benefits of business tax reductions to "new" or specially designated classes of business firms, and (b) initiate business tax reform, both structural and administrative, by actions that substitute State business taxes for the local personal property tax--policies designed to minimize tax compliance costs and enhance taxpayer certainty.

Table 14 summarizes a striking variety of tax methods employed by State and local governments to attract and hold industry.

Consumer Tax Preference

Since World War II, State tax policymakers have tended to adopt a direct consumer tax policy in order to reconcile their need for additional tax revenue with their desire to minimize the damage which tax increase action might have on the tax environment. There is ample documentation to support the contention that the business community generally favors State sales and other forms of

TABLE 14. STATE AND LOCAL TAX POLICIES DESIGNED TO ATTRACT AND TO HOLD INDUSTRY CLASSIFIED BY TYPE AND CHARACTER OF ACTION

Type of tax	Type of benefit and character of policy or practice		
	1 Legislative tax policies benefiting most or all firms	2 Legislative tax policies benefiting certain groups of firms	3 Administrative tax practices benefiting particular firms

A
 	
Personal property tax
	1A
	
	No tax (New York, Delaware, Pennsylvania, and Hawaii)
	Selective tax reduction action 1/
	State administration
		2A
		
		Selective exemptions and rate reductions:
		  "Free port" tax exemption with primary benefits
		  accruing to those firms with extensive inter-
		  state shipment (26 States). 2/
			3A
			
			Favorable assess-ment obtained through negoti-ation.

B
 	
Real property tax
	1B
	
	Low effective tax rates. 3/
	Well-defined assessment standards.
		2B
		
		1. Reduced real estate tax load for "new" industry
		      (example--Montana through classified
		      assessments).
		2. Tax exemption authorized by legislation for
		      designated types of "new industry" (in 13
		      States local governments are authorized to
		      grant exemptions for "new industry"; in
		      Louisiana, a State board can grant exemptions
		      from local property taxes). 4/
			3B
			
			Favorable assess-ment obtained through negoti-ation.

C
 	
Corporation income tax
	1C
	
	1. No tax (11 States). 5/
	2. Low effective rate (examples--
	      Indiana, Missouri, New Mexico,
	      and North Dakota).
		2C
		
		1. Preferential "write-off" for selected types of
		      investment (example--New York's accelerated
		      write-off provision for R & D facilities).
		2. Sales destination factor benefits home-State
		      firms with extensive out-of-State sales
		      (example--24 States with three-factor sales
		      destination formula).
			3C
			
			Favorable income apportionment obtained by multistate firms through negoti-ation.

See footnotes at the end of table.

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Type of tax	Type of benefit and character of policy or practice		
	1 Legislative tax policies benefiting most or all firms	2 Legislative tax policies benefiting certain groups of firms	3 Administrative tax practices benefiting particular firms
D Sales vs. personal income tax issue	1D 1. State use of sales taxes--no broad based personal income tax (13 States). 6/ 2. Direct business use exemption from sales tax (Ohio has most liberal exemption provision).	2D Machinery purchases exempted from sales tax for "new and expanded" industry (example--Kentucky and Georgia).	3D
E Unemployment compensation tax	1E Below average tax rates. 7/	2E Merit rating provides greatest benefit to those firms with the most stable employment record.	3E

1/ Examples are: the exemption of wholesalers' and retailers' inventories in Arizona; the gradual phase-out of the tax on manufacturers' inventories in Connecticut; the exemption of special tools in Michigan; and the 60% credit against the tax on merchants' inventories and manufacturers' materials and finished products in Wisconsin. See Appendix D for details.

2/ The 17 States that tax business inventories and do not have free port laws are: Alabama, Alaska, Arkansas, California, Colorado (except that property in transit will be assessed at 5% beginning in 1967), Florida, Georgia, Hawaii, Maryland, Montana, New Hampshire (but goods held for out-of-State delivery by a manufacturer when title has passed to the purchaser are exempt), New Mexico, North Carolina (but tangible personalty held at a seaport awaiting shipment to a foreign port is exempt), Rhode Island, Vermont, Virginia, and West Virginia. As noted in box 1A, four States (Delaware, Hawaii, New York, and Pennsylvania) exempt all personal property. In addition, Arizona and New Jersey exempt business inventories from property taxation, and Kentucky exempts personal property held in public warehouses for trans-shipment from local general property taxation but imposes a nominal State rate on such merchandise. The remaining 26 States, all of which tax business inventories, have free port tax exemptions.

3/ Effective property tax rates (the amount of tax paid as a percent of the market value of the property) are particularly low (between 0.5% and 0.9%) in most of the Southern States, although some of the Western States (for example, Hawaii, Montana, Nevada, Washington, and Wyoming) also have effective rates that are well below the U.S. average of 1.4% (in 1962).

4/ See Appendix E for details.

5/ Florida, Illinois, Maine, Michigan, Nevada, New Hampshire, Ohio, South Dakota, Texas, Washington, and Wyoming.

6/ Florida, Illinois, Maine, Michigan, Nevada, New Jersey, Ohio, Pennsylvania, South Dakota, Tennessee, Texas, Washington, and Wyoming.

7/ The States with the lowest effective rates (total unemployment compensation tax payments as a percent of total wages), ranging from .4% to .7% in 1964 were: Indiana, Iowa, Minnesota, Nebraska, South Dakota, Texas, Virginia, and West Virginia. The U. S. average effective rate was 1.3% (in 1964). See Appendix F.

direct consumer taxation over more intensive State use of corporate and individual income taxes. 1/

Apparently influenced by this preference pattern, State legislative bodies have placed primary emphasis on consumer taxes rather than income taxes when confronted with the need to raise additional tax revenue. As illustrated by the legislative box score in table 15, the consumer levies accounted for more than 70 percent of the "tax action" since 1955.

TABLE 15.--STATE TAX INCREASES, 1955-1966

Item	No. of increases	Percent distribution
Total tax increases	382	100.0
Cigarette	105	27.5
Sales	98	25.7
Alcoholic beverage	70	18.3
Personal income	60	15.7
Corporate income	49	12.8

Source: Based on data prepared by the Federation of Tax Administrators. In this context, a tax increase includes adoptions, rate increases, and base expansions.

The preference for consumer taxes rather than income taxes is also reflected in the adoption records for the "big three"--general sales, individual, and corporate income taxes. Spurred on by the relentless pressure for additional tax revenue and the need to diversify the State tax system, the sales tax movement has marched along while the individual and corporate income tax movement crept (table 16). In 1946 only 24 States, with 48% of the nation's population, imposed a general retail sales tax--by 1966, approximately 95 percent of the nation's population living in 42 States paid this tax.

While the corporate income tax appears to be moving at a slow pace generally, it has come to an absolute halt in those States that have made

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1/   In a half-page ad appearing in the Wall Street Journal on March 22, 1966, the Dade County Development Department listed the absence of State or local income tax "for either industry or individuals" as one of the primary reasons why Miami has become "number one in industrial development" and also a reason why manufacturers should be interested in locating in this area. The aversion of business to the personal income tax is also explained in Maine Legislative Research Committee, Study of the Feasibility of an Income Tax in the State of Maine (First Report to 102nd Legislature, January 1965) p. 33. See also, John F. Due, "Studies of State-Local Tax Influences on Location of Industry," National Tax Journal, June 1961, p. 172.

TABLE 16.--SALES AND INCOME TAX ADOPTION RECORDS

When adopted	General sales	Individual income	Corporation income
Adoptions prior to 1945	24	30	32
Adoptions since 1945 1/	19	4	7
Total	43	34	39

1/ As of mid-1967.

greater than average use of this levy. In 1956, six States (Alaska, Massachusetts, Mississippi, North Carolina, Oregon, and Wisconsin) had corporate tax rates of 6 percent or more (well above the national average) and did not permit Federal income tax payments as a deduction in arriving at income subject to State tax. 2/ In the ensuing decade not one of these States increased its corporate tax rate and Mississippi's rate was cut to 3 percent. Yet, as a group, they took 44 affirmative tax increase actions: cigarettes--14 (including a new adoption); sales--8 (including two new adoptions); gasoline--5; alcoholic beverages--8; and personal income tax--9.

The heavy legislative action on the general sales and cigarette tax fronts explains their remarkable revenue growth in relation to GNP despite their relatively low elasticity (table 10).

Selective Business Tax Reductions

State legislative bodies have followed a selective business tax reduction policy in order to maximize the favorable aspects of their tax "image" while minimizing the loss of revenue--an approach dictated by both political and fiscal reality. When constantly confronted with the need to increase taxes, it is extremely difficult to persuade the general public that they should pay higher personal taxes while at the same time advocating general tax reductions for business firms. It is probably safe to assume that only a small minority of the electorate would support the outright abolition of all business cost taxes on the grounds that they are simply indirect or hidden sales levies.

Confronted with these political and fiscal realities, the selective business tax policy approach favors "new industry" and strategies that do not involve an obvious across-the-board reduction in business tax rates. Examples of the special business tax reduction policy are as follows:

1. Property tax exemptions for new industry;

2/ Wisconsin allows limited deduction of Federal income tax payments (in 1956 and at present).

2. Locally negotiated property tax concessions;

3. "Freeport" laws to minimize personal property tax loads;

4. Corporation income tax-sales destination apportionment formula;

5. Corporation income tax-preferential write off proivisions; and

6. Special sales tax exemptions for "new industry."

Property Tax Exemptions for New Industry.--Undoubtedly, the most dramatic example of special tax benefit for new industry is to be found in the legislation of 13 States that authorizes local governments to exempt from local taxation the real estate holdings of "new industries" for a designated number of years. 1/ In some States exemptions are limited to specific kinds of industries, and Rhode Island and Vermont provide a tax stabilization (tax freeze) for a ten-year period to new industrial and commercial property as an alternative to outright exemption.

Because essential data on industrial exemptions are not available for most States granting this type of tax concession, it is not possible to calculate with any degree of precision the amount of tax revenue foregone. A recent study noted that legally authorized industrial exemptions are used extensively in only seven States--Alabama, Kentucky, Louisiana, Mississippi, Rhode Island, South Carolina, and Vermont. 2/ In that study, the total value of industrial exemptions was estimated at about $3.6 billion, representing an annual property tax abatement of some $40 million, and this estimate included property tax exemptions on governmentally owned industrial plants financed through the issuance of industrial development bonds.

Three States (Alabama, Montana, and Louisiana) provide sufficient information on the assessed value of tax exempt property to permit an estimate of the property tax "cost" of their industrial inducement efforts. The Alabama Department of Revenue reported that the assessed value of industrial exemptions was $77.8 million in 1965. Because Alabama exemption does not extend to school levies, the amount of property tax revenue foregone as a result of industrial exemptions in that State is in the order of $500,000 to $1 million. Montana provides a three-year tax concession for new industry by assessing this property at 7 percent rather than at the statutory 30 percent level specified by its classified assessment system. In Montana's case, the estimated tax loss is approximately $100,000.

Louisiana has a highly developed system for granting exemptions to new industry. Under the State constitution, the State Board of Commerce and

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1/ State constitutional and statutory property tax exemption provisions are set forth in Appendix E.

2/ Benjamin Bridges, Jr., "State and Local Inducements for Industry," National Tax Journal, March 1965 (Vol . XVIII, No. 1) p. 9.

Industry is authorized to enter into contracts with new or expanding firms for ad valorem tax exemptions up to 5 years. The State Tax Department reports that property valued at about $2 billion is subject to tax-exemption contracts --representing an annual tax abatement estimated at between $10 and $15 million. In addition, cities and parishes are authorized to extend similar exemptions (from non-school taxes only). The taxable value of industrial property exempted by local action is not known.

The point must be emphasized that Louisiana stands out as the only State that grants a property tax exemption without local approval and that this procedure has generated considerable political opposition. The school district representatives have sought unsuccessfully to amend the tax exemption legislation to permit school rates to be extended against the assessment of exempted industrial property. The Farm Bureau in Louisiana has also opposed this industrial tax exemption. Its defenders argue that this extraordinary action was necessary in order to improve Louisiana's tarnished business "image" and to protect new industry from the highly discriminatory valuation practices of locally elected assessors.

In December of 1966, the Louisiana State legislature authorized the Louisiana Council on New Industry, with certain safeguards, to negotiate contracts with manufacturers which in effect will allow Louisiana to meet the best (lowest) tax offer the manufacturer would receive in any other State in which it contemplates locating. The tax concession contract will be subject to a review every five years and will require approval of manufacturers making competing articles.

Locally Negotiated Property Tax Concessions.--While there are examples of deliberate over-assessment of industrial property, it is not uncommon for local assessors to go in the other direction and assess industrial property below the prevailing assessment ratio. Because the appraisal of industrial property is a complex undertaking, few "outsiders" have sufficient technical competence to evaluate the fairness of industrial assessment. This, in turn, facilitates either an over-assessment or under-assessment policy.

In communities actively competing for new industry, local assessors are often under considerable pressure to give a prospective industry a "tax break." This preferential assessment policy is often justified as being in the best interests of the community and the mere threat by a dominant manufacturing firm to locate or to relocate in another community may yield tax assessment benefits.

While the extent of this "bargaining table" approach to property tax assessment cannot be documented, its existence cannot be denied. The following bit of advice underscores the importance of negotiation.

> It is often more advantageous to work with local groups, especially those with close connections to the local government --official or unofficial--than to work through State agencies. Local groups may be in a better position to arrange for such local matters as extending water and sewerage lines to, and

improving roads near, your site. Too, they may be able to
obtain a "better break" for you on your property assessment. 1/

"Freeport" Action.--A majority of States have sought to alleviate per-
sonal property taxes on business inventories in transit by the enactment of the
so-called "Freeport" exemption provision--a measure that provides primary bene-
fit to those firms with extensive interstate business. This provision entitles
property stored in the State, but destined for shipment to another State, exemp-
tion from inventory taxation. The significance of this property tax concession
was highlighted in Governor Love's address to the Colorado General Assembly:

> New industries are locating in Colorado, and older
> industries are making the vitally important decisions to keep
> their expansion at home and enlarge their Colorado plants and
> activities. In the last three years, 106 new industries have
> located in Colorado, and there have been 79 significant ex-
> pansions of local industries. These, and many other statistics,
> indicate that Colorado is on the move. Much of the underlying
> cause is the attractiveness of the great product we have to
> offer in Colorado itself.

> But, in addition to this, other activities have helped.
> The "Freeport Bill," passed by this Legislature at the last
> Session, has had a major and demonstrable effect on many
> decisions. 2/

Exemption of Business Purchases from Sales Taxation.--Although general
sales taxes are usually viewed as retail sales taxes, transactions between
businesses are taxed to a considerable extent under the State general sales tax
laws. It has been estimated that the business portion accounts for a tenth to
a third of the sales tax yield depending on the nature of the sales tax statute. 3/

While raw materials and other components entering into the manufacturing
process are exempted under all the State sales tax laws, industrial machines,
tools, and equipment are exempt in only 17 (of the 43 sales tax States), in-
cluding all but one (Nebraska) of the six States enacting tax laws most

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1/ Prentice-Hall, Inc., The Prentice-Hall Guide to State Industrial Develop-
    ment Incentives (Englewood Cliffs: 1963), p. 10.

2/ Governor's address to the Second Session of the 45 General Assembly,
    January 6, 1966. Original Freeport concept was limited to goods shipped
    into the State and destined to be shipped out. Now States have extended
    the concept to include goods produced in State but destined to be shipped
    out. This illustrates the idea that "one exemption breeds another." See
    Appendix D.

3/ Daniel C. Morgan, Jr., Retail Sales Tax, An Appraisal of New Issues (Madison
    and Milwaukee: The University of Wisconsin Press, 1964), p. 13.

recently. [1] In Georgia and Kentucky, the exemption applies only to machinery used directly for "new and expanded industry." Half of the sales tax States, including the six new ones, exempt fuel used for industrial processing. Office equipment and supplies, as well as display equipment is taxable in every State, except that Ohio exempts items "used directly" in making retail sales (display merchandise, show cases, refrigeration merchandise, shelves, store furniture, and fixtures).

Corporation Income Tax--Sales Destination Apportionment Formula.--Prompted in part by their concern to reduce their vulnerability to interstate tax competition, the corporation income tax States are placing increasing emphasis on apportionment formulas that have a sales destination factor. As of July 1966, 26 States applied the sales destination factor, 16 more than in 1955.

The inclusion of a sales destination factor in the apportionment of income of multistate firms has the effect of reducing the corporation income tax for home-state manufacturers and increasing the tax liability for out-of-state firms having extensive sales activity within the jurisdiction. For example, a manufacturing firm making virtually all of its sales outside of its home State would have its home-state corporation income tax rate roughly cut by 33 percent if a State gave equal apportionment value to property, payroll, and the sales destination factor. Thus, the home-state manufacturer based in a 6 percent corporation income tax State would actually be confronted with a 4 percent effective rate so far as his own State's tax is concerned, provided of course that virtually all of his sales were destined to places outside that State. This sales destination approach provides definite tax benefit to the home-state manufacturer to the extent that his out-of-state operations are located (a) in non-corporation income tax States, (b) in corporation tax States with lower rates than the home State, and (c) in those corporation income tax States in which its physical presence is so minimal as to preclude the establishment of a taxable nexus.

The point must be emphasized that this sales destination approach stands out as a first-rate example of a selective business tax reduction policy. It tends to reduce the corporation income tax States' vulnerability to interstate tax competition without forcing the State to make an obvious across-the-board reduction in its corporate tax rate.

Some of the State opposition to the Willis Subcommittee proposal for a two-factor (property and payroll) formula is based on the contention that by excluding the third factor (receipts or sales destination), it would place the corporation income tax States at a competitive disadvantage. Governor Rockefeller underscored this thinking in his testimony before the Willis Subcommittee:

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[1] Ibid., p. 18. Idaho and New York, which enacted sales tax laws in 1965, Massachusetts, New Jersey, and Virginia, which enacted such laws in 1966, and Nebraska, which adopted a sales tax in 1967, are not included in the Morgan study. In North Carolina the exemption applies to certain specified kinds of industrial machinery.

In selecting a method for distributing the income of a
multi-state business among the states in which it operates,
practically all of the states levying corporate taxes based on
income now use a yardstick measuring payroll, property and re-
ceipts. H.R. 11798 requires elimination of the receipts factor
in this formula. This would seriously impair our business
climate in New York since our manufacturers would be penalized
and manufacturers shipping into New York from other states would
be favored. 1/

Corporation Income Tax--Preferential Write-Offs.--Preferential corpora-
tion income tax write-offs stand out as another example of the use of the
selective business tax reduction policy to stimulate economic growth. In order
to encourage the construction of research and development facilities within its
borders, the State of New York permits the taxpayer the option of "expensing"
such outlays or writing them off at a faster rate than permitted under Federal
depreciation schedules.

Pennsylvania has also taken the rapid write-off approach. In a speech
before the Union League Club of Chicago, Governor Scranton cited several recent
actions taken by the State to improve the tax climate:

Since 1953, the share of State taxes paid directly by
business in Pennsylvania has been reduced with bipartisan
political support from over 46 per cent of the total to under
25 per cent this year.

Most recently, depreciation allowances for corporate
net income tax on new and expanded plants was increased by
50 per cent to one and one-half times the Federal rate.

Research and development firms were extended the same
exemptions previously enjoyed by manufacturing companies from
capital stock and franchise taxes. 2/

Special "Development" Taxes.--Just as certain States attempt to capital-
ize on their rather unique social environment by providing special location
inducements to research and development establishments, other States attempt to
exploit the economic advantages of their physical environment. For example,
Louisiana recently enacted a tax credit provision designed to encourage greater
industrial utilization of its natural gas resources.

1/ Statement by Governor Rockefeller regarding H.R. 11798, delivered by Joseph
    H. Murphy, Commissioner of Taxation and Finance, before the Special Sub-
    committee on State Taxation of Interstate Commerce of the Committee on the
    Judiciary of the House of Representatives, Washington, D. C., February 17,
    1966.

2/ Address by the Honorable William W. Scranton, Governor, Commonwealth of
    Pennsylvania, "100,000 Pennsylvanians" Luncheon, Union League Club, Chicago,
    Illinois, Tuesday, April 26, 1966.

Under this 1964 Louisiana enactment, every manufacturing firm is given an annual tax credit, the amount of which depends upon its consumption of that fuel product. The developmental character of this tax rebate provision is highlighted by the financing arrangement--an Industrial Development Fund financed by proceeds from the State corporation franchise tax.

Arkansas's practice of exempting textile mills from all property taxation for a period of 7 years from the date of location stands out as another example of "accentuating the positive." In this case, a State attempts to link its physical environment to industrial development via the tax exemption route. [1]/

Personal Property Tax Relief and Business Tax Reform

The concern for a favorable tax image has also prompted States to initiate a series of actions that march under the general banner of business tax reform. The objective of the reform movement is to maximize taxpayer certainty and evenhanded treatment, and to minimize those features of the tax system that are particularly discriminatory in character. As described in the following pages, this reform movement has both structural and administrative facets.

Structural Reforms.--The abolition or radical modification of the personal property tax ranks high on the legislative tax reform agenda because no other tax has been as roundly condemned as this levy. The case against this tax was summed up 30 years ago:

> There are substantial reasons for abolishing the tax on tangible personal property in any State that can possibly raise its revenue in any other way. It is difficult to administer. Even if perfectly administered, it is a poor means of measuring either the benefit to or the ability of an individual or business firm. [2]/

The attack on the business personal property tax is supported by the favorable business climate proponents and Governor Hughes of New Jersey has presented the following argument in favor of its repeal:

> This levy, as historically administered in New Jersey has cast an ever-lengthening shadow over the generally bright business picture in our State. Inherent in the locally administered business personalty tax has been the threat of "tax lightning"--unpredictable and sometimes devastating shifts in business tax liability. At the same time, the local taxes on business have had little or no regard for

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[1]/ See Appendix E for more detail on these and other attempts to promote industrial development objectives by means of selective tax policies.

[2]/ Carl Shoup, et al., Facing the Tax Problem (New York: Twentieth Century Fund, Inc., 1937) pp. 411-412.

the ability of business to pay. This has deterred many enter-
prises, and the employment they would bring--from locating in
New Jersey. 1/

Governor Guy of North Dakota made an equally forceful statement:

> After decades of effort, we must admit that fair admin-
> istration of the personal property tax is beyond the realm of
> possibility. Even if it could be fairly assessed, the basic
> concept of the tax would remain unchanged in that possession
> of depreciating personal property in no way approximates
> ability to pay. _It discourages investment in productive tools_
> _and is a depressant on our economy_. It causes unfair compe-
> tition against the businessman who is willing to invest in a
> good inventory to better serve his community while catalogue
> companies escape taxation. 2/

A major study of State and county finances in Maryland dealt specifically
with the tax competition issue:

> Those with a vital interest in attracting business into
> the State, and businessmen already subject to the tax (on
> tangible personal property of business) have pointed to the
> inequity and inefficiency engendered by the tax and have con-
> tended that it seriously hampers development in the State.
> The fact that three nearby States--Delaware, New York, and
> Pennsylvania--do not tax tangible personal property is al-
> leged to give these States an important relative advantage
> in attracting industries and businesses whose personal
> property holdings tend to be large. 3/

Both the Maryland and New Jersey Tax Study Commissions gave serious con-
sideration to recommending outright repeal of the personal property tax on busi-
ness as a giant step toward tax reform and a favorable tax climate. In both
instances, the major obstacle was stated to be the lack of available replacement
revenue for local governments critically dependent upon property tax receipts.
An examination of the personal property tax payments made by business firms
(table 17) indicates that about a dozen States would have relatively little
difficulty in breaking this replacement revenue impasse. These States, for the
most part located in the Southeast, rely on the personal property tax for three
percent or less of their total State and local yield.

1/ Richard J. Hughes, Fourth Annual Message of the Governor of New Jersey to
the Legislature. January 11, 1966, p. 6.

2/ William L. Guy, 1965 Message to the North Dakota Legislature, p. 11.

3/ University of Maryland, _Maryland Tax Study_ (College Park: Bureau of Busi-
ness and Economic Research, 1965), p. 160-161.

State and region	Amount (millions)	% of State and local tax revenue 1/	State and region	Amount (millions)	% of State and local tax revenue 1/
U. S. total	$2,027.8	4.9	Southeast	$ 241.7	3.8
			Virginia	21.2	3.4
New England	154.3	5.7	W. Virginia	2.0	0.7
Maine	15.8	8.0	Kentucky	6.4 3/	1.4
New Hampshire	5.8	4.6	Tennessee	5.1	1.0
Vermont	4.3	4.7	North Carolina	35.3 4/	4.8
Massachusetts	60.0	4.2	South Carolina	1.3 4/	0.4
Rhode Island	10.0	5.3	Georgia	36.9	5.9
Connecticut	58.4	8.5	Florida	59.1	5.6
			Alabama	10.6	2.4
Mideast	105.9	1.0	Mississippi	15.1	4.8
New York	--	--	Louisiana	42.8	6.5
New Jersey	92.6	6.1	Arkansas	5.9	2.3
Pennsylvania	--	--			
Delaware	-- 2/	--	Southwest	185.1	6.6
Maryland	4.9 2/	0.7	Oklahoma	19.0	4.1
Dist. of Columbia	8.4	4.6	Texas	146.8	7.9
			New Mexico	3.3	1.8
Great Lakes	738.8	8.9	Arizona	16.0	4.9
Michigan	231.3	12.2			
Ohio	210.6	10.6	Rocky Mountain	59.9	5.6
Indiana	103.2	10.9	Montana	13.9	8.5
Illinois	146.9	6.0	Idaho	6.2	4.5
Wisconsin	46.8	4.8	Wyoming	2.5	3.0
			Colorado	28.6	6.0
Plains	190.2	5.6	Utah	8.7	4.2
Minnesota	70.9	8.1			
Iowa	23.5	3.7	Far West 5/	350.0	5.5
Missouri	32.4	4.0	Washington	33.6	4.4
North Dakota	4.1	3.0	Oregon	23.4	5.6
South Dakota	4.5	3.0	Nevada	2.5	2.6
Nebraska	19.1	7.1	California	290.5	5.6
Kansas	35.7	6.9			
			Alaska	1.9	3.6
			Hawaii	--	--

1/ Excluding unemployment compensation taxes.
2/ Excludes business personalty of corporations assessed by the State.
3/ Excludes distilled spirits in bonded warehouses assessed by the State.
4/ Excludes personalty of manufacturing plants, assessed by the State.
5/ Excludes Alaska and Hawaii.

Source: Appendix B

New Jersey has solved this local revenue replacement problem by reimbursing local governments from revenue derived from raising the State corporation income tax rate and by the enactment of State taxes on machinery and gross receipts. The substitution of these State taxes on income, property, and sales activity for the highly discriminatory local tax on business personalty is justified primarily on the grounds that it will improve New Jersey's business tax climate.

In recent years Connecticut, Wisconsin, Michigan, Oregon, and Arizona have reduced the local tax on business personalty. When confronted with the issue of revenue replacement, the Oregon State Legislature provided for a gradual scaling down of assessments on tangible personal property with the revenue loss to local governments being met from State revenue sources. Wisconsin has earmarked a part of its sales tax revenue for this same replacement purpose.

Administrative Reforms.--While the weight and form of business taxes constitute the two more obvious tax climate indicators, no evaluation of a jurisdiction's tax environment can overlook the "third dimension"--the quality of tax administration.

Because of the perennial conflict between State law calling for full value assessment and the pervasive local practice of fractional valuation, the character of local property tax administration must be viewed as a somewhat ambiguous tax factor in industrial location decisions. One company may be interested in maximizing the advantages to be gained by tax breaks and be willing to gamble on being struck by property tax "lightning"--a situation in which its negotiated assessment becomes unstuck. Another company may be more concerned about tax certainty and therefore looks with favor on a jurisdiction that has well-defined assessment procedures.

Notwithstanding this ambiguous factor, there is a school of thought that supports the general proposition that "good property tax administration is good business;" that a jurisdiction has more to gain than to lose by evenhanded treatment for all taxpayers. One proponent of this viewpoint stated:

> Although it is not suggested that industrial location decisions are, in any important sense, based upon narrow considerations of tax advantage, it is not unreasonable to argue that economic development tends to be frustrated by a casual administration of the property tax. A discovery that the assessment process is arbitrary or even frivolous and that appeal machinery is nonexistent is likely to act as a deterrent to industrial location, or to expansion of existing facilities. Similarly, an industry cannot long prosper if its employee-homeowners are oppressed by discriminatory taxation with no relief in sight. [1]

The growing professionalization of the assessment function (typically in the larger cities) and State efforts to rehabilitate local property tax

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[1] Leslie E. Carbert, "Property Tax Administration and Public Utilities," Management's Stake in Tax Administration, Tax Institute, Princeton, 1961, p. 150.

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administration have generally enjoyed strong backing from the business community, and these property tax reforms are often cited as plus factors in any comprehensive State or local effort to improve its economic climate. 1/

There is far less ambiguity on the State corporation income and sales tax fronts because multistate firms are placing increasing importance on the need for tax certainty. The Special Subcommittee on State Taxation of Interstate Commerce (Willis Subcommittee) has justified its case for greater congressional regulation of State taxation in large part on the ground that interstate firms need greater tax certainty. They point out that State tax statutes tend to be vague on the question of what constitutes "doing business" in a State and the administrative regulations setting forth specific physical presence rules are rather conspicuous by their absence. According to the Subcommittee, New York was one of the very few States that has attempted to spell out with administrative regulations a list of activities in which a corporation may engage without incurring liability in that State. 2/

The vagueness of State statutory and administrative law on this critical jurisdictional issue is at least partially explained in terms of pragmatic fiscal considerations.

> Hesitancy on the part of tax administrators to issue both general and specific rulings stems, in part, from the tax administrator's desire to conserve revenues as well as to administer the tax. It is unreasonable, however, for the tax administrators to place the burden of uncertainty upon industry because of the fear that the published rulings will enable some taxpayers to avoid the tax on some particular transactions. 3/

There is evidence, however, that this administrative deficiency is being remedied--such States as California, New York, and Oregon have been particularly diligent in communicating with business taxpayers. These efforts to improve a jurisdiction's tax image by means of information bulletins, legal opinions, and administrative rulings reflect the fact that multistate firms are destined to play an increasingly important role and that their demands for greater certainty will not cause any diminution in revenue flows.

1/   Ronald B. Welch, "Reformation of the Property Tax is Good Business," Management's Stake in Tax Administration, Tax Institute, Princeton, 1961. The Advisory Commission's detailed prescription for rehabilitation of the property tax is set forth in The Role of the States in Strengthening the Property Tax (Washington, D. C.: June 1963) Vol. 1.

2/   U. S. Congress, House, State Taxation of Interstate Commerce, Report No. 1480, 88th Congress, 2nd Session (Washington: Government Printing Office, 1964), p. 142.

3/   Milton J. Kolb, "Need for Certainty in Definitions, Rulings, and Regulations," Management's Stake in Tax Administration, Tax Institute, Princeton, 1961, p. 100.

Taxpayer convenience stands out as an unambiguous plus factor in any evaluation of a jurisdiction's tax administration climate. If a company must pay both a local and State sales tax, it can be expected to look with favor on "piggy-back" arrangements that employ State sales tax definitions and administrative machinery for collection of local sales taxes. By the same token, if a corporation must pay a tax on its net income, it will ordinarily favor a State policy that calls for close conformity to Federal Code provisions. 1/ The growing trend toward State conformity to Federal provisions clearly reflects State recognition of the need to promote the twin goals of taxpayer convenience and administrative simplification.

CONCLUSION

The increase in business tax collections from $5.7 billion in 1950 to $14.5 billion in 1964 (excluding employment taxes) represents nonetheless a slow but steady decline in the relative fiscal importance of this component of State and local taxes. It dropped from 36 percent to 30.4 percent during this 14-year period.

State efforts to attract industry by improving the tax climate are largely responsible for this development. The transition has proceeded at a slow and steady pace, as dictated by fiscal and political realities. State tax policymakers pursue a policy of attracting industry by improving the tax climate with understanding caution. The majority of the electorate would not support the repeal of $14.5 billion of business taxes for this objective or on the grounds that they are simply indirect or hidden sales taxes--particularly if it means corresponding increases in personal taxes.

In order to create a hospitable tax climate while minimizing political difficulty, State policymakers are pursuing four strategies. First, they tend to make more intensive use of direct consumer levies (general sales, cigarettes, and alcoholic beverage) when additional revenue is needed to meet rising expenditure requirements. The logic here is to select the tax course least objectionable to the business community. As a result, State sales taxes have clearly outstripped the income tax movement on the legislative front.

State policymakers are also pursuing a policy of selective business tax reductions, in order to improve the State's tax image while holding revenue loss to an irreducible minimum. New manufacturing and research and development establishments are the "fair-haired boys" of the economic development family and are most often on the receiving end of the selective business tax reduction policy.

As a third method for improving their tax image, many States are attempting to liberate the business community from the personal property tax. Difficulty in finding adequate revenue replacement funds stands out as the most formidable barrier to the repeal of this tax.

1/   In its report on the personal income tax, the Commission urged States to bring their income tax laws in harmony with the Federal definition of adjusted gross income. See Federal-State Coordination of Personal Income Taxes (Washington, D. C.: October 1965), p. 24.

There also appears to be increasing State recognition of the need to promote greater taxpayer convenience and certainty. This recognition is manifested at the State level by accelerated efforts to strengthen the administration of the local property tax, to bring State income tax definitions into closer harmony with the Federal code provisions, and to collect local sales taxes. While it is the most difficult tax climate factor to measure, no evaluation of a jurisdiction's tax system can overlook the quality of its administration. Efforts to improve a jurisdiction's tax image by means of these administrative improvements can be expected to quicken because multistate firms will play an increasingly important role in our economy and their demands for greater taxpayer certainty and convenience will not cause any significant diminution in State and local revenue flows.

In short, most of the post-War activity on the business tax front can be described as an effort to maximize the attractiveness of the State's tax image while minimizing the loss of revenue and political support. The steady demand for more revenue places heavy constraints on the business tax reduction policy, while the keen desire to promote economic development virtually precludes any attempt to raise the general level of business taxation.

THE EFFECT OF STATE AND LOCAL TAXES
ON INDUSTRIAL LOCATION

A variety of approaches have been utilized in recent years to assess the effect of State and local tax policies on industrial location decisions. They have included use of the businessmen's questionnaire, comparisons of tax bills for hypothetical firms located in various tax jurisdictions, and comparisons of State and local tax bills with various indicators of business volume and activity. 1/

AREAS OF GENERAL AGREEMENT

These studies and conferences with businessmen and tax practitioners enable us to pinpoint areas of widest agreement and to make certain generalizations. First, it is certainly true that State and local taxes constitute an element of business cost; while not a large cost element (ranging from one to five percent of operating costs for different types of manufacturing) it is a valid cost which must be considered in making managerial decisions.

The argument that this cost is offset by an equivalent value of services to business is erroneous for two reasons. The fiscal capacity of State and local government varies so greatly that a given tax yields widely different revenues in different localities. A modest property tax levy in a wealthy area will support higher quality public services than a very heavy property tax in a poor area. In addition, the need for many State and local services, especially education and welfare, varies so much among geographical areas because of factors such as the age distribution of the population, that the required level of public services has little relationship to the legitimate requirements of business.

Monopolistic industry may be able either to absorb above average State and local tax costs or to pass them on to its customers. But monopolies are comparatively few in number and their life is usually limited by supplies of natural resources or the life of patents. National public policy is opposed to monopoly. Moreover, the growth in trade and communication together with rapid technological change have made the monopoly of the past an anachronism today. Minnesota communities were able to tax iron ore deposits heavily in the past. Today their ability to do so is limited by the exhaustion of the reserves as well as technological developments in the steel making process. Competition in a large part of American

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1/ For a discerning review of these studies, see John F. Due, "Studies of State-Local Tax Influences on Location of Industry," _National Tax Journal_, June 1961, pp. 163-173.

industry is not only domestic but international, making any unfavorable cost condition a matter of concern to industry.

Indeed, technological developments have made it possible for industry to expand the whole area from which it may select sites. Modern pipelines make it possible to locate refineries some distance from the final market. Trucks and super highways make possible quick deliveries from distant warehouses. The use of telephone and telegraph lines by modern computers make it possible for top management to carefully control field operations. Development of regional markets large enough to support a plant with modern machinery has given industry an opportunity to establish far-flung branch plant operations.

In addition, top management is quite cost conscious and modern statistical and accounting techniques permit management to compare unit cost of production in widely separate operations. Local unit managers are judged upon their ability to control and reduce cost and they examine tax along with other cost elements.

All of this does not mean that State and local taxes are the most, or even among the most, important influences affecting industrial location and expansion. It does mean that they are a valid element of business cost and must be considered along with other cost elements whenever management is seeking to locate a new facility or expand or modernize an old plant.

Small Plant Locations

The pattern of locational analysis is clearly different for small, single plant manufacturers. Such firms typically are established at or near the home of the founders. Since persons establishing such firms typically have obtained their practical operating experience in large firms, it is not unusual to see the small operators clustered around larger units. Another reason for such clustering is the fact that the small units frequently manufacture components or supplies for the large firms.

Thus there is some evidence that small units will imitate the example of the large units, and consequently their locational decisions are dependent upon similar decisions of the large firms. Taxes enter into the costs of small as well as large units; over any period of time small units located in high tax areas will be at a distinct disadvantage unless other cost elements can compensate for their high tax cost. It appears that the small firm with limited resources and no diversity in products and production centers is potentially more vulnerable to unfavorable cost situations than the larger units. Typically, small units do not have the financial resources needed to establish new production centers whenever a given location becomes uneconomical because of tax or other cost factors.

Managerial Influence

The personal attitudes and interests of top management toward government in general and taxation in particular constitute another variable in the influence of taxes upon business location decisions. Strong managerial interest in taxation will ordinarily manifest itself in the establishment of an influential tax department whose advice on locational decisions will necessarily give extra weight to tax considerations.

Because of these personal variables, there is some temptation to argue that no valid generalization can be made about the interrelationship of State and local taxes and managerial decisions. Careful analysis of particular situations, however, reveals that it is possible to select given State or local taxes paid by business and draw relevant conclusions about their probable effects upon business decisions.

Personal Property Tax Influence

For many firms the particular State and/or local levy which appears to have the greatest influence on managerial decisions is the general property tax. In jurisdictions where this tax is levied upon business inventories it is possible to discern a clear interrelationship between the property tax costs and decisions made by management. The interrelationship exists for large national concerns operating in several States where the tax treatment accorded such inventories differs sharply. Textile firms operating in the two Carolinas, for example, have the opportunity to minimize taxes by concentrating inventories in South Carolina, where they are largely tax exempt, even though the firms maintain manufacturing facilities in both States. Good highways and truck transport permit this type of tax minimizing.

High city property tax rates on inventories encourage erection of warehouses outside the city not only by manufacturers but also by merchandisers, such as super-market operators. Even minor differences in tax procedure may be used to advantage by business. If one government unit taxes on year-end values while the other applies average values over the year, shifting of inventories at propitious times reduces business tax liability.

It is not always possible for business to minimize taxes by these means. If the product is highly perishable, for example, the total inventory carried will be small and the potential tax saving available by movement of inventory is hardly worth the trouble. Nevertheless, it appears to be a general rule that whenever sizable liabilities accrue from property taxes on mobile property such as business inventories, alert management takes steps to minimize that liability.

The Total Tax Differential Influence

In the appraisal of tax considerations, it is the size of the tax differential rather than the size of the total tax bill that is significant--a fact that sharply limits the value of Federal tax deductibility as a "neutralizing" force.

It should be recognized that tax costs vary both between different sites in the same State and between States. The intrastate variation is largely attributable to the effective general property tax rates at alternative sites. On the other hand, interstate variations reflect both the type of taxes used by the several States and the bases and rates of the taxes. Intrastate variations, however, may be as large, if not larger, than tax burden variation between States.

The point is illustrated by figures developed to measure State and local taxes paid by corporations operating in Wisconsin and in other States. A comparison of property taxes paid by the same firm on its Illinois operations revealed that depending on the particular site in Illinois employed by the firm, Illinois property taxes ranged from a low of seven percent of the Wisconsin property taxes

to a high of 117 percent. Nineteen different operations at 19 different sites were used in the comparison.

In considering the total tax bill differential, little attention is paid to the type of tax. Businessmen seem to feel that if a particular jurisdiction lacks a given type of tax--for example a State corporate income tax--it will have other taxes whose burden will be sufficient to make up for the absence of a particular levy.

While this is a valid generalization, individual firms appear to demonstrate certain preferences for given taxes depending upon the nature of their operations. For example, a firm with a large labor force relative to its capital investment is concerned with payroll levies, while firms with large capital investment and a comparatively small labor force are concerned with the property tax burdens.

Tax executives of large firms surprisingly express little concern over the number of taxes payable in given jurisdictions. Use of electronic computers and modern accounting methods seem to have reduced the effective administrative cost of complying with a large number of different taxes.

There is distinct concern, however, about the treatment a concern receives relative to its competitors. Corporate tax managers watch carefully the locational choices made by the principal firms in their industry. Management is anxious that tax costs, like other costs, be kept "in line" with tax costs of competitive firms. This general tendency to emulate other firms accounts for the tendency of firms in the same industry to locate new facilities reasonably close to each other.

Bad Tax Image Influence

There is also evidence that once a State or a locality is identified as a high tax location or a location in which firms are taxed unfairly, it is difficult to erase the image. Once a State has been identified as being a "high tax" State for industry, the "image" persists even though that State subsequently changes its laws and administrative practices. Tax managers ascribe this to the attitude of top executives and boards of directors, who having once been exposed to what they regard as unreasonable tax treatment, are reluctant to repeat the mistake.

Property Tax Exemption

While there is widespread disagreement among business executives both on the locational effects and general wisdom of local property tax exemptions, there is general agreement upon two aspects of the tax exemption problem. First, every company that is entitled to the exemption takes it as a matter of routine; there is no thought of consciously avoiding locations which disperse tax exemptions. Second, after the exemption has expired, little evidence exists to indicate that tax rates are established at a "punitive" level. Thus the community offering the tax exemption ordinarily does not try to catch up or "double-tax" firms at the expiration of the exemption period. Nevertheless, as part of its comprehensive industrial

development program, Louisiana recently adopted a constitutional amendment that specifically protects an industry from local "catch up" tax action upon expiration of its State granted exemption from local property tax payments.

Non-Tax Factors Dictate Regional Selection

As a general rule tax considerations do not figure prominently in the selection of a general region or area in which a plant is to be located. This type of choice typically tends to be dependent upon raw material, market, and labor factors. Chemical and petroleum concerns may select the middle south as an area for a new plant because of raw material consideration. Selection of the Far West as a location for a new plant manufacturing household appliances may result from increased product demand inherent in population growth and higher transportation costs that occur when serving that area from a mid-western plant. Tire manufacturers may seek a southeastern location to serve the automobile manufacturers using the Atlanta area for assembly plants.

Typically, this regional choice permits selection of a final site at many points within the region. Once the regional choice is made, corporate management investigates intensively alternative sites within this region. At this stage all cost factors including taxes are considered.

INDUSTRIAL GROWTH TRENDS AND NEIGHBOR STATE-LOCAL TAX DIFFERENTIALS

While there is widespread agreement that interregional tax differentials do not exert significant locational pull, there is far less agreement as to the effect of tax differentials within a general region--particularly between neighboring States. This lack of agreement persists despite the fact that most studies have down-graded the influence tax differentials exert on the industrial growth rates of neighboring States. [1]

Manufacturing Employment Growth Test

To throw some light on the "neighbor State tax differential" question, we examine the business tax structure of neighboring States characterized by sharp differences in their manufacturing employment growth rates. The rationale for this comparison rests on the premise that if industrial location trends are definitely shaped by "low" State and local taxes this effect should be most discernible for States within the same region.

In selecting States for this comparison, each region is treated as a separate area of study and the business tax system of the State in each region that showed the greatest growth in manufacturing employment between 1950-1965 is compared with the tax system of the State registering the least progress in regional industrial employment during this same period. This extreme case approach produced the following regional "matched pairings:"

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[1] John F. Due, Ibid.

Region	Greatest Mfg. Employment Growth Rate	Least Mfg. Employment Growth Rate
New England	Connecticut	Rhode Island
Mideast	Delaware	New York
Great Lakes	Indiana	Michigan
Plains	North Dakota	South Dakota
Southeast	Florida	Alabama
Southwest	Arizona	Texas
Rocky Mountain	Utah	Wyoming
Far West	California	Oregon

Only in the case of the Southeast region did we deviate from the rule that called for comparing States with the highest and lowest regional manufacturing employment growth rates. In this case Florida, the State with the highest growth rate, is compared with Alabama rather than with West Virginia--the State with the poorest manufacturing employment performance in the Southeast. Alabama was substituted for West Virginia because (a) Florida and West Virginia are too distant geographically to be considered serious competitors for industrial plants, and (b) Alabama had the lowest manufacturing employment growth rate of those States within close locational range of Florida.

In order to compare the relative weight or level of business tax costs for the States with the highest and lowest industrial growth rates in each region, the tax comparison includes State and local property tax payments made by business firms and the State and local corporation franchise, business and occupational licenses, and business receipts taxes (the Michigan, Washington, and West Virginia types).

Severance taxes are excluded on the ground that they do not lend themselves to comparative analysis because they are paid only by those firms engaged in the exploitation of natural resources in a particular location. Also, utility gross receipts and insurance premium taxes, while quite universal, are excluded because they have little relevance to industrial location decision-making.

The State corporation income tax is included partly because of its effect on corporation stockholders and business costs but primarily because it is an element in the business tax climate image of one State as compared with another. The presence of a corporation income tax is ordinarily associated with a legislative predisposition to follow progressive tax policies--a tendency of some importance to corporate executives making plant location decisions.

The personal net income tax is also included, principally because it is a form of taxation that lacks favor among businessmen. The aversion of business to the personal tax was effectively described in the report of the Study of the Feasibility of an Income Tax in the State of Maine:

American business opinion appears to be generally more favorable to the sales tax as a State revenue than the income tax. Reaction to the Federal income tax rates is probably one reason for this attitude. Management would usually prefer to pay a sales tax to an income tax. The latter is commonly considered to be no serious deterrent to retail trade and to spread the costs of government more evenly. Further the tax climate for industrial growth, according to widely held business opinion, is less favorable where the State enforces a graduated income tax. It is often stated that European countries with faster economic growth rates than those which the United States has enjoyed have relied relatively more on sales and excise taxes and relatively less on income taxes for revenue. The taxation and economic growth relationship is difficult to establish because of the variable factors involved, but it is clear that there is at least a psychological disadvantage to industrial development in the reactions of many business executives and investors to a graduated income tax. [1]

The business community's concern about the individual income tax is also underscored by the following statement in the tax study made by the University of Wisconsin Tax Study Committee:

Finally, there is the individual income tax. This is a personal tax and might be supposed to have nothing to do with business burdens that affect business location. Its reduction or elimination or augmentation would not affect the statistics of business tax burden with which we have been dealing. However, many businessmen now rate the personal income tax as more of a deterrent to business growth than the corporate levy. They complain of difficulty in attracting executive and professional talent. [2]

Despite the fact that it differs significantly from other business cost taxes due to its special benefit character, the unemployment insurance tax is also brought into this business tax cost comparison. As illustrated by the data set forth in appendix F, there is a considerable variation in the 1964 average effective rates imposed by the States, ranging from a low of 0.4 percent of total wages in Iowa to 1.9 percent in Pennsylvania and Wyoming, and 2.4 percent in Alaska.

1962 Benchmark Year.--Having identified the taxes for inclusion in this comparison, it was then necessary to select the appropriate time period. The availability of detailed property tax assessment data for the 1962 census year dictated the choice. While somewhat lacking in currency, 1962 is an acceptable year for comparing the relative weight of business taxes for States coming out "high" and "low" in manufacturing employment growth rate for the 1950-1965 time period.

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[1] Maine Legislative Research Committee, Study of the Feasibility of an Income Tax in the State of Maine, First Report to 102nd Legislature, January 1965, p. 33.

[2] University of Wisconsin Tax Study Committee, Wisconsin's State and Local Tax Burden, Madison, Wisconsin, September 1959, p. 34.

<u>Common Denominator--Personal Income Derived from Business Activity</u>.--In order to compare the relative weight of business taxes, their collections are expressed as percentages of personal income originating in the business sector. This concept includes total wages, salaries, and proprietors' income from all sources other than agricultural, government, nonprofit institutions, and from household domestic service. Because of the absence of "business GNP" estimates by States, we have relied on this concept as a "second best" common denominator for both intrastate and interstate tax comparisons.

Employment Growth Test--Findings

As illustrated by the data set forth in table 18, the variations in manufacturing employment growth rates are far more dramatic than the variations in business tax levels of neighboring States. In fact, the tax data clearly reveal the regional "bunching up" produced by interstate tax competition.

Because the tax differentials are so small, it is possible to draw the negative conclusion that there is no clear cut relationship between the level of business taxes and manufacturing employment growth rates for States within the same region. This general inference can be drawn despite the fact that in the older, more established industrial regions (New England, Mideast, Great Lakes, and the Far West) the State enjoying the greatest relative growth in manufacturing employment had a somewhat lower general business tax level than the State registering the least progress on this front.

This negative finding, however, should not be interpreted as support for the contention that the State and local tax factor represents an insignificant cost element. Rather, the data suggest that the lack of relationship can be attributed in no small measure to the tax neutralization policies pursued by neighboring States.

Just as the executives of multistate firms are becoming increasingly sensitive to variations in interstate cost factors, so also are State tax policymakers becoming increasingly concerned about the industrial location implications of interstate tax differentials. In order to be on the safe side, State tax policymakers have developed a neutralization system that has at least two distinctive characteristics--the direct matching and trade off approaches. With the direct matching approach, a State attempts to stay in line with its neighbors on a tax by tax basis. Carried to its extreme, this approach would make a mockery out of the concept of State tax sovereignty.

States, however, add diversity to the neutralization system by staying in line with their neighbors under a trade off system--offsetting an unfavorable tax situation (high rate) in one tax category with a favorable tax situation (a lower rate or no tax) on another. This trade off approach is implemented by both general benefit type legislation such as the absence of a property tax on inventories or by special benefit legislation such as an accelerated write-off for a research and development facility. It can also be implemented by administrative arrangements-- the negotiated property tax assessments. Thus, armed with all of these options, States enter the competitive arena in a position to hold adverse tax differentials to a minimum. The constant pressure for additional tax revenue places powerful restraints on the limit any State can go beyond that of "staying in line."

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TABLE 18.--A COMPARISON OF THE LEVELS OF BUSINESS TAXES FOR STATES WITH THE GREATEST REGIONAL VARIATION

IN MANUFACTURING EMPLOYMENT GROWTH RATES, 1950-1965

State and Region	Manufacturing employment: Percent increase or decrease (-) 1950 to 1965 related to U. S. average		Income taxes [1]		Property taxes [1]		Other business taxes (gross receipts, licenses & Misc. taxes)[1]	Unemployment compensation[1]	Total business tax climate "taxes"[1]
	Percent	State rank	Personal [2]	Corporation	Tangible personal [3]	Real [3]			
New England									
Connecticut	85	31	--	.7	1.0	1.4	1.1	.9	5.1
Rhode Island	-130	48	--	.7	0.8	1.7	1.1	1.5	5.8
Mideast									
Delaware	176	21	4.0	.8	--	.9	2.2	1.0	8.9
New York	-28	46	3.0	.9	--	3.1	.9	1.3	9.2
Great Lakes									
Indiana	92	29	--	--	1.3	1.9	1.5	.5	5.2
Michigan	5	42	--	--	1.8	1.9	1.3	1.2	6.2
Plains									
North Dakota	200	19	1.2	.3	.7	3.0	1.1	.8	7.1
South Dakota	50	38	--	--	.7	2.4	1.2	.5	4.8
Southeast									
Florida	847	2	--	--	1.0	2.3	1.8	.8	5.8
Alabama	158	24	1.0	.3	.4	1.0	1.7	1.0	5.4
Southwest									
Arizona	1,658	1	.8	.3	.9	3.4	.8	.6	6.8
Texas	316	10	--	--	1.2	2.8	1.3	.4	5.7
Rocky Mountain									
Utah	434	7	1.4	.6	.7	3.4	.6	.7	7.4
Wyoming	100	28	--	--	.6	5.2	.9	.7	7.4
Far West									
California	511	3	1.0	1.0	1.0	2.7	.8	1.2	7.7
Oregon	83	32	3.3	.8	.8	2.3	1.3	1.4	9.9

1/ Collections as a percent of income originating in the business sector, 1962.
2/ Because of its relevance to the business tax climate, the personal income tax is included in this comparison.
3/ See text. Only the business portion of the property tax is included in this computation.

Competition is not confined to the tax side of the public finance coin. Adverse competitive differentials on the public service side are also a concern of State fiscal policymakers--an aspect of interstate competition examined in Chapter V.

THE INFLUENCE OF INTRASTATE AND METROPOLITAN TAX DIFFERENTIALS

High property tax rates in the central cities ostensibly appear to be an important factor in explaining the movement of industry to suburban and non-metro-politan areas described in Chapter II. The circumstantial case for this inference rests on the fact that (a) property tax rates are generally lower in suburban areas than in the central cities (table 19), (b) the presence of industrial tax havens such as Teterboro, New Jersey, and Emeryville, outside of Oakland, California, and (c) the fact that certain cities noted for their high property tax rates such as Boston, Milwaukee, and Jersey City have had to grant special property tax concessions in order to attract new industry.

TABLE 19.--SUBURBAN PROPERTY TAX RATE AS A PERCENT
OF CENTRAL CITY RATE
(1957-1961)

City	Percent	City	Percent
Memphis	4	Chicago	76
San Antonio	8	Cleveland	83
Forth Worth	36	Detroit	85
Omaha	44	Buffalo	86
Oklahoma City	49	Atlanta	87
Baltimore	53	Oakland	87
Cincinnati	54	Toledo	88
Newark	58	San Diego	90
Rochester	58	Washington, D. C.	101
Portland	61	New York City	102
Denver	64	San Francisco	105
Philadelphia	64	St. Louis	109
Milwaukee	66	Birmingham	117
Los Angeles	67	Columbus	117
Louisville	68	Kansas City	119
Seattle	73	Phoenix	141

Source: Dick Netzer, Economics of the Property Tax (The Brookings Institution, Washington, D. C., 1966), p. 118.

This circumstantial case, however, becomes somewhat less convincing when one takes into consideration the following facts:

a. The initial tax rate advantage enjoyed by suburban communities tends to wash out over time as the area "fills in" and as public expenditure demands, particularly for education, continue to mount--a commonplace fiscal phenomenon that should be familiar to those making industrial location decisions.

b. Because of the relatively small amount of industrial property
    found in low rate industrial tax havens, such examples as
    Teterboro and Emeryville could be turned around to support the
    proposition that property tax differentials cannot have a
    decisive influence because only a relatively small number of
    industries actually take advantage of or demand this type of
    special tax treatment.

c. The response of businessmen to "tax questionnaires" clearly
    indicates that the non-tax factors--availability of suitable
    sites, labor, material costs, transportation, and proximity to
    markets--stand out as far more important considerations.[1] It
    must be noted, however, that these non-tax factors are of the
    first priority type used in the selection of the general region
    rather than secondary priority type employed in the selection
    of a particular location within a region.

Perhaps the most dramatic test of the locational pull of property tax dif-
ferentials is to be found in the answer to the following question--would central
cities have experienced more rapid economic and industrial growth if property tax
rate differentials had been working in their favor? One student of this subject
has answered this question with a resounding "no":

> The forces making for decentralization are so potent that it
> can be confidently asserted that the tide would not have been stemmed
> even had there been large property tax differentials in favor of the
> central cities. In fact, the decentralization process seems to have
> proceeded no less rapidly in those few areas in which the central
> city does appear to have an advantage in effective tax rates. [2]

While the higher central city property tax rates cannot be cited as a major
factor responsible for the movement of industry from central city to suburban and
non-metro areas, it can be argued that this unfavorable tax situation tends to re-
inforce more important economic and social factors working for location of industry
outside central city borders. This would appear to be especially true for those
central cities with extremely high property tax rates, but even here there must be
a qualification based on assessment practice realities. While the practice of
negotiated assessments (preferential assessments) for industry is probably not as
common for central cities as it is for the more rural areas, nevertheless it is
possible that some "desirable" industries are, in fact, subjected to a lower effec-
tive tax rate than that borne by the less mobile segments of the business community--
the downtown commercial and office building sectors.

Although the generally lower tax rates of suburbia cannot be cited as the
primary factor responsible for industrial dispersion outside the central city, the

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[1] For a succinct summary of these questionnaire studies, see Benjamin Bridges,
     Jr., Industrial Incentive Programs, Wisconsin Development Series, State of
     Wisconsin Department of Resource Development, 1965, pp. 92-109.

[2] Dick Netzer, Economics of the Property Tax (The Brookings Institution, Washing-
     ton, D. C., 1966), p. 123.

point must be emphasized that within the State, and more particularly within the metropolitan area, tax rate differentials can conceivably become the "swing" factor for the plant locator once the management has decided to relocate within the area. Tax differentials can also have a marginal influence on the location decisions of firms moving into the region. In almost every major metropolitan area it is possible to find wide variations in local property tax rates. Recent studies indicate a tax rate range of 3:1 in the New York standard metropolitan statistical area, 5:1 for Cuyahoga County, and 7:1 for 9 counties in northeastern New Jersey. [1] These wide variations in intra-metropolitan tax rates reflect the extreme variations in local tax resources and expenditure demands.

CONCLUSION

Between distant States, tax differentials appear to exercise little plant location influence. The plant locator will ordinarily select the region on the basis of economic rather than tax factors. At this first stage in the selection process, accessibility to markets and materials, the character of transportation facilities, and the size of labor cost differentials stand out as the more important locational factors. State tax policymakers are well aware of this fact and map out their competitive tax policies accordingly.

As between neighboring States, there appears to be no clear relationship between industrial growth trends and tax differentials. This lack of relationship can be attributed in no small measure to the fact that States are constantly taking steps to insure that their taxes do not "get out of line" with those of their neighboring jurisdictions. A State usually moves into this competitive arena armed with many tax options and sufficient political support to enable it to go a long way toward neutralizing any tax differential advantage possessed by a neighboring State. The constant demand for additional tax revenue, however, works against an overly easy business tax policy. Thus, the countervailing political pressures generated by the demand for industrial development and the need for additional tax revenue tend to hold the general business tax levels of neighboring States "in line."

Within a State and more particularly within a metropolitan area significant local property tax rate variations can and do become swing factors in plant location decisions--the industrial tax haven being the most conspicuous example. In sharp contrast to States, local governments are primarily dependent on one source of revenue--the local property tax. It is far more difficult, therefore, for a high rate district to neutralize an adverse tax differential--except by means of the negotiated assessment. Moreover, the location of a new industry exerts far greater impact at the local level. Thus, the job and tax base stakes can become quite high and interlocal competition can become quite keen.

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[1] Ibid., pp. 124-125.

Chapter V

THE EFFECT OF PUBLIC EXPENDITURE POLICIES ON
INDUSTRIAL LOCATION DECISIONS

        The growth in State and local expenditures and the variations that have
developed in public service levels between States and between communities has
added a "public service level" dimension to the intergovernmental competition
for new industry. The possible adverse effect of above-average tax levels on
industry location are no longer the only major concern of State and local policy-
makers. Intergovernmental skirmishes for industrial development are opening on
a second front--namely, the possible adverse effects of inadequate public ser-
vice levels on industrial location.

        In recent years State and local government expenditures have been rising
at the rate of 8 to 9 percent per year--faster than the normal growth in State
and local tax receipts and about twice the growth rate of the Nation's economy.
State and local governments are currently spending about $85 billion annually
for general governmental purposes, nearly four times the amount spent in 1950,
a little more than 15 years ago. If we add to general governmental expenditures
the amount spent for water supply, electric power, and other utility purposes;
for unemployment compensation, retirement insurance and other public employee
benefits, State and local expenditures are fast approaching the $100 billion
mark. This pattern of steadily rising expenditures clearly underscores a public
demand for more services.

The Uncertain Impact of "Amenities" on Industrial Location

        In the literature on industrial location, public goods and services fall
in the realm of the so-called amenities classification. Amenities include the
wide variety of community and environmental factors that were described in a
1959 article dealing with the movement toward industrial parks:

            Industry of the type attracted to an industrial park and
        desired by a community will demand not only good schools and
        residential areas, but also hospitals, churches, public health
        and welfare services, recreational areas, and shopping facil-
        ities. Good schools not only help to attract and hold good
        employees but are also valuable in supplying satisfactory
        labor force recruits. Attractive residential areas and rec-
        reational facilities are essential to hold engineers and other
        highly skilled personnel who are in demand throughout the

country. Some firms consider churches and religious activities in a community as necessary to employee morale and stability. 1/

The impact of amenities on industrial location decisions is generally subtle and difficult to determine. While particular industries seek certain factors, others may not consider the same factors important. This is particularly true of public services. In contrast, variations in taxes from one location to another can usually be translated directly into business costs or savings. As one investigator stated in explaining his reason for excluding the "catch-all" amenities category from his study of factors affecting industrial location:

> ...Some businesses are attracted by superior public school facilities, an amenity generally accompanied by an above-average tax cost that might repel another business. Any valuation is simply impossible because preference can neither be measured nor compared, and because there is no general consensus on what is good and what is bad. 2/

Despite the difficulty of measuring the effect of variations in public service levels on industrial location, there is increasing evidence to suggest that industry is becoming more and more interested in public expenditure policies.

The Rising Significance of Public Expenditure Policies in
Industrial Location Decision-Making

The basis for industry's growing concern over public expenditure policies is no longer simply a matter of the larger tax bills it pays as State and local expenditures grow. Nor is it so much a matter of greater need for the State and local property-related functions such as police and fire protection, highways, water and sewer services, and parks and recreation. It stems rather from the increasing importance industry attaches to the provision of the typical State and local social or people-related services, particularly education, because these services can affect industry's ability to attract and maintain highly qualified employees. 3/

In response to a 1963 Fortune survey on the question of the importance attached to a community factors in locating a plant, management mentioned

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1/ Richard T. Murphy, Jr., and William Lee Baldwin, "Business Moves to the Industrial Park," Harvard Business Review (Vol. 37, No. 3, May/June 1959), p. 84.

2/ Ronald J. Wonnacott, Manufacturing Costs and the Comparative Advantage of United States Regions, Upper Midwest Economic Study, Study Paper No. 9, University of Minnesota, April 1963, pp. 59-60.

3/ To this extent, therefore, the benefit received concept can be applied to business taxes that underwrite such people-related services.

"educational opportunities" half again as many times as "local or State tax concessions" and almost four times as often as "local or State sponsored financing." The results reported by Fortune were as follows: 1/

Factor	Number of times mentioned
Community attitude toward industry.	376
Good employer-employee relations in State	357
Productivity of workers	346
Political calm and stability	215
Educational opportunities	204
Local or State tax concessions	133
Availability of training facilities	77
Recreational opportunities	55
Local or State sponsored financing	53
Population	51
Good weather	40
Cultural opportunities	39

Industry's recognition of the importance of educational opportunities has not escaped the notice of the States in promoting their industrial growth. For example, New York's promotional literature, in addition to covering the usual items such as transportation and communication services, mentions specifically the $1.2 billion State university expansion program and "the New York State Council on the Arts--first State-sponsored organization of its kind." 2/ In one of a series of official advertisements, Mississippi took up the public-service level theme as follows:

> Before Mississippi's progress-minded Legislature as 1966 opened were: (1) a new highway program, (2) a statewide educational television network to be utilized also in economic development efforts, (3) a comprehensive study of State educational needs from pre-school to advanced degrees, aimed at devising a "management" system for efficiency preliminary to major new investment in educational program facilities and personnel, and (4) a Uniform Commercial Code and other measures in the continuing modernization of laws governing the conduct of business. 3/

1/ Bridges, op. cit., p. 106.

2/ New York Department of Commerce, Headquarters for Headquarters.

3/ Business Week, March 12, 1966, p. 185.

These two States, although differing widely in public expenditure levels, apparently encounter more concern over public services than over taxes. Neither State's promotional literature referred specifically to the tax situation.

Local officials, too, are devoting more attention to the quality of public services in their industrial promotion. Illustrations of this are plentiful in the articles appearing in local government magazines. The typical local view is expressed as follows:

> Peculiarly, we spend thousands of dollars in an effort to attract industries to our cities. But when representatives of those industries arrive they too frequently find a city shoddy in appearance, with streets full of chuck holes and bumps.

> Outward appearances are superficial and what is more disheartening is to learn that the very sinews of the city, the sewers, the water systems, and the protective services, fire and police, are far below the standards we expect of cities of the prosperous U. S. in the year of 1964. [1]/

The adverse effect of below average public service levels on industrial development is perhaps most dramatically demonstrated in Appalachia and other communities that have been left behind in the nation's economic progress. The fact that some communities lack even the most elemental public facilities has prompted the Congress to include a massive program of grants and loans for public facilities along with technical and planning assistance and loans to businessmen and local development companies in Federal legislation setting up the Economic Development Administration.

In the future, the level of educational expenditures is likely to have an even greater effect on industrial location decisions. An industrial building firm recently surveyed the community factor preferences of industrial researchers for clients who are planning industrial research facilities because they want to locate where these "typical men of tomorrow" can be attracted and stimulated. The study disclosed that the industrial researcher:

> ...considers local education the most important community factor, not only because he is concerned about his children's schooling, but because he believes the local school system's character is an accurate index of the community's cultural level. And this is the clincher--his own desire to identify himself with the entire educational process. Also important is easy access to a university, preferably less than 15 minutes travel time. Other factors include availability of good housing, attractiveness of the community, taxes, local recreational and cultural

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1/ Earl Sneed, "The Education of a Mayor," <u>Alabama Municipal Journal</u>, February 1965, p. 5.

facilities, churches, medical facilities and convenient shop-
ping. Far down the list is the distance to a metropolitan
center. 1/

Given the increasing numbers of young persons in the total population
during the next ten years, a U. S. Senate Republican Policy Committee report
anticipated that:

> It [the U. S.] will be a "school-centered society,"
> preoccupied with the problem of educating new millions. It
> will be increasingly worried about providing the young with
> adequate teachers... 2/

The Fiscal Dilemma

On the basis of the evidence gathered here it is apparent that a State
or locality that fails to keep pace on the expenditure side may continue to do
so only at the peril of discouraging new industry--perhaps even suffering the
loss of existing plants. Recent trends in public expenditures reveal disquiet-
ing data that the problem in some States is becoming more critical as time
passes.

While State and local direct general expenditures per capita for educa-
tion (a rough measure of public services in general) rose from $82.47 in 1957
to $137.38 in 1964, the average State deviation from the U. S. average also
rose, from 18 to 22 (table 20). This trend indicates a widening--not a
narrowing--of variations in the level of public expenditures for education.

The widening variations in public services pose a fiscal dilemma for
State and local governments in pursuing their industrial development objectives:
to meet the tax competition, they must maintain average tax levels to attract
industry, while to meet the public services competition, they must respond to
legitimate pressures for added expenditures. The problem is thus one of recon-
ciling those seemingly conflicting demands.

Few, if any, States are so ideally endowed as to have both low tax rates
and high public service levels. 3/ In the vast majority of States it is likely
that legislative bodies will be engaged in the precarious exercise of maintaining

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1/ Frank L. Whitney, "The Impact of Total Redevelopment of Cities," The Weekly
Bond Buyer, May 31, 1966, p. 5.

2/ John Chamberlain, "These Days," Washington Post, January 11, 1966.

3/ The Director of the Ohio Department of Development stated, "The financial
stability of State government in Ohio now virtually guarantees no new or
increased taxes because none are needed." See F. P. Neuenschwander,
"Industrial Development Role of the State," Ohio Cities and Villages,
January 1966, p. 24. See also Ohio's relative position on per capita
educational expenditures in table 20.

TABLE 20.--STATE AND LOCAL GENERAL EXPENDITURE FOR EDUCATION, PER CAPITA AS A
PERCENT OF U. S. AVERAGE, BY STATE, 1957 and 1964

State and Region	1957	1964	State and Region	1957	1964
United States	100	100	Southeast	79	77
New England	89	84	Virginia	77	87
Maine	73	82	West Virginia	82	76
New Hampshire	87	79	Kentucky	70	75
Vermont	100	96	Tennessee	71	68
Massachusetts	84	79	North Carolina	82	79
Rhode Island	74	78	South Carolina	85	67
Connecticut	108	95	Georgia	83	75
Mideast	97	97	Florida	83	86
New York	106	111	Alabama	69	68
New Jersey	94	87	Mississippi	64	70
Pennsylvania	86	83	Louisiana	103	88
Delaware	120	132	Arkansas	65	70
Maryland	98	96	Southwest	105	98
Dist. of Columbia	62	64	Oklahoma	106	102
Great Lakes	105	104	Texas	99	90
Michigan	130	125	New Mexico	127	138
Ohio	96	86	Arizona	133	124
Indiana	108	114	Rocky Mountain	123	133
Illinois	95	97	Montana	124	121
Wisconsin	96	113	Idaho	99	95
Plains	104	107	Wyoming	147	130
Minnesota	124	123	Colorado	124	144
Iowa	114	116	Utah	130	146
Missouri	81	83	Far West[1]	132	135
North Dakota	105	119	Washington	132	133
South Dakota	108	105	Oregon	130	144
Nebraska	98	99	Nevada	116	125
Kansas	110	117	California	133	135
			Alaska	116	199
			Hawaii	109	107
			Average State deviation from U. S. average	18	22

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1/   Excluding Alaska and Hawaii.

Source: Compiled by ACIR staff from data published by the Governments Division, U. S. Bureau of the Census.

the best fiscal balance possible in the face of conflicting revenue and expenditure considerations. However, there are those who hold that: "If a community has better schools, highways, utilities, and fire and police protection, industry will be willing, even glad, to pay higher taxes. Industry wants fair taxes, not simply low ones." 1/

As in the case of tax competition, States can be expected to place primary emphasis on keeping in line with their neighbors on the public service front. A close examination of table 20 reveals that State and local expenditures for education tend to cluster along well-defined regional levels.

It will be noted that the States in the Far West, New England, and Southeast regions demonstrate more intra-regional homogeneity with respect to educational outlays in 1964 than they did in 1957, while the other regions are pretty close to a stalemate. Thus, the inference can be drawn that, at least on a intra-regional basis, States are tending to cluster somewhat more closely together, thereby meeting the public service competition of their immediate neighbors.

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1/ Richard P. Murphy, Jr., and William Lee Baldwin, op. cit., p. 85.

Chapter VI

FINDINGS AND RECOMMENDATIONS

The findings of this study can be summarized as follows:

1. A definite trend toward industrial decentralization has pre-
   vailed during the period 1950-1965. As between regions, the
   lower income areas--the Southeast and Southwest--have in-
   creased their manufacturing capability at a somewhat faster
   rate than the older and "wealthier" areas--the Mideast and
   Great Lakes. Within many States, the non-metropolitan areas
   are developing industrial capability at a somewhat faster
   pace than the metropolitan areas. Within metropolitan areas,
   suburban communities are definitely forging ahead of the
   central cities.

2. A variety of economic and social forces have combined to
   accelerate the dispersal of industry, including the greater
   availability of suitable sites in suburban and non-metro-
   politan areas, the increased accessibility of more distant
   places (the interstate highway effect), and the higher social
   and economic costs often associated with congested areas. In
   the Southeast and Southwest, industrialization has been partly
   aided by labor and material cost advantages.

3. Personal income, once heavily weighted in favor of the
   northern and eastern regions of the United States, is still
   less than uniformly distributed among all regions, but the
   economic barometers indicated the continuation of a leveling
   process. The richer regions meanwhile held their own in
   terms of per capita personal income, indicating that wider
   dispersion of manufacturing activity throughout the Nation
   does not exclude economic progress in all regions.

4. The relative importance of the tax differential factor in
   industrial location decisions appears to increase as the
   location process narrows down to a particular jurisdiction
   within a general region. As among regions of the country,
   the non-tax factors such as access to markets and to labor
   and comparative transportation and supply costs stand out
   as the primary location considerations. As between neigh-
   boring States, there appears to be no direct relationship
   between industrial growth and tax differentials due largely
   to the fact that States are careful not to get "too far out
   of line" with their immediate neighbors. As among local

governments within a State and especially within a metropolitan area, tax differentials exert discernible plant location pull--the industrial tax haven stands out as the most conspicuous example. In almost every metropolitan area there exists wide local property tax differentials--a cost consideration that can become a "swing" factor in the final selection of a particular plant location.

5. State legislative concern with the development of a favorable business tax climate has strengthened the tax policy position of the business community, a fact that is particularly apparent when State legislative bodies are confronted with the need to raise additional tax revenue. Because of their concern with economic development, State policymakers are inclined to make use of direct consumer-type taxes (levies that are least likely to provoke the opposition of the business community) rather than to raise personal and corporate income taxes--levies that are more likely to trigger business community opposition.

6. In order to maximize the favorable aspects of the State tax image while minimizing loss of revenue, State legislative bodies also pursue highly selective business tax reduction policies--property and sales tax exemption for "new industry," "freeport" provisions to minimize business personal property tax loads, special rapid write-off provisions for corporate income taxpayers, and in some cases outright repeal of the tax on business inventories--the tax that is the target of especially heavy criticism from the business community.

7. Due in part to State efforts to improve their business tax climate, business-type taxes have declined in relative fiscal importance. Despite the fact that business tax collections rose from $5.7 billion in 1950 to an estimated $14.5 billion in 1964, they dropped from 36 percent to 30.4 percent of total State and local tax collections over this 14 year period.

8. Although difficult to assess, variations in public service levels also have some plant locational influence. There is evidence, for example, that the quality of education in particular is assuming increasing importance as a noncost factor in industrial location decision making, thereby introducing another complicating factor in any evaluation of the effect of "high" taxes on industrial location decisions.

9. "Staying in line" with neighboring jurisdictions forces each government to re-examine constantly its expenditure as well as its tax policies. Whereas States are fearful lest their tax rates become too high, they also appear concerned lest their public service standards fall too far below those set by their neighbors. This concern about the service and tax policies of neighboring jurisdictions operates with equal or even greater force at the local government level.

RECOMMENDATIONS

The Commission's specific recommendations are outlined below under these headings:

> Plant Location Data
> Tax Administration--A Business Tax Climate Variable
> Tax on Business Personal Property
> State Tax Concessions for New Industry
> Local Tax Competition for New Industry

Recommendation No. 1. Plant Location Data

The Commission concludes that early identification of significant shifts in the industrial base of central cities, suburban communities, and non-metropolitan areas would facilitate more effective intergovernmental planning. Therefore, the Commission recommends that the President direct the appropriate Federal agencies to give early and favorable consideration to assembling on a continuing basis more timely and detailed geographical information on industrial location trends, including a breakdown among central city, suburban, and rural portions of Standard Metropolitan Statistical Areas.

Data on new plant locations--available from limited Federal sources, approximately twelve States, and certain private sources--is too fragmentary to permit valid interstate comparisons of new plant trends. This makes it necessary to rely heavily on the classic "proxies" of industrial growth--income, employment, and manufacturing data--compiled by the Departments of Commerce and Labor.

While these proxy-type data reveal some general industrial trends, they do present a rather blurred picture of the new plant location situation. Manufacturing employment and value added by manufacture statistics gathered every five years provide a composite picture of "net" changes in the industrial base-- both additions and subtractions. The Bureau of the Census makes no attempt to isolate and measure for each State and major subdivision the number of new jobs or the value added by manufacture created by plant expansions and new plant locations.

The picture of new plant trends is not only blurred, but it is also rather belated, particularly for local areas. For example, industrial census data for cities over 10,000 did not begin to appear until three years after the 1963 Census of Manufactures had been taken. It, therefore, is not possible to compare the recent shifts in manufacturing employment between central city and suburban areas, obliging us to fall back on a comparison of the industrial activity of the "inner core" county (the jurisdiction in which the central city

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is located) with that of the "outer core" counties (neighboring counties within the Standard Metropolitan Statistical Area).

The pinpointing of industrial shifts between central city, suburban communities, and rural areas could also be facilitated if data were reported on a more precise "urbanized area" classification. At present, any comparison of the industrial growth rates of metropolitan and non-metropolitan areas is skewed in favor of the metropolitan areas because the reporting unit (Standard Metropolitan Statistical Area) involves one or more entire county units, often including considerable rural territory.

More timely and detailed data on industrial activity in general and on plant location trends in particular would facilitate both public and private planning. A more precise assessment of the apparent trend toward greater industrial activity outside the metropolitan area, for example, would be of material benefit to policymakers at all levels of government as well as the business community at National, State, and local levels.

Recommendation No. 2. Tax Administration--A Business Tax Climate Variable

The Commission recommends that States, by statutory enactment or administrative regulation, set forth enforceable physical presence rules to govern the jurisdictional reach of their income and sales tax administrators; the Commission further recommends that the States, through collective action, strive to make such physical presence rules as uniform as possible.

The quality of tax administration is becoming a more important tax climate variable as the proportion of business activity conducted by multistate firms grows and as their emphasis on greater tax certainty and uniform treatment increases. In urging the Congress to tighten its regulation of State taxation of interstate commerce, the Special Subcommittee on State Taxation of Interstate Commerce has underscored this fact.

Increasingly, States and local governments are recognizing that "good tax administration is good business." In some measure this development is exemplified by State efforts to rehabilitate the local property tax, to collect local sales taxes under a "piggy-back" arrangement, and to bring their income tax definitions into closer conformity with the Internal Revenue Code.

Much remains to be done however--particularly in meeting the demand of multistate firms for clear-cut and enforceable physical presence rules to govern the determination of their liability for sales and income tax payments. States have exhibited some general reluctance to detail with precision their physical presence rules governing their jurisdictional claims for sales and income taxes, in part perhaps, in the belief that definitive jurisdictional rules might result in loss of revenue and limit their scope for negotiation.

The growing demand for tax certainty and uniform treatment on the part of multistate firms suggests that most jurisdictions would have much to gain by

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pursuing a policy designed to maximize taxpayer convenience, certainty, and evenhanded treatment. These considerations underscore the Commission's earlier recommendations calling for State rehabilitation of local property tax administration, State collection of local sales and income taxes, and State conformity with key Federal income tax definitions.

This concern for tax practice that minimizes the compliance burdens of business, even at the cost of some revenues, should not be interpreted as absolving the business community from its share of the responsibility for adequately financed public services. When spokesmen for business associate themselves with efforts to restrict State use of personal income taxes and throw their support behind a State and local tax system heavily weighted with property and consumer-type taxes, they are helping to construct both a regressive and fairly inelastic State and local tax system and a financial foundation that will have increasing difficulty in supporting the growing expenditure demands placed on State and local governments by individuals and by business itself.

Recommendation No. 3. Tax on Business Personal Property

The Commission is aware that retention or repeal of the tax on business personal property is a policy issue the State alone can resolve in full awareness of its own local circumstances. However, the Commission believes that in framing their business tax policies, States should give a high priority to eliminating or perfecting the locally administered tax on business personal property because it discriminates erratically among business firms. Therefore, the Commission recommends that States eliminate the tax on business inventories and either move the administration of the tax on other classes of business personalty (notably machinery and equipment) to the State level or provide strong State supervision over the administration of the tax to insure uniformity. [1] It recommends further that States reimburse local governments for the attendant loss in revenue by making more intensive use of State imposed business taxes.

Of all the State and local taxes, the personal property tax on business is acknowledged to be the most discriminatory. Governors, tax administrators,

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[1] Governor Daniel dissented in part from this recommendation stating: "The recommendation is not broad enough in my opinion. It should apply to all personal property. The ad valorem tax on personal property is seldom equitably or uniformly assessed and collected."

businessmen and academicians condemn it with one voice. Not only is it diffi-
cult to administer because much of its base is mobile, but it bears no identi-
fiable relationship to either the taxpaying ability of a business firm or to
the benefit it derives from governmental services.

De-emphasizing the personal property tax, especially on business inven-
tories, is perhaps the most significant step States can take to improve both
their business tax climate and their business tax structure.

The major obstacle to this reform is developing an acceptable tax source
for replacing the revenue. Examination of the personal property tax payments
made by business firms indicates that about a dozen States would have relatively
little difficulty in breaking this replacement revenue impasse. These States,
for the most part located in the Southeast, rely on the personal property tax
for three percent or less of their total State and local yield.

New Jersey recently handled this problem by reimbursing local governments
for the loss of the personal property tax from revenue obtained by raising the
State corporate income tax rate and by the enactment of State taxes on machinery
and gross receipts. Oregon and Wisconsin--two States that have at least scaled
down the local tax on business personalty--have set aside State funds to reim-
burse local governments for the consequent loss of revenue.

While it is generally agreed that the imposition of a tax on inventories
in particular represents an extremely poor way to raise revenue, there is no
consensus on a proper replacement revenue, except possibly on the proposition
that each State should develop its own solution.

Recommendation No. 4. State Tax Concessions for New Industry

The Commission concludes that the practice of making special tax conces-

sions to new industry can have baneful effects on our federal system by setting

in motion a self-defeating cycle of competitive tax undercutting and irrational

discriminations among business firms. Therefore, the Commission recommends that

States avoid policies calculated to provide special tax advantages or conces-

sions to selected groups of business firms, and frame their business tax policies

along general rather than special benefit lines.

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

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

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

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

The State negotiated tax concession contract with individual firms, however, stands out as the extreme case of a particular benefit, and the most discriminatory method that a State can employ to entice a potential industrial prospect into its jurisdiction. Louisiana's recent "breakthrough" on this front serves as the case in point. In December 1966, the State legislature authorized the Louisiana Council on New Industry, with certain safeguards, to negotiate contracts with manufacturers which in effect will allow Louisiana to meet the best (lowest) tax offer of any other State in which a manufacturer contemplates locating.

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

Recommendation No. 5. Local Tax Competition for New Industry

Recognizing that interlocal competition for economic development is a natural and healthy manifestation of local home rule and that any State intervention designed to prevent this competition should be handled with care, the

Commission nevertheless concludes that the practice of negotiating the assess-
ment of new industrial property solely at the local level may produce a discrim-
inatory tax system that is open to abuse. Therefore, the Commission recommends
that States provide adequate technical assistance and supervision in local
property tax assessments to insure uniformity of treatment.

While local governments must have latitude in charting their economic
and fiscal development policies, there is constant danger that interlocal compe-
tition for new industry will undermine the integrity of the property tax assess-
ment process. To put the issue more bluntly, assessors are often placed under
heavy pressure by community leaders to give potential industrial taxpayers a
"break."

Two factors combine to create this pressure situation in which many local
assessors find themselves. First, the economic and fiscal stakes are high--the
payroll and tax advantages constitute powerful arguments in support of a prefer-
ential assessment policy as a means for attracting new industry. The payroll
consideration dominates in those rural areas where unemployment is a chronic
problem; while in the relatively tighter metropolitan labor market, the tax
revenue factor often becomes the most important consideration.

The leadership of a metropolitan community often views the prospect of a
major industrial location as a first rate opportunity to export some of the local
tax burden to the neighboring communities. In metropolitan areas frequently one
community reaps the tax revenue advantage while neighboring communities are re-
quired to educate the plant employees' children, grapple with the traffic gener-
ated, and suffer the pollutants injected into streams and the atmosphere.

The second-pressure generating factor arises from the fact that heavy
reliance on the property tax forces most local governments to enter the competi-
tive arena armed only with one major tax weapon--the preferential assessment.

In brief, the practice of "negotiating" industrial tax assessments can
produce both a highly discriminatory tax system and a corruptive administrative
environment.

In order to neutralize the local demand for preferential assessment, the
assessor needs the countervailing State demand for uniform assessment standards.
Only by providing technical assistance and exercising its supervisory authority
can the State tax agency play this vital "neutralizing" role. Both the demands
of taxpayer equity and local governmental fiscal health dictate that States
shield the local assessment process from these competitive forces that would
subvert its essential purpose--the equitable distribution of the community's
tax burden among all property owners.

APPENDIX

APPENDIX A.--LOCATION OF NEW INDUSTRIAL PLANTS IN 12 SELECTED STATES--NUMBER OF
NEW PLANTS AND EMPLOYEES, 1963-1965

Location	In SMSA central cities		Outside SMSA Central Cities															Total	
			Total		In cities having a 1960 population of:										Outside cities			
					25,000 and over		10,000 to 25,000		5,000 to 10,000		2,500 to 5,000		Less than 2,500					
	# Plants	# Emp.	# Plants	# Emp.	# Plants	# Emp.	# Plants	# Emp.	# Plants	# Emp.	# Plants	# Emp.	# Plants	# Emp.	# Plants	# Emp.	# Plants	# Emp.
COLORADO	28	1,463	70	3,084	13	1,925	11	325	12	305	13	192	21	337	--	--	98	4,547
Inside SMSA's (All intrastate)	28	1,463	19	1,949	9	1,737	3	13	2	110	3	81	2	8	--	--	47	3,412
Colorado Springs	8	878	--	--	--	--	--	--	--	--	--	--	--	--	--	--	8	878
Denver	16	541	19	1,949	9	1,737	3	13	2	110	3	81	2	8	--	--	35	2,490
Pueblo	4	44	--	--	--	--	--	--	--	--	--	--	--	--	--	--	4	44
Outside SMSA's	--	--	51	1,135	4	188	8	312	10	195	10	111	19	329	--	--	51	1,135
FLORIDA	708	14,576	947	22,945	311	5,343	208	4,742	131	3,778	87	2,741	94	3,069	116	3,272	1,655	37,521
Inside SMSA's (All intrastate)	708	14,576	460	8,912	214	3,369	91	2,211	73	1,149	19	191	23	749	40	1,243	1,168	23,488
Fort Lauderdale-Hollywood	101	1,932	49	748	--	--	23	470	20	208	3	30	--	--	3	40	150	2,680
Jacksonville	45	821	9	163	--	--	2	10	--	--	2	14	--	--	5	139	54	984
Miami	367	6,185	254	4,512	201	3,083	15	231	25	458	2	16	1	500	10	224	621	10,697
Orlando	43	900	37	482	--	--	10	175	--	--	3	13	15	185	9	109	80	1,382
Pensacola	3	54	2	9	--	--	--	--	--	--	1	4	--	--	1	5	5	63
Tampa-St. Petersburg	132	4,020	65	1,897	13	286	18	785	20	383	2	48	6	58	6	337	197	5,917
West Palm Beach	17	664	44	1,101	--	--	23	540	8	100	6	66	1	6	6	389	61	1,765
Outside SMSA's	--	--	487	14,033	97	1,974	117	2,531	58	2,629	68	2,550	71	2,320	76	2,029	487	14,033
ILLINOIS[1]	16	3,855	91	10,794	17	2,168	25	3,528	20	1,830	10	680	18	2,513	1	75	107	14,649
Inside SMSA's	16	3,855	60	6,873	12	1,093	15	2,120	15	1,345	4	185	13	2,055	1	75	76	10,728
Intrastate SMSA's:																		
Chicago	16	3,855	53	6,575	9	935	14	2,085	13	1,270	4	185	12	2,025	1	75	69	10,430
Davenport-Rock Island-Moline[2]	--	--	1	35	--	--	1	35	--	--	--	--	--	--	--	--	1	35
Rockford	--	--	3	163	1	88	--	--	1	45	--	--	1	30	--	--	3	163
Intrastate SMSA:																		
St. Louis, Mo. (Ill. portion)[3]	4/	4/	3	100	2	70	--	--	1	30	--	--	--	--	--	--	3	100
Outside SMSA's	--	--	31	3,921	5	1,075	10	1,408	5	485	6	495	5	458	--	--	31	3,921

See footnotes at the end of table.

APPENDIX A.--LOCATION OF NEW INDUSTRIAL PLANTS IN 12 SELECTED STATES--NUMBER OF
NEW PLANTS AND EMPLOYEES, 1963-1965 (Cont'd)

Location	In SMSA central cities		Outside SMSA Central Cities												Outside cities		Total	
			Total		In cities having a 1960 population of:													
					25,000 and over		10,000 to 25,000		5,000 to 10,000		2,500 to 5,000		Less than 2,500					
	# Plants	# Emp.	# Plants	# Emp.	# Plants	# Emp.	# Plants	# Emp.	# Plants	# Emp.	# Plants	# Emp.	# Plant	# Emp.	# Plants	# Emp.	# Plants	# Emp.
KENTUCKY	28	1,127	192	17,458	15	1,416	15	486	23	1,057	34	1,522	54	2,808	51	10,169	220	18,585
Inside SMSA's	28	1,127	19	3,048	1	250	5	103	1	25	--	--	2	652	10	2,018	47	4,175
Intrastate SMSA's:																		
Huntington-Ashland[2]	--	--	1	150	--	--	--	--	--	--	--	--	--	--	1	150	1	150
Lexington	7	761	1	300	--	--	--	--	--	--	--	--	--	--	1	300	8	1,061
Louisville[2]	21	366	1	35	--	--	--	--	--	--	--	--	--	--	1	35	22	401
Interstate SMSA's (Ky. portion):																		
Cincinnati, Ohio[5]	[4]	[4]	9	2,158	1	250	--	--	1	25	--	--	1	650	6	1,233	9	2,158
Evansville, Ind.[6]	[4]	[4]	7	405	--	--	5	103	--	--	--	--	1	2	1	300	7	405
Outside SMSA's	--	--	173	14,410	14	1,166	10	383	22	1,032	34	1,522	52	2,156	41	8,151	173	14,410
MARYLAND	49	917	164	8,630	27	1,369	20	879	7	203	13	1,265	44	1,640	53	3,274	213	9,547
Inside SMSA's	49	917	101	5,743	16	939	6	125	5	160	9	1,026	16	702	49	2,791	150	6,660
Intrastate SMSA:																		
Baltimore	49	917	50	2,755	--	--	5	90	1	3	5	733	6	96	33	1,833	99	3,672
Interstate SMSA's (Md. portion):																		
Washington, D.C.[7]	[4]	[4]	45	2,551	16	939	1	35	--	--	4	293	8	326	16	958	45	2,551
Wilmington, Del.[8]	[4]	[4]	6	437	--	--	--	--	4	157	--	--	2	280	--	--	6	437
Outside SMSA's	--	--	63	2,887	11	430	14	754	2	43	4	239	28	938	4	483	63	2,887
New Jersey, total[9]	182	6,765	513	19,311	209	8,547	138	4,913	79	3,067	54	1,873	14	336	19	575	695	26,076
Inside SMSA's	182	6,765	393	15,672	180	7,468	99	3,563	64	2,519	30	1,436	7	200	13	486	575	22,437
Intrastate SMSA's:																		

See footnotes at the end of table.

Location	In SMSA central cities		Outside SMSA Central Cities														Total	
			Total		In cities having a 1960 population of:										Outside cities			
					25,000 and over		10,000 to 25,000		5,000 to 10,000		2,500 to 5,000		Less than 2,500					
	# Plants	# Emp.	# Plants	# Emp.	# Plants	# Emp.	# Plants	# Emp.	# Plants	# Emp.	# Plants	# Emp.	# Plants	# Emp.	# Plants	# Emp.	# Plants	# Emp.
3 SMSA's in Northeastern N.J.:	167	6,227	319	12,543	161	6,489	88	3,130	48	1,984	13	664	6	187	3	89	486	18,770
Jersey City	27	939	80	4,106	68	3,368	9	555	--	--	--	--	2	123	1	60	107	5,045
Newark	59	2,701	118	3,480	67	1,743	28	910	16	676	5	122	--	--	2	29	177	6,181
Paterson-Clifton-Passaic	81	2,587	121	4,957	26	1,378	51	1,665	32	1,308	8	542	4	64	--	--	202	7,544
2 Outlying SMSA's:	15	538	9	274	2	29	1	35	2	59	3	128	--	--	1	23	24	812
Atlantic City	2	49	5	135	--	--	--	--	2	59	2	53	--	--	1	23	7	184
Trenton	13	489	4	139	2	29	1	35	--	--	1	75	--	--	--	--	17	628
Interstate SMSA's (N.J. portion):																		
Allentown-Bethlehem-Easton, Pa.[10]/	4/	4/	4	132	--	--	2	66	1	26	1	40	--	--	--	--	4	132
Philadelphia, Pa.[11]/	4/	4/	57	2,594	17	950	8	332	11	382	13	604	1	13	7	313	57	2,594
Wilmington, Del.[12]/	4/	4/	4	129	--	--	--	--	2	68	--	--	--	--	2	61	4	129
Outside SMSA's	--	--	120	3,639	29	1,079	39	1,350	15	584	24	437	7	136	6	89	120	3,639
PENNSYLVANIA[13]/	140	13,410	359	32,847	22	2,119	67	4,294	69	7,626	40	3,598	65	5,144	96	10,066	499	46,257
Inside SMSA's	140	13,410	229	21,037	9	712	42	2,525	40	4,588	29	2,408	37	3,035	72	7,769	369	34,447
Intrastate SMSA's:																		
Allentown-Bethlehem-Easton[2]/	22	1,896	17	988	1	30	1	50	3	113	3	204	5	230	4	361	39	2,884
Altoona	6	1,295	6	915	--	--	--	--	1	275	2	190	2	350	1	100	12	2,210
Erie	8	1,158	4	435	--	--	--	--	1	150	--	--	2	185	1	100	12	1,593
Harrisburg	--	--	9	755	--	--	2	110	2	325	--	--	3	190	2	130	9	755
Johnstown	1	400	2	125	--	--	--	--	--	--	--	--	2	125	--	--	3	525
Lancaster	4	375	7	430	--	--	2	60	--	--	1	30	2	275	2	65	11	805
Philadelphia[2]/	47	4,113	60	5,853	5	522	5	455	6	625	4	845	7	431	33	2,975	107	9,966
Pittsburgh	11	715	39	2,744	3	160	12	501	3	259	5	230	4	305	12	1,289	50	3,459
Reading	3	215	8	532	--	--	--	--	1	37	4	315	3	180	--	--	11	747
Scranton	19	1,103	23	1,992	--	--	5	506	12	1,159	5	292	--	--	1	35	42	3,095

See footnotes at the end of table.

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APPENDIX A.--LOCATION OF NEW INDUSTRIAL PLANTS IN 12 SELECTED STATES--NUMBER OF
NEW PLANTS AND EMPLOYEES, 1963-1965 (Cont'd)

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					In cities having a 1960 population of:										Outside cities			
					25,000 and over		10,000 to 25,000		5,000 to 10,000		2,500 to 5,000		Less than 2,500					
	# Plants	# Emp.	# Plants	# Emp.	# Plants	# Emp.	# Plants	# Emp.	# Plants	# Emp.	# Plants	# Emp.	# Plants	# Emp.	# Plants	# Emp.	# Plants	# Emp.
(Pa. Cont'd)																		
Wilkes-Barre-Hazelton	12	760	40	4,093	--	--	15	843	10	1,610	5	302	2	325	8	1,013	52	4,853
York	7	1,380	13	2,150	--	--	--	--	1	35	--	--	5	439	7	1,676	20	3,530
Interstate SMSA:																		
Binghampton, N.Y. (Pa. portion)[14]	4/	4/	1	25	--	--	--	--	--	--	--	--	--	--	1	25	1	25
Outside SMSA's	--	--	130	11,810	13	1,407	25	1,769	29	3,038	11	1,190	28	2,109	24	2,297	130	11,810
SOUTH CAROLINA[15]	28	3,537	141	24,551	10	2,195	20	4,517	46	8,782	21	2,878	39	5,409	5	770	169	28,088
Inside SMSA's	28	3,537	28	4,053	--	--	5	1,064	8	782	1	100	13	2,097	1	10	56	7,590
Intrastate SMSA's:																		
Charleston	6	371	2	65	--	--	--	--	--	--	--	--	1	55	1	10	8	436
Columbia	6	611	5	202	--	--	--	--	5	202	--	--	--	--	11	--	11	813
Greenville	16	2,555	15	2,642	--	--	--	--	3	580	1	100	11	1,962	--	--	31	5,197
Interstate SMSA:																		
Augusta, Ga. (S.C. portion)[16]	4/	4/	6	1,144	--	--	5	1,064	--	--	--	--	1	80	--	--	6	1,144
Outside SMSA's	--	--	113	20,498	10	2,195	15	3,453	38	8,000	20	2,778	26	3,312	4	760	113	20,498
TENNESSEE	35	3,898	151	18,709	7	708	35	2,936	34	5,678	23	3,380	42	4,877	10	1,130	186	22,607
Inside SMSA's (All intrastate)	35	3,898	8	494	1	15	1	25	1	80	1	20	--	--	4	354	43	4,392
Chattanooga[2]	7	346	2	29	--	--	--	--	--	--	--	--	--	--	2	29	9	375
Knoxville[7]	5	185	3	90	1	15	1	25	--	--	--	--	--	--	1	50	8	275
Memphis[7]	11	2,953	1	80	--	--	--	--	1	80	--	--	--	--	--	--	12	3,033
Nashville	12	414	2	295	--	--	--	--	--	--	1	20	--	--	1	275	14	709
Outside SMSA's	--	--	143	18,215	6	693	34	2,911	33	5,598	22	3,360	42	4,877	6	776	143	18,215

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See footnotes at the end of table.

APPENDIX A.--LOCATION OF NEW INDUSTRIAL PLANTS IN 12 SELECTED STATES--NUMBER OF NEW PLANTS AND EMPLOYEES, 1963-1965 (Cont'd)

Location	In SMSA central cities #Plants	In SMSA central cities #Emp.	Outside SMSA — Total #Plants	Outside SMSA — Total #Emp.	25,000 and over #Plants	25,000 and over #Emp.	10,000 to 25,000 #Plants	10,000 to 25,000 #Emp.	5,000 to 10,000 #Plants	5,000 to 10,000 #Emp.	2,500 to 5,000 #Plants	2,500 to 5,000 #Emp.	Less than 2,500 #Plants	Less than 2,500 #Emp.	Outside cities #Plants	Outside cities #Emp.	Total #Plants	Total #Emp.
TEXAS	74	7,418	133	12,255	14	1,628	22	2,628	15	1,303	16	1,130	24	1,493	42	4,073	207	19,673
Inside SMSA's (All intrastate)	74	7,418	40	3,671	11	1,040	3	425	1	75	4	326	7	377	14	1,428	114	11,089
Abilene	1	38	1	75	--	--	--	--	1	75	--	--	--	--	--	--	2	113
Amarillo	5	701	--	--	--	--	--	--	--	--	--	--	--	--	--	--	5	701
Austin	2	113	--	--	--	--	--	--	--	--	--	--	--	--	--	--	2	113
Brownsville-Harlingen-San Benito	2	550	--	--	--	--	--	--	--	--	--	--	--	--	--	--	2	550
Corpus Christi	3	151	--	--	--	--	--	--	--	--	--	--	--	--	--	--	3	151
Dallas	16	1,330	14	1,739	5	638	2	250	--	--	2	213	--	--	5	638	30	3,069
El Paso	3	251	--	--	--	--	--	--	--	--	--	--	--	--	--	--	3	251
Forth Worth	4	363	14	891	4	189	1	175	--	--	1	75	6	339	2	113	18	1,254
Galveston-Texas City	1	38	--	--	--	--	--	--	--	--	--	--	--	--	--	--	1	38
Houston	19	1,992	8	578	2	213	--	--	--	--	1	38	1	38	4	289	27	2,570
Laredo	1	75	--	--	--	--	--	--	--	--	--	--	--	--	--	--	1	75
Lubbock	3	451	1	38	--	--	--	--	--	--	--	--	--	--	1	38	4	489
Odessa	3	151	--	--	--	--	--	--	--	--	--	--	--	--	--	--	3	151
San Angelo	2	450	1	175	--	--	--	--	--	--	--	--	--	--	1	175	3	625
San Antonio	3	325	1	175	--	--	--	--	--	--	--	--	--	--	1	175	4	500
Waco	2	250	--	--	--	--	--	--	--	--	--	--	--	--	--	--	2	250
Wichita Falls	4	189	--	--	--	--	--	--	--	--	--	--	--	--	--	--	4	189
Outside SMSA's	--	--	93	8,584	3	588	19	2,203	14	1,228	12	804	17	1,116	28	2,645	93	8,584
VIRGINIA	58	3,510	170	17,592	16	1,065	37	3,030	15	1,499	12	804	40	4,135	50	7,059	228	21,102
Inside SMSA's	58	3,510	44	4,095	7	336	10	1,247	1	30	2	322	4	295	20	1,865	102	7,605
Intrastate SMSA's:																		
Lynchburg	4	295	4	477	--	--	--	--	--	--	2	322	1	150	1	5	8	772
Newport News-Hampton	7	502	1	15	--	--	--	--	--	--	--	--	1	15	--	--	8	517
Norfolk-Portsmouth	17	609	1	30	--	--	--	--	1	30	--	--	--	--	--	--	18	639
Richmond	22	1,240	9	1,080	--	--	--	--	--	--	--	--	1	100	8	980	31	2,320
Roanoke	8	864	4	725	--	--	3	705	--	--	--	--	--	--	1	20	12	1,589
Interstate SMSA: Wash.,D.C. (Va. portion) 17/	4/	4/	25	1,768	7	336	7	542	--	--	--	--	1	30	10	860	25	1,768

See footnotes at the end of table.

APPENDIX A.--LOCATION OF NEW INDUSTRIAL PLANTS IN 12 SELECTED STATES--NUMBER OF
NEW PLANTS AND EMPLOYEES, 1963-1965 (Cont'd)

Location	In SMSA central cities		Outside SMSA Central Cities														Total	
			Total		In cities having a 1960 population of:										Outside cities			
					25,000 and over		10,000 to 25,000		5,000 to 10,000		2,500 to 5,000		Less than 2,500					
	# Plants	# Emp.	# Plants	# Emp.	# Plants	# Emp.	# Plants	# Emp.	# Plants	# Emp.	# Plants	# Emp.	# Plants	# Emp.	# Plants	# Emp.	# Plants	# Emp.
Outside SMSA's	--	--	126	13,497	9	729	27	1,783	14	1,469	10	482	36	3,840	30	5,194	126	13,497
WASHINGTON	8	334	80	4,149	16	800	16	1,438	19	463	14	681	13	719	2	48	88	4,483
Inside SMSA's	8	334	28	882	11	294	4	223	4	71	2	38	6	243	1	13	36	1,216
Intrastate SMSA's:																		
Seattle-Everett	1	13	12	437	--	--	4	223	4	71	1	25	3	118	--	--	13	450
Spokane	6	283	1	13	--	--	--	--	--	--	--	--	--	--	1	13	7	296
Tacoma	1	38	--	--	--	--	--	--	--	--	--	--	--	--	--	--	1	38
Interstate SMSA:																		
Portland, Oreg. (Wash. portion)18/	4/	4/	15	432	11	294	--	--	--	--	1	13	3	125	--	--	15	432
Outside SMSA's	--	--	52	3,267	5	506	12	1,215	15	392	12	643	7	476	1	35	52	3,267

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1/ Based on incomplete 1964-1965 data.

2/ This State's portion of interstate SMSA with the central city located within the State.

3/ Consists of Madison and St. Clair Counties.

4/ Central city is in another State.

5/ Consists of Boone, Campbell, and Kenton Counties.

6/ Henderson County.

7/ Consists of Montgomery and Prince Georges Counties.

8/ Cecil County

9/ 1965 based on partial data.

10/ Warren County

(Footnotes Cont'd)

11/   Consists of Burlington, Camden, and Gloucester Counties.

12/   Salem County.

13/   Based on 1964-1965 data.

14/   Susquehanna County.

15/   1965 data for plants with 25 or more employees only.

16/   Aiken County.

17/   Consists of Alexandria, Falls Church, Arlington County, and Fairfax County.

18/   Clark County.

Sources: Colorado--Division of Commerce and Development. Announcements of New Industry and Expansion of Existing Industries in Colorado.

Florida--Development Commission, Florida's New Industrial Plants.

Illinois--Board of Economic Development, Unpublished records.

Kentucky--Department of Commerce. Manufacturing Developments in Kenutcky. Unpublished records.

Maryland--Maryland Department of Economic Development. Unpublished records.

New Jersey--Department of Conservation and Economic Development, Division of Economic Development. Unpublished records.

Pennsylvania--Department of Commerce, Industrial Development Projects Announced in Pennsylvania.

South Carolina--State Development Board. New Expanded Plants in South Carolina.

Tennessee--Executive Department, Staff Division of Industrial Development, Industrial Growth in Tennessee.

Texas--University of Texas, Bureau of Business Research, machine listing for Directory of Texas Manufacturers.

Virginia--Division of Industrial Development and Planning. Manufacturing Plants in Virginia Established Since 1950.

Washington--Department of Commerce and Economic Development, New Industry in the State of Washington.

APPENDIX B

Procedure for State-by-State Estimation of General
Property Taxes Paid by Business in 1957 and 1962

For the purpose of this study, we have defined property taxes on busi-
ness as all State and local general property taxes except those levied against
farm and residential (both owner-occupied and tenant-occupied) property, plus
a small amount of State special property taxes on public utilities.[1] The main
task in estimating State-by-State data was to eliminate from total general
property tax collections, the amounts levied against farm and residential
property.

General Property Taxes From Locally Assessed Real Property

In a special study, the Bureau of the Census provides State-by-State
estimates for 1957 and 1962 of local general property tax revenue derived from
locally assessed real property.[2] An amount of State general property tax reve-
nue derived from locally assessed realty was added to the amounts reported in
the Census study to arrive at total State and local general property tax reve-
nue from locally assessed real property.[3] From this total was deducted the
amount of farm property taxes levied in each State as reported by the U. S.
Department of Agriculture in Farm Real Estate Taxes, ARS 43-130, August 1960
(Agricultural Research Service), and Farm Real Estate Taxes, RET-5, October
1965 (Economic Research Service).

The residual (nonfarm general property tax revenue from locally assessed
real property) was distributed between residential and nonresidential (business)
on the basis of assessed value data reported in the Bureau of the Census reports,
Taxable Property Values in the United States (1957 Census of Governments, Vol. V)

1/   By this procedure, "property taxes on business" consists of property taxes
     on industrial and commercial property plus a small amount levied on vacant
     lots and (in some States) amounts levied on mineral rights.

2/   U. S. Bureau of the Census, Property Taxation in 1962 (State and Local
     Government Special Studies No. 47, November 1964) Table 7.

3/   For this purpose it was assumed that State general property tax revenue
     from locally assessed realty bears the same relationship to total State
     general property tax revenue as does local general property tax revenue
     from locally assessed realty to total local general property tax revenue.

and Taxable Property Values (1962 Census of Governments, Vol. II). The procedure is illustrated by the following 1962 computations for Florida (dollar amounts are in millions):

(1) Gross assessed value, total $13,178
(2) Real property exemptions, total . . . .   4,213[1]/
     (a) Real property exemptions, acreage and farms   101[2]/
     (b) Real property exemptions, residential . .   4,112[2]/
(3) Taxable assessed value, total--(1) - (2) . . .   8,965
(4) Gross assessed value, acreage and farms   1,319
(5) Taxable assessed value, acreage and farms --
     (4) - (2a)   1,218
(6) Taxable assessed value, excluding acreage and
     farms--(3) - (5).   7,747
(7) Gross assessed value, residential   8,511
(8) Taxable assessed value, residential--(7) - (2b)   4,399
(9) Taxable assessed value, business property --
     (6) - (8)   3,348
(10) Taxable assessed value of locally assessed
     business property as percent of total excluding
     acreage and farms--(9) - (6) 43.22%

The final computation was to apply the resulting percentage to the amount of nonfarm general property tax revenue from locally assessed real property. For Florida, the computation was as follows:

(11) $312 million x 43.22% = $135 million

This procedure was modified for Iowa, where homestead, military service, and agricultural property tax exemptions are granted in the form of credits rather than as reductions of assessed value. Property tax collection figures are reported by the Bureau of the Census and by the Department of Agriculture net of these credits. It was necessary, therefore, to add the amount of credits back to the reported property tax collection figures before applying the "business percentage" computed from assessed value data. Since the State of Iowa reimburses its local governments for tax losses resulting from these credits, the amount of reimbursement is reported by the Bureau of the Census as an "intergovernmental expenditure." The necessary data were obtained from State Payments to Local Governments (1962 Census of Governments, Vol. VI, No. 2 and 1957 Census of Governments, Vol. IV, No. 2).

1/ Homestead exemption.

2/ Distributed on the basis of the ratio of the number of farm to nonfarm
    one-family occupied units, as reported in the 1960 Census of Housing
    (Vol. 1, Table 4). The same procedure was applied for veterans' real
    property exemptions where such exemptions are granted.

General Property Taxes From State Assessed Property and From Locally Assessed Personal Property

By deducting from total general property tax revenue the amount of State and local general property taxes derived from locally assessed property, we have a residual consisting of general property tax revenue from State assessed property and from locally assessed personalty. This total was distributed between the two components on the basis of taxable assessed values reported in the two Census of Governments reports (1957 and 1962) on Taxable Property Values. The entire amount thus derived for State assessed property, which comes almost entirely from public utilities, was attributed to business. For personal property taxes it was necessary to eliminate taxes on farm personalty, on motor vehicles (arbitrarily assigned to the nonbusiness sector), and on household goods. Data on farm personal property taxes were obtained from the U. S. Department of Agriculture report, Farm Personal Property Taxes, 1957-1962 (ERS-176). Assessed value data on motor vehicles are available for most States taxing motor vehicles as general property in the two Census of Governments reports on Taxable Property Values. The 1962 report also contains assessed value data on household personal property for most States that do not exempt such property.[1] The assessed value relationships were applied to personal property tax collections to arrive at a residual for general property taxes from business personal property.

Review of Data by State Tax Agencies

The result of the computations described above for 1962 appear in the following table. The data for each State were reviewed by the appropriate State agencies, and in a number of instances revisions were made in the light of information on business taxes developed by the State tax agencies themselves. In most instances, however, the State data were accepted as substantially accurate. The cooperation of State tax officials in reviewing these data is gratefully acknowledged.

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[1]   U. S. Bureau of the Census, Taxable Property Values (1962 Census of Governments, Vol. II.) Tables 23 and 24.

APPENDIX B.--STATE AND LOCAL GENERAL PROPERTY TAXES PAID BY BUSINESS,
FOR STATES AND REGIONS, 1962

(In millions of dollars)

State and Region	On locally assessed property		On State assessed property[1]	Total
	Real estate	Personal property		
U. S. total	$4,634.3	$2,027.8	$1,414.4	$8,076.5
New England	378.7	154.3	--	533.0
Maine	24.0	15.8	--	39.8
New Hampshire	22.0	5.8	--	27.8
Vermont	12.4	4.3	--	16.7
Massachusetts	221.3	60.0	--	281.3
Rhode Island	20.8	10.0	--	30.8
Connecticut	78.2	58.4	--	136.6
Mideast	1,543.4	105.9	172.2	1,821.5
New York	953.7	--	94.8	1,048.5
New Jersey	259.7	92.6	15.6	367.9
Pennsylvania	249.0	--	--	249.0
Delaware	7.7	--	--	7.7
Maryland	50.4	4.9	61.8[2]	117.1
Dist. of Columbia	22.9	8.4	--	31.3
Great Lakes	895.6	738.8	256.7	1,891.1
Michigan	221.6	231.3	--	452.9
Ohio	180.5	210.6	124.4	515.5
Indiana	75.1	103.2	73.3	251.6
Illinois	297.1	146.9	59.0	503.0
Wisconsin	121.3	46.8	--	168.1
Plains	319.9	190.2	153.5	663.6
Minnesota	128.9	70.9	5.6	205.4
Iowa	57.1	23.5	39.0	119.6
Missouri	66.1	32.4	36.9	135.4
North Dakota	6.3	4.1	10.1	20.5
South Dakota	10.7	4.5	4.9	20.1
Nebraska	20.7	19.1	5.4	45.2
Kansas	30.1	35.7	51.6	117.4
Southeast	415.2	241.7	262.8	919.7
Virginia	36.0	21.2	22.1	79.3
West Virginia	14.7	2.0	18.0	34.7
Kentucky	22.2	6.4	27.3[3]	55.9
Tennessee	41.7	5.1	25.1	71.9
North Carolina	42.6	35.3	6.9	84.8
South Carolina	6.5	1.3	37.0[4]	44.8
Georgia	39.1	36.9	26.3	102.3
Florida	134.8	59.1	6.1	200.0
Alabama	16.2	10.6	15.2	42.0
Mississippi	17.5	15.1	27.9	60.5
Louisiana	34.5	42.8	37.6	114.9
Arkansas	9.4	5.9	13.3	28.6
Southwest	388.6	185.1	96.8	670.5
Oklahoma	17.5	19.0	33.6	70.1
Texas	336.8	146.8	8.9	492.5
New Mexico	5.7	3.5	20.6	29.6
Arizona	28.6	16.0	33.7	78.3

See footnotes at the end of table.

(In millions of dollars)

State and Region	On locally assessed property		On State assessed property[1]	Total
	Real estate	Personal property		
Rocky Mountain	$ 78.6	$ 59.9	$ 112.4	$ 250.9
Montana	10.8	13.9	21.2	45.9
Idaho	9.1	6.2	16.7	32.0
Wyoming	2.5	2.5	20.1	25.1
Colorado	45.8	28.6	22.7	97.1
Utah	10.4	8.7	31.7	50.8
Far West[5]	600.4	350.0	360.0	1,310.4
Washington	40.1	33.6	18.8	92.5
Oregon	40.3	23.4	22.1	85.8
Nevada	7.6	2.5	6.2	16.3
California	512.4	290.5	312.9	1,115.8
Alaska	4.4	1.9	--	6.3
Hawaii	9.5	--	--	9.5

1/   Mainly public utility property.
2/   About 40 percent is from personal property of corporations.
3/   About 25 percent is from distilled spirits in bonded warehouses.
4/   About 65 percent is from textile and other manufacturing property.
5/   Excludes Alaska and Hawaii.

Source: Estimated by ACIR Staff.

TABLE C-1.--STATE AND LOCAL TAXES WITH AN INITIAL IMPACT ON BUSINESS, BY TYPE OF TAX, BY STATE, 1957

(In millions of dollars)

State and Region	Total Excluding Unemployment Compensation	Total Including Unemployment Compensation	Property	Unemployment Compensation	Corporation Net Income	Gross Receipts	Licenses	Severance	Other
United States	$9,705.4	$11,219.4	$5,807.8	$1,514.0	$1,043.2	$1,139.7	$1,248.8	$388.4	$77.5
New England	618.9	750.4	388.5	131.5	70.4	44.0	112.2	--	3.8
Maine	40.5	49.0	30.4	8.5	--	6.0	4.1	--	--
New Hampshire	27.5	33.7	24.0	6.2	--	1.6	1.9	1/	--
Vermont	17.3	19.9	11.5	2.6	2.3	2.1	1.4	--	--
Massachusetts	340.1	408.5	206.5	68.4	30.4	9.3	93.9	--	--
Rhode Island	43.1	61.9	24.7	18.8	7.9	6.4	3.3	--	0.8
Connecticut	150.4	177.4	91.4	27.0	29.8	18.6	7.6	--	3.0
Mideast	2,512.0	3,011.9	1,344.8	499.9	442.4	286.1	438.7	--	--
New York	1,260.2	1,473.4	766.9	213.2	251.3	138.3	103.7	--	--
New Jersey	402.7	489.4	278.5	86.7	--	76.2	48.0	--	--
Pennsylvania	656.2	830.1	192.3	173.9	164.1	40.4	259.4	--	--
Delaware	16.3	19.4	4.3	3.1	--	1.6	10.4	--	--
Maryland	132.3	151.3	77.6	19.0	19.5	21.9	13.3	--	--
Dist. of Columbia	44.3	48.3	25.2	4.0	7.5	7.7	3.9	--	--
Great Lakes	1,933.5	2,234.8	1,380.6	301.3	60.9	245.9	180.5	1.3	64.3
Michigan	490.9	587.1	338.5	96.2	--	17.7	69.7	.7	64.3
Ohio	439.2	495.2	333.2	56.0	5.3	60.6	40.1	--	--
Indiana	236.5	271.9	163.4	35.4	--	59.9	12.8	.4	--
Illinois	516.4	603.5	378.7	87.1	--	91.5	46.2	--	--
Wisconsin	250.5	277.1	166.8	26.6	55.6	16.2	11.7	.2	--
Plains	693.8	766.6	478.7	72.8	41.6	78.1	59.9	35.5	--
Minnesota	237.4	254.0	140.2	16.6	21.7	31.4	12.4	31.7	--
Iowa	96.8	105.3	80.2	8.5	3.9	6.7	6.0	--	--
Missouri	158.0	184.8	102.1	26.8	10.0	24.4	21.5	1/	--
North Dakota	25.0	27.6	17.4	2.6	1.2	1.3	3.5	1.6	--
South Dakota	20.8	22.5	14.2	1.7	.2	1.5	4.2	.7	--
Nebraska	46.5	51.5	35.9	5.0	--	4.7	4.9	1.0	--
Kansas	109.3	120.9	88.7	11.6	4.6	8.1	7.4	.5	--

See footnotes at the end of table.

TABLE C-1.--STATE AND LOCAL TAXES WITH AN INITIAL IMPACT ON BUSINESS, BY TYPE OF TAX, BY STATE, 1957 (Concl'd)

(In millions of dollars)

State and Region	Total		Property	Unemployment Compensation	Corporation Net Income	Gross Receipts	Licenses	Severance	Other
	Excluding Unemployment Compensation	Including Unemployment Compensation							
United States	$9,705.4	$11,219.4	$5,807.8	$1,514.0	$1,043.2	$1,139.7	$1,248.8	$388.4	$77.5
Southeast	1,440.8 2/	1,650.7 2/	649.7	209.9	201.6	244.0 2/	246.3	99.2	--
Virginia	154.6 2/	165.9 2/	56.6	11.3	27.5	34.3 2/	35.9	.3	--
West Virginia	90.8	104.0	28.1	13.2	--	53.0	9.7	--	--
Kentucky	93.3	117.5	49.0	24.2	18.6	10.7	14.7	.3	--
Tennessee	105.4	134.1	48.4	28.7	19.6	10.5	26.9	--	--
North Carolina	162.8	191.7	63.5	28.9	45.6	28.7	25.0	--	--
South Carolina	68.6	80.6	32.4	12.0	17.4	8.4	10.4	--	--
Georgia	118.7	141.3	68.5	22.6	21.8	12.1	16.3	--	--
Florida	202.8	218.7	128.6	15.9	--	35.5	38.6	.1	--
Alabama	81.8	100.9	31.9	19.1	10.4	10.1	28.0	1.4	--
Mississippi	75.9	83.4	39.0	7.5	13.9	5.2	8.4	9.4	--
Louisiana	238.8	258.6	82.0	19.8	17.0	30.9	26.0	82.9	--
Arkansas	47.3	54.0	21.7	6.7	9.8	4.6	6.4	4.8	--
Southwest	865.0	919.7	468.1	54.7	19.2	70.4	67.4	239.9	--
Oklahoma	117.5	127.8	55.8	10.3	10.5	11.3	5.9	34.0	--
Texas	652.1	684.4	349.2	32.3	--	51.7	53.1	198.1	--
New Mexico	35.7	40.3	18.2	4.6	1.6	2.6	5.5	7.8	--
Arizona	59.7	67.2	44.9	7.5	7.1	4.8	2.9	--	--
Rocky Mountain	257.6	279.1	187.2	21.5	19.1	14.7	26.3	10.3	--
Montana	48.6	52.8	37.1	4.2	2.4	2.5	3.1	3.5	--
Idaho	34.4	38.4	24.1	4.0	4.1	2.6	3.5	.1	--
Wyoming	24.3	26.1	18.5	1.8	--	1.0	4.8	--	--
Colorado	98.2	104.3	71.3	6.1	4.4	6.1	12.5	3.9	--
Utah	52.1	57.5	36.2	5.4	8.2	2.5	2.4	2.8	--
Far West 3/	1,383.8	1,606.5	910.2	222.7	188.0	156.5	117.5	2.2	9.4
Washington	155.8	196.8	63.9	41.0	--	74.1	17.8	--	--
Oregon	123.2	140.6	73.9	17.4	20.7	6.6	21.2	.8	--
Nevada	22.1	26.5	13.3	4.4	--	.8	7.8	.2	--
California	1,082.7	1,242.6	759.1	159.9	167.3	75.0	70.7	1.2	9.4
Alaska	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Hawaii	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

n.a. - Data not available.
1/ Less than $50,000.
2/ State utility gross receipts tax adjusted to one-year basis.
3/ Excludes Alaska and Hawaii.

Source: Compiled by ACIR staff from data published by the Governments Division, U. S. Bureau of the Census.

TABLE C-2.---STATE AND LOCAL TAXES WITH AN INITIAL IMPACT ON BUSINESS, BY TYPE OF TAX, BY STATE, 1962

(In millions of dollars)

State and Region	Total		Property	Unemployment Compensation	Corporation Net Income	Gross Receipts	Licenses	Severance	Other
	Excluding Unemployment Compensation	Including Unemployment Compensation							
United States	$13,183.4	$15,838.6	$8,156.2	$2,655.2	$1,331.9	$1,546.4	$1,612.4	$450.9	$85.3
New England	838.1	1,032.0	535.1	193.9	83.5	77.6	137.7	0.1	4.0
Maine	51.6	61.8	39.8	10.2	--	6.6	5.2	--	--
New Hampshire	35.1	42.0	29.6	6.9	--	2.7	2.7	0.1	--
Vermont	24.1	27.4	17.0	3.3	2.5	2.7	1.9	--	--
Massachusetts	439.2	544.7	281.3	105.5	33.0	13.2	111.6	--	--
Rhode Island	53.8	73.3	30.8	19.5	9.5	8.3	4.6	--	0.7
Connecticut	234.3	282.8	136.6	48.5	38.5	44.1	11.7	--	3.3
Mideast	3,169.6	4,088.2	1,824.0	918.6	508.7	381.9	455.0	--	--
New York	1,662.2	2,096.3	1,048.5	434.1	298.8	186.3	128.6	--	--
New Jersey	561.4	694.4	370.3	133.0	25.2	97.6	68.3	--	--
Pennsylvania	668.4	941.9	249.0	273.5	148.9	56.5	214.1	--	--
Delaware	34.3	42.6	7.7	8.3	7.3	1.9	17.3	--	--
Maryland	189.3	253.3	117.2	64.0	19.8	30.0	22.3	--	--
Dist. of Columbia	54.0	59.7	31.3	5.7	8.7	9.6	4.4	--	--
Great Lakes	2,681.0	3,215.8	1,950.2	534.8	61.2	336.2	263.4	1.7	68.3
Michigan	655.5	814.8	478.1	159.3	--	22.1	85.8	1.2	68.3
Ohio	687.4	812.4	515.5	125.0	7.4	76.2	88.4	--	--
Indiana	363.5	404.1	252.0	40.6	--	95.7	15.5	0.3	--
Illinois	683.4	855.3	504.2	171.9	--	119.7	59.5	--	--
Wisconsin	291.1	329.1	200.4	38.0	53.8	22.5	14.2	0.2	--
Plains	938.5	1,043.2	665.1	104.7	64.9	95.0	90.9	22.6	--
Minnesota	310.3	337.8	205.6	27.5	35.0	35.9	16.9	16.9	--
Iowa	139.9	149.0	119.7	9.1	4.5	9.1	6.6	--	--
Missouri	219.7	260.8	135.4	41.1	14.1	32.6	37.5	1/	--
North Dakota	31.7	35.9	20.6	4.2	1.8	1.8	4.4	3.2	--
South Dakota	29.4	32.3	20.1	2.9	0.5	2.2	6.1	0.5	--
Nebraska	58.2	66.3	45.5	8.1	--	3.4	7.9	1.4	--
Kansas	149.3	161.1	118.2	11.8	9.0	10.0	11.5	0.6	--

See footnotes at the end of table.

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TABLE C-2.--STATE AND LOCAL TAXES WITH AN INITIAL IMPACT ON BUSINESS, BY TYPE OF TAX, BY STATE, 1962   (Concl'd)

(In millions of dollars)

State and Region	Total		Property	Unemployment Compensation	Corporation Net Income	Gross Receipts	Licenses	Severance	Other
	Excluding Unemployment Compensation	Including Unemployment Compensation							
United States	$13,183.4	$15,838.6	$8,156.2	$2,655.2	$1,331.9	$1,546.4	$1,612.4	$450.9	$85.3
Southeast	1,974.3	2,285.3	931.9	311.0	231.1	306.6	336.0	168.6	--
Virginia	209.2	232.9	82.8	23.7	30.3	50.2	45.6	0.3	--
West Virginia	110.1	135.4	34.7	25.3	--	61.2	14.2	--	--
Kentucky	111.0	137.9	63.1	26.9	23.3	7.7	16.7	0.2	--
Tennessee	142.0	173.8	71.9	31.8	21.5	15.1	33.5	--	--
North Carolina	217.3	254.5	85.9	37.2	56.8	42.1	32.5	--	--
South Carolina	87.8	100.9	44.8	13.1	18.0	11.6	13.4	--	--
Georgia	167.4	195.1	102.3	27.7	24.9	17.1	23.1	--	--
Florida	311.9	356.8	200.0	44.9	--	53.7	58.2	1/	--
Alabama	105.4	135.9	42.1	30.5	9.6	13.9	38.4	1.3	--
Mississippi	104.7	118.8	60.5	14.1	13.1	6.9	13.1	11.2	--
Louisiana	348.9	374.2	114.9	25.3	23.3	21.3	38.5	150.8	--
Arkansas	58.6	69.1	28.9	10.5	10.3	5.8	8.8	4.8	--
Southwest	1,145.1	1,228.6	671.1	83.5	24.0	98.2	108.3	243.7	--
Oklahoma	141.9	158.7	70.1	16.8	14.6	10.9	11.8	34.5	--
Texas	836.4	886.1	492.5	49.7	--	75.0	81.8	187.3	--
New Mexico	68.3	74.3	29.6	6.0	3.8	4.3	8.7	21.9	--
Arizona	98.5	109.5	78.9	11.0	5.6	8.0	6.0	--	--
Rocky Mountain	352.9	393.0	251.0	40.1	37.1	21.9	33.8	9.2	--
Montana	60.7	67.1	45.9	6.4	4.5	3.6	3.7	3.0	--
Idaho	46.0	54.6	32.0	8.6	5.2	3.7	5.1	0.1	--
Wyoming	29.0	32.1	25.2	3.1	--	1.4	2.3	0.1	--
Colorado	148.1	162.0	97.1	13.9	20.3	9.7	18.6	2.5	--
Utah	69.1	77.2	50.8	8.1	7.1	3.5	4.1	3.5	--
Far West 2/	2,037.8	2,493.8	1,312.2	456.0	312.3	219.0	179.5	1.8	13.0
Washington	224.3	273.2	92.5	48.9	--	107.4	24.4	--	--
Oregon	144.0	180.8	85.8	36.8	21.5	9.0	27.2	0.6	--
Nevada	32.0	40.3	16.3	8.3	--	1.3	14.3	1/	--
California	1,637.5	1,999.5	1,117.6	362.0	290.8	101.3	113.6	1.2	13.0
Alaska	16.1	23.7	6.3	7.6	1.8	1.0	3.7	3.3	--
Hawaii	30.1	35.2	9.5	5.1	7.3	9.1	4.2	--	--

1/ Less than $50 thousand.
2/ Excludes Alaska and Hawaii.

Source: Compiled by ACIR staff from data published by the Governments Division, U. S. Bureau of the Census.

TABLE C-3.--RELATIONSHIP OF STATE AND LOCAL TAXES WITH AN INITIAL IMPACT ON BUSINESS
TO TOTAL STATE AND LOCAL TAXES, BY STATE, 1957 AND 1962

(Includes Unemployment Compensation Taxes)

State and region	Amount in millions				Taxes on business as percent of total taxes		
	Total taxes		Taxes on business				
	1962	1957	1962	1957	1962	1957	% change 1957-1962
United States	$44,209.4	$30,159.1 1/	$15,838.6	$11,219.4	35.8	37.2	- 3.8
New England	2,904.2	2,028.0	1,032.0	750.4	35.5	37.0	- 4.1
Maine	207.5	148.5	61.8	49.0	29.8	33.0	- 9.7
New Hampshire	132.4	92.8	42.0	33.7	31.7	36.3	-12.7
Vermont	95.4	67.1	27.4	19.9	28.7	29.7	- 3.4
Massachusetts	1,528.2	1,083.3	544.7	408.5	35.6	37.7	- 5.6
Rhode Island	208.2	148.5	73.3	61.9	35.2	41.7	-15.6
Connecticut	732.5	487.8	282.8	177.4	38.6	36.4	+ 6.0
Mideast	11,222.7	7,629.9	4,088.2	3,011.9	36.4	39.5	- 7.8
New York	5,885.6	3,924.8	2,096.3	1,473.4	35.6	37.5	- 5.1
New Jersey	1,640.9	1,073.8	694.4	489.4	42.3	45.6	- 7.2
Pennsylvania	2,609.1	1,943.7	941.9	830.1	36.1	42.7	-15.5
Delaware	120.6	61.7	42.6	19.4	35.3	31.4	+12.4
Maryland	777.8	479.2	253.3	151.3	32.6	31.6	+ 3.2
Dist. of Columbia	188.7	146.7	59.7	48.3	31.6	32.9	- 4.0
Great Lakes	8,798.8	6,157.0	3,215.8	2,234.8	36.5	36.3	+ 0.6
Michigan	2,055.5	1,488.1	814.8	587.1	39.6	39.5	+ 0.3
Ohio	2,105.2	1,454.2	812.4	495.2	38.6	34.1	+13.2
Indiana	991.7	670.7	404.1	271.9	40.7	40.5	+ 0.5
Illinois	2,633.8	1,810.8	855.3	603.5	32.5	33.3	- 2.4
Wisconsin	1,012.6	733.2	329.1	277.1	32.5	37.8	-14.0
Plains	3,506.6	2,497.0	1,043.2	766.6	29.7	30.7	- 3.3
Minnesota	896.1	614.5	337.8	254.0	37.7	41.3	- 8.7
Iowa	647.4	496.1	149.0	105.3	23.0	21.2	+ 8.5
Missouri	859.7	578.0	260.8	184.8	30.3	32.0	- 5.3
North Dakota	139.1	110.4	35.9	27.6	25.8	25.0	+ 3.2
South Dakota	155.1	113.9	32.3	22.5	20.8	19.8	+ 5.1
Nebraska	278.8	205.1	66.3	51.5	23.8	25.1	- 5.2
Kansas	530.4	379.0	161.1	120.9	30.4	31.9	- 4.7
Southeast	6,657.5	4,681.8	2,285.3	1,650.7	34.3	35.3	- 2.8
Virginia	647.2	434.3 2/	232.9	165.9 3/	36.0	38.2	- 5.8
West Virginia	331.7	232.1	135.4	104.0	40.8	44.8	- 8.9
Kentucky	493.7	347.3	137.9	117.5	27.9	33.8	-17.5
Tennessee	560.1	431.5	173.8	134.1	31.0	31.1	- 0.3
North Carolina	776.0	530.4	254.5	191.7	32.8	36.1	- 9.1
South Carolina	343.7	256.8	100.9	80.6	29.4	31.4	- 6.4
Georgia	655.1	490.5	195.1	141.3	29.8	28.8	+ 3.5
Florida	1,106.2	679.2	356.8	218.7	32.3	32.2	+ 0.3
Alabama	467.2	337.5	135.9	100.9	29.1	29.9	- 2.7
Mississippi	330.9	241.0	118.8	83.4	35.9	34.6	+ 3.8
Louisiana	680.4	517.0	374.2	258.6	55.0	50.0	+10.0
Arkansas	265.3	184.2	69.1	54.0	26.0	29.3	-11.3
Southwest	2,907.6	1,962.9	1,228.6	919.7	42.3	46.9	- 9.8
Oklahoma	474.9	355.0	158.7	127.8	33.4	36.0	- 7.2
Texas	1,900.5	1,285.6	886.1	684.4	46.6	53.2	-12.4
New Mexico	193.2	132.2	74.3	40.3	38.5	30.5	+26.2
Arizona	339.0	190.1	109.5	67.2	32.3	35.3	- 8.5

See footnotes at the end of table.

TABLE C-3.--RELATIONSHIP OF STATE AND LOCAL TAXES WITH AN INITIAL IMPACT ON BUSINESS
TO TOTAL STATE AND LOCAL TAXES, BY STATE, 1957 AND 1962 (Concl'd)

(Includes Unemployment Compensation Taxes)

State and region	Amount in millions				Taxes on business as percent of total taxes		
	Total taxes		Taxes on business		1962	1957	% change 1957-1962
	1962	1957	1962	1957			
United States	$44,209.4	$30,159.1[1]/	$15,838.6	$11,219.4	35.8	37.2	- 3.8
Rocky Mountain	1,101.4	756.5	393.0	279.1	35.7	36.9	- 3.3
Montana	168.5	129.6	67.1	52.8	39.8	40.7	- 2.2
Idaho	145.0	103.8	54.6	38.4	37.7	37.0	+ 1.9
Wyoming	85.1	62.1	32.1	26.1	37.7	42.0	-10.2
Colorado	489.6	319.3	162.0	104.3	33.1	32.7	+ 1.2
Utah	213.2	141.7	77.2	57.5	36.2	40.6	-10.8
Far West 4/	6,871.6	4,446.3	2,493.8	1,606.5	36.3	36.1	+ 0.6
Washington	808.5	552.8	273.2	196.8	33.8	35.6	- 5.1
Oregon	454.7	365.3	180.8	140.6	39.8	38.5	+ 3.4
Nevada	103.5	64.3	40.3	26.5	38.9	41.2	- 5.6
California	5,504.9	3,463.9	1,999.5	1,242.6	36.3	35.9	+ 1.1
Alaska	60.0	n.a.	23.7	n.a.	39.5	n.a.	n.a.
Hawaii	178.9	n.a.	35.2	n.a.	19.7	n.a.	n.a.

n.a. Data not available.

1/ Revised to exclude $105 million parking meter revenue, reclassified by Census as "charges for current services." See also footnote 3/.

2/ Revised to adjust State personal income tax and State public utility gross receipt tax to a one-year basis.

3/ State utility gross receipts tax adjusted to one-year basis.

4/ Excludes Alaska and Hawaii.

Source: Prepared by ACIR staff from data published by the Governments Division, U. S. Bureau of the Census.

TABLE C-4.--RELATIONSHIP OF STATE AND LOCAL TAXES WITH AN INITIAL IMPACT ON BUSINESS
TO TOTAL STATE AND LOCAL TAXES, BY STATE, 1957 AND 1962

(Excludes Unemployment Compensation Taxes)

State and region	Amount in millions				Taxes on business as percent of total taxes		
	Total taxes		Taxes on business		1962	1957	% change 1957-1962
	1962	1957	1962	1957			
United States	$41,554.2	$28,645.1[1]/	$13,183.4	$ 9,705.4	31.7	33.9	- 6.5
New England	2,710.3	1,896.5	838.1	618.9	30.9	32.6	- 5.2
Maine	197.3	140.0	51.6	40.5	26.2	28.9	- 9.3
New Hampshire	125.5	86.6	35.1	27.5	28.0	31.8	-12.0
Vermont	92.1	64.5	24.1	17.3	26.2	26.8	- 2.6
Massachusetts	1,422.7	1,014.9	439.2	340.1	30.9	33.5	- 7.8
Rhode Island	188.7	129.7	53.8	43.1	28.5	33.2	-14.2
Connecticut	684.0	460.8	234.3	150.4	34.3	32.6	+ 5.2
Mideast	10,304.1	7,130.0	3,169.6	2,512.0	30.8	35.2	-12.5
New York	5,451.5	3,711.6	1,662.2	1,260.2	30.5	34.0	-10.3
New Jersey	1,507.9	987.1	561.4	402.7	37.2	40.8	- 8.8
Pennsylvania	2,335.6	1,769.8	668.4	656.2	28.6	37.1	-22.9
Delaware	112.3	58.6	34.3	16.3	30.5	27.8	+ 9.7
Maryland	713.8	460.2	189.3	132.3	26.5	28.7	- 7.7
Dist. of Columbia	183.0	142.7	54.0	44.3	29.5	31.0	- 4.8
Great Lakes	8,264.0	5,855.7	2,681.0	1,933.5	32.4	33.0	- 1.8
Michigan	1,896.2	1,391.9	655.5	490.9	34.6	35.3	- 2.0
Ohio	1,980.2	1,398.2	687.4	439.2	34.7	31.4	+10.5
Indiana	951.1	635.3	363.5	236.5	38.2	37.2	+ 2.7
Illinois	2,461.9	1,723.7	683.4	516.4	27.8	30.0	- 7.3
Wisconsin	974.6	706.6	291.1	250.5	29.9	35.5	-15.8
Plains	3,401.9	2,424.2	938.5	693.8	27.6	28.6	- 3.5
Minnesota	868.6	597.9	310.3	237.4	35.7	39.7	-10.1
Iowa	638.3	487.6	139.9	96.8	21.9	19.9	+10.1
Missouri	818.6	551.2	219.7	158.0	26.8	28.7	- 6.6
North Dakota	134.9	107.8	31.7	25.0	23.5	23.2	+ 1.3
South Dakota	152.2	112.2	29.4	20.8	19.3	18.5	+ 4.3
Nebraska	270.7	200.1	58.2	46.5	21.5	23.2	- 7.3
Kansas	518.6	367.4	149.3	109.3	28.8	29.7	- 3.0
Southeast	6,346.5	4,471.9	1,974.3	1,440.8	31.1	32.2	- 3.4
Virginia	623.5	423.0[2]/	209.2	154.6[3]/	33.6	36.5	- 7.9
West Virginia	306.4	218.9	110.1	90.8	35.9	41.5	-13.5
Kentucky	466.8	323.1	111.0	93.3	23.8	28.9	-17.6
Tennessee	528.3	402.8	142.0	105.4	26.9	26.2	+ 2.7
North Carolina	738.8	501.5	217.3	162.8	29.4	32.5	- 9.5
South Carolina	330.6	244.8	87.8	68.6	26.6	28.0	- 5.0
Georgia	627.4	467.9	167.4	118.7	26.7	25.4	+ 5.1
Florida	1,061.3	663.3	311.9	202.8	29.4	30.6	- 3.9
Alabama	436.7	318.4	105.4	81.8	24.1	25.7	- 6.2
Mississippi	316.8	233.5	104.7	75.9	33.0	32.5	+ 1.5
Louisiana	655.1	497.2	348.9	238.8	53.3	48.0	+11.0
Arkansas	254.8	177.5	58.6	47.3	23.0	26.6	-13.5
Southwest	2,824.1	1,908.2	1,145.1	865.0	40.5	45.3	-10.6
Oklahoma	458.1	344.7	141.9	117.5	31.0	34.0	- 8.8
Texas	1,850.8	1,253.3	836.4	652.1	45.2	52.0	-13.1
New Mexico	187.2	127.6	68.3	35.7	36.5	28.0	+30.4
Arizona	328.0	182.6	98.5	59.7	30.0	32.7	- 8.3

See footnotes at the end of table.

TABLE C-4.--RELATIONSHIP OF STATE AND LOCAL TAXES WITH AN INITIAL IMPACT ON BUSINESS
TO TOTAL STATE AND LOCAL TAXES, BY STATE, 1957 AND 1962 (Concl'd)

(Excludes Unemployment Compensation Taxes)

| State and region | Amount in millions | | | | Taxes on business as percent of total taxes | | |
| | Total taxes | | Taxes on business | | | | |
	1962	1957	1962	1957	1962	1957	% change 1957-1962
United States	$41,554.2	$28,645.1[1]/	$13,183.4	$ 9,705.4	31.7	33.9	- 6.5
Rocky Mountain	1,061.3	735.0	352.9	257.6	33.3	35.0	- 4.9
Montana	162.1	125.4	60.7	48.6	37.4	38.8	- 3.6
Idaho	136.4	99.8	46.0	34.4	33.7	34.5	- 2.3
Wyoming	82.0	60.3	29.0	24.3	35.4	40.3	-12.2
Colorado	475.7	313.2	148.1	98.2	31.1	31.4	- 1.0
Utah	205.1	136.3	69.1	52.1	33.7	38.2	-11.8
Far West [4]/	6,415.6	4,223.6	2,037.8	1,383.8	31.8	32.8	- 3.0
Washington	759.6	511.8	224.3	155.8	29.5	30.4	- 3.0
Oregon	417.9	347.9	144.0	123.2	34.5	35.4	- 2.5
Nevada	95.2	59.9	32.0	22.1	33.6	36.9	- 8.9
California	5,142.9	3,304.0	1,637.5	1,082.7	31.8	32.8	- 3.0
Alaska	52.4	n.a.	16.1	n.a.	30.7	n.a.	n.a.
Hawaii	173.8	n.a.	30.1	n.a.	17.3	n.a.	n.a.

n.a. Data not available.

1/ Revised to exclude $105 million parking meter revenue, reclassified by Census as "charges for
current services." See also footnote 2/.

2/ Revised to adjust State personal income tax and State public utility gross receipts tax to a one-
year basis.

3/ State utility gross receipts tax adjusted to one-year basis.

4/ Excludes Alaska and Hawaii.

Source: Prepared by ACIR staff from data published by the Governments Division, U. S. Bureau of the
Census.

APPENDIX D.--STATE LEGISLATION SINCE 1963 EXEMPTING FROM PROPERTY
TAXATION OR REDUCING PROPERTY TAXES ON BUSINESS PERSONAL PROPERTY

State	Type of Legislation	Legal citation
Arizona	Exempts wholesalers' and retailers' inventories	Amendment of _Constitution,_ Art. 9, Sec. 2, adopted 11/3/64.
Colorado	Reduces the assessment of freeport merchandise to 17 1/2 % for 1966 and 5% thereafter (assessment ratio for all other taxable property standardized at 30%).	Chap. 290, Laws of 1965 (_Colorado Revised Statutes_, Sec. 137-1-4).
Connecticut	1. Gradually exempts manufacturers' inventories (assessments reduced by 10% a year, until fully exempt by 1975). 2. Freeport law.	Chap. 461, Laws of 1965 (_General Statutes of Conn._, _Revision of 1958_ Sec. 12-81.) Chap. 603, Laws of 1965 (_General Statutes_, Secs. 12-91.1 - 12-91.3).
Florida	Constitutional amendment to authorize partial exemption of inventories.	Proposed by HJR 578, 1965 Legislature, as amendment to Art. IX, Sec. 14A of the _Constitution_, (ratified Nov. 8, 1966).
Idaho	1. Freeport law broadened to include goods manufactured in Idaho and destined for out-of-State shipment. 2. Gradually exempts business inventories (assessments reduced by 25% a year, beginning in 1968, until fully exempt by 1971).	Chap. 173, Laws of 1963, (_Idaho Code, 1947_, Sec. 63-105 V). H. B. 243, _Laws of 1967_.
Illinois	Freeport law	H. B. 1319, Laws of 1963 (_Illinois Statutes_, Revenue Act of 1939, Sec. 19.21).
Indiana	Freeport law broadened to include goods shipped into State with a within-State destination, when held in a public or private warehouse.	Chap. 29, Laws of 1963, 1st Spec. Session, and Chap. 398, Laws of 1965 (_Indiana Statutes_, Property Assessment Act of 1961, Sec. 503).
Iowa	Freeport law.	Chap. 269, Laws of 1963 (_Code of Iowa,_ Sec. 427.1).
Kansas	Freeport law.	Chap. 456, Laws of 1963; Chap. 512, Laws of 1965 (_General Statutes of Kansas, 1949_, Sec. 79-304).
Kentucky	Personal property held in public warehouse for trans-shipment exempt from general property taxation but subject to statewide 5-mill special property tax.	Chap. 172, Laws of 1964.
Maryland	1. Gradual phase-out of county property tax on manufacturers' personal property in Frederick County. 2. Gradual phase-out of county property tax on business inventories in Carroll County, Harford County, and Prince Georges County.	Chap. 475, Laws of 1963 (_Annotated Code of Maryland, 1957_, Art. 81, Sec. 9(23)). Chap. 19, Laws of 1964, 1st Spec. Session; Chap. 4 and Chap. 113, Laws of 1965; Chap. 612, Laws of 1966 (_Code_ Art. 81, Sec. 15(b-2, b-3, b-4).

State	Type of legislation	Legal citation
Maryland (Cont'd)	3. General authorization for counties to eliminate or phase-out tax on business personal property.	H. B. 378, Laws of 1967.
Michigan	Exempts special tools used in manufacturing (dies, jigs, fixtures, molds, patterns, guages, etc.).	Act 197, Laws of 1964 (Compiled Laws, State of Michigan, 1948, Sec. 211.9b).
New Hampshire	Exempts goods held for out-of-State delivery by a manufacturer when title has passed to the purchaser.	Chap. 239, Laws of 1963 (Revised Statutes Annotated of New Hampshire, 1955, Sec. 72:15).
New Jersey	Exempts business inventories and all other business personal property, except that used in telephone and telegraph systems, from local property taxation. Subjects certain kinds of business personalty, but not business inventories, to a statewide tax of $1.30 per $100 of taxable value.	Chap. 136, and Chap. 138, Laws of 1966 (Revised Statutes of New Jersey, 1937, Secs. 54.4-1 and 54.11 A-2).
New Mexico	Freeport law.	Chap. 60, Laws of 1963 (New Mexico Statutes, 1953, Sec. 72-2-1.1).
North Dakota	Freeport law broadened to include goods acquired or manufactured in North Dakota and destined for out-of-State shipment.	S. B. 302, Laws of 1967.
Oklahoma	Freeport law.	Chap. 501, Laws of 1965 (Oklahoma Statutes Annotated, Title 68, Sec. 2425).
Oregon	Gradual reduction of property taxes on inventory, by 10 percent a year, beginning in 1966, until 1970 and thereafter, when tax reduced to 50%.	Chap. 604, Laws of 1965 (Oregon Revised Statutes, Sec. 310.610).
Rhode Island	Exempts manufacturers' inventories.	Chap. 245, Laws of 1966 (General Laws of Rhode Island, 1956, Sec. 44-3-3(20)).
South Dakota	Freeport law.	S. B. 26, Laws of 1966 (South Dakota Code of 1939, Sec. 57.0311).
Texas	Freeport law.	Chap. 208, Laws of 1963 (Revised Civil Statutes, 1925, Art. 7150.9).
Utah	Freeport law.	SJR 5, Laws of 1963, Amends Constitution, Art. XIII, Sec. 2; Chap. 120 Laws of 1965 (Utah Code Annotated 1953, Sec. 59.2-18).
Wisconsin	Increases credit for property taxes on merchants' inventories and manufacturers' materials and finished products from 50% to 60% (50% credit first enacted in 1961).	Chap. 163, Laws of 1965 (Wisconsin Statutes, Sec. 77.64).
Wyoming	Exempts certain manufacturers' and merchants' inventories after 1/1/72.	Chap. 199, Laws of 1967.

APPENDIX E.--STATE CONSTITUTIONAL AND STATUTORY PROVISIONS
EXEMPTING BUSINESS PLANTS FROM PROPERTY TAXATION

State	Provision	Legal Citation
Alabama	Plant and equipment (but not land) of newly established manufacturing firms, as well as additions to established plants, engaged in the manufacture of specified products are authorized to be exempt from State and local ad valorem taxation, except for school purposes, for a period of 10 years.	Code of Alabama, 1940, Title 51, Secs. 3-9.
Alaska	Subject to approval by the State Department of Economic Development and Planning, firms engaged in specified types of business activity may be granted a five to ten year exemption from property taxes (depending upon the size of investment in real or personal property) and a 10 year exemption from other State and local taxes, except payments to the unemployment compensation fund.	Alaska Statutes, Title 43, Chap. 25 (Industrial Incentive Act).
Arkansas	Textile mills are exempt from all property taxation for a period of 7 years from the date of location. In addition, any new manufacturing establishment may be exempted from State property taxes for a period of 10 years by the Governor and the industrial development agency. However, the State currently levies a minimal general property tax.	Arkansas Constitution, Amendments No. 12 and 27; Arkansas Statutes, 1947 Sec. 84-208.
Hawaii	The manufacture of paper and pulp from bagasse fiber is exempt from property taxes for the first five years after a plant's construction.	Revised Laws of Hawaii, 1955, Sec. 128-203.
Kentucky	Municipalities may by ordinance exempt new factories from the property tax for up to five years, as an inducement to their location.	Constitution, Sec. 170; Kentucky Revised Statutes, Secs. 91.260 and 92.300.
Louisiana	A five year exemption from all property taxes may be granted on manufacturing plant and equipment--but not on land--by the State Board of Commerce and Industry.	Constitution, Art. X, Sec. 4.
	Municipalities and parishes are authorized to grant ten year exemptions from property taxes except for school purposes to new industries, or to additions to existing industries, subject to approval of the electorate in the community.	Constitution, Art X, Sec. 22.
Maryland	Various kinds of manufacturing property, real and personal, are either fully or partially exempted from property taxation by State law in specific counties. Exemptions are generally for a ten year period, and in some counties apply only to manufacturing plants with more than a specified number of employees.	Annotated Code of Maryland, Art. 81, Sec. 9.
Mississippi	Counties and cities are authorized to grant ten year exemptions from local property taxes to the tangible property of many kinds of industries specified by law when newly established.	Mississippi Code of 1942, Sec. 9703.

APPENDIX E.--STATE CONSTITUTIONAL AND STATUTORY PROVISIONS
EXEMPTING BUSINESS PLANTS FROM PROPERTY TAXATION   (Concl'd)

State	Provision	Legal Citation
Montana	Under its classification system for property taxation, Montana places new industrial property in "class seven" for three years. Such property is valued for property tax purposes at 7 percent of "true and full value," whereas established industrial property is valued at 30 percent of "true and full value."	Revised Code of Montana, 1947, 84-301 and 84-302.
Oklahoma	Incorporated cities and towns may exempt new manufacturing establishments from local taxes for up to five years. Requires approval of the electorate.	Constitution, Art. X, Sec. 6; Oklahoma Statutes, 1961, Title II, Sec. 6.
Rhode Island	Authorizes cities and towns either to exempt from property taxes (except for payment of debt service) or to stabilize property taxes for a period of up to 10 years, the real and personal property of a manufacturing or commercial firm newly locating in the community (but not relocating from another Rhode Island community) or expanding its facilities in the community. Requires approval of the electorate of the community.	General Laws of Rhode Island, 1956, Amended, Sec. 44-3-9.
South Carolina	Cities and towns are authorized under the State Constitution to offer 5 year property tax exemptions to newly established manufacturing firms, except for school purposes and subject to electoral approval. In addition to the general authorization, the Constitution names specific communities and kinds and sizes of firms. Counties are given the same authorization by specific legislation.	Constitution of South Carolina, Art. VIII, Sec. 8; Code of Laws of South Carolina, 1962, 65-1524 and 65-1572.
Vermont	Manufacturing and mining operations may be exempt from property taxes for up to 10 years if approved by the electorate of the town in which they are located. Municipalities are also authorized to stabilize, for a period of 10 years, the property taxes paid on newly established commercial or industrial operations and on additions to existing commercial or industrial operations, if approved by a two-thirds majority vote.	Vermont Statutes Annotated, Title 32, Sec. 3834, Title.

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APPENDIX F.--UNEMPLOYMENT INSURANCE: EFFECTIVE TAX RATES AND RATIO OF AVERAGE WEEKLY BENEFITS TO AVERAGE WEEKLY TOTAL WAGES, BY STATES, SELECTED YEARS, 1950-1964

State and Region	Effective tax rate [1]								Ratio average weekly benefit to average weekly total wages							
	'50	'52	'54	'56	'58	'60	'62	'64	'50	'52	'54	'56	'58	'60	'62	'64
United States	1.2	1.1	0.8	0.9	0.8	1.2	1.4	1.3	.34	.33	.34	.33	.35	.35 *	.35	.34
New England:																
Maine	1.5	1.4	1.3	1.2	1.1	1.2	1.3	1.3	.29	.28	.31	.29	.32	.28	.29	.28
New Hampshire	1.7	1.6	1.4	1.3	1.1	1.2	1.1	1.0	.34	.36	.35	.34	.34	.35	.36	.35
Vermont	1.3	1.2	0.8	1.0	0.8	0.9	1.1	1.3	.37	.36	.36	.33	.34	.35	.35	.38
Massachusetts	1.5	2.1	1.5	1.2	1.0	1.2	1.7	1.7	.41	.39	.37	.35	.39	.42	.40	.39
Rhode Island	2.2	2.1	2.1	2.2	2.0	2.0	1.9	1.8	.39	.35	.36	.38	.37	.37	.36	.34
Connecticut	1.0	1.4	0.8	0.8	0.7	1.2	1.2	1.1	.33	.29	.35	.33	.38	.37	.35	.34
Mideast:																
New York	2.0	1.7	1.0	0.9	0.9	1.3	1.9	1.4	.34	.33	.33	.34	.35	.35	.35	.33
New Jersey	1.0	1.1	1.1	1.1	1.2	1.3	1.4	1.2	.32	.33	.36	.36	.35	.32	.35	.34
Pennsylvania	0.8	0.8	0.8	1.5	1.3	1.8	1.9	1.9	.37	.37	.38	.35	.36	.35	.34	.31
Delaware	0.5	0.4	0.3	0.5	0.4	1.5	1.4	1.2	.31	.28	.27	.32	.34	.33	.35	.33
Maryland	0.8	0.8	0.5	0.7	0.7	1.7	1.9	1.6	.37	.35	.38	.33	.39	.36	.34	.34
Dist. of Columbia	0.6	0.5	0.3	0.5	0.4	0.5	0.6	0.5	.31	.28	.26	.32	.31	.29	.31	.36
Great Lakes:																
Michigan	1.0	1.0	0.8	0.8	1.2	1.6	1.5	1.4	.34	.33	.33	.35	.36	.33	.31	.29
Ohio	0.8	0.8	0.4	0.5	0.5	0.8	1.1	1.5	.36	.33	.36	.34	.35	.41	.38	.34
Indiana	0.8	0.6	0.5	0.7	0.6	0.7	0.8	0.7	.29	.33	.32	.32	.33	.32	.30	.28
Illinois	0.6	0.8	0.4	0.7	0.5	1.2	1.2	1.0	.32	.32	.31	.30	.32	.33	.35	.33
Wisconsin	0.6	0.7	0.6	0.7	0.6	0.8	0.8	0.8	.35	.35	.38	.36	.39	.40	.40	.40
Plains:																
Minnesota	0.6	0.6	0.5	0.6	0.5	0.7	0.9	0.7	.32	.28	.31	.30	.34	.32	.30	.32
Iowa	1.1	0.4	0.3	0.4	0.5	0.4	0.5	0.4	.34	.34	.33	.34	.33	.35	.34	.31
Missouri	1.0	0.4	0.5	0.7	0.6	0.6	0.9	0.8	.29	.30	.30	.27	.33	.32	.33	.32
North Dakota	1.3	1.2	1.2	1.1	0.9	1.3	1.6	1.5	.38	.40	.38	.40	.37	.37	.36	.41
South Dakota	1.1	0.8	0.4	0.7	0.7	0.5	0.9	0.6	.34	.34	.36	.35	.36	.38	.34	.36
Nebraska	0.8	0.4	0.5	0.5	0.6	0.7	0.8	0.7	.33	.35	.35	.35	.37	.36	.35	.36
Kansas	0.8	0.8	0.7	0.8	0.7	0.7	0.8	0.8	.36	.34	.33	.35	.36	.40	.38	.39

See footnotes at the end of table.

APPENDIX F.--UNEMPLOYMENT INSURANCE: EFFECTIVE TAX RATES AND RATIO OF AVERAGE
WEEKLY BENEFITS TO AVERAGE WEEKLY TOTAL WAGES, BY STATES, SELECTED YEARS, 1950-1964 (Concl'd)

State and Region	Effective tax rate [1]								Ratio average weekly benefit to average weekly total wages							
	'50	'52	'54	'56	'58	'60	'62	'64	'50	'52	'54	'56	'58	'60	'62	'64
Southeast:																
Virginia	0.8	0.5	0.3	0.5	0.3	0.6	0.9	0.6	.31	.31	.32	.29	.33	.31	.31	.31
West Virginia	0.9	1.0	0.5	0.8	0.8	1.6	1.8	0.7	.30	.29	.32	.25	.29	.25	.23	.24
Kentucky	1.5	1.3	1.2	1.4	1.3	1.4	1.4	1.1	.29	.31	.34	.30	.34	.35	.35	.36
Tennessee	1.3	1.2	1.1	1.3	1.2	1.2	1.2	1.2	.29	.30	.31	.30	.32	.31	.30	.31
North Carolina	1.4	1.0	1.3	1.0	1.1	1.2	1.0	1.2	.32	.32	.31	.29	.33	.30	.31	.29
South Carolina	1.3	1.3	1.0	0.9	1.1	0.8	0.8	0.9	.38	.33	.34	.36	.36	.33	.35	.35
Georgia	1.1	1.0	1.0	1.0	0.9	0.9	0.9	0.8	.29	.32	.33	.32	.35	.34	.34	.33
Florida	0.8	0.7	0.5	0.6	0.6	0.8	1.2	0.8	.27	.30	.29	.31	.32	.34	.32	.30
Alabama	1.0	0.9	0.7	0.8	0.6	0.8	1.2	1.0	.32	.32	.31	.30	.32	.31	.31	.29
Mississippi	1.1	1.1	1.0	0.9	1.3	1.5	1.5	1.6	.34	.35	.37	.35	.35	.37	.34	.32
Louisiana	1.4	1.4	0.8	0.9	0.8	1.0	1.1	1.1	.41	.36	.35	.31	.33	.37	.34	.32
Arkansas	1.2	1.3	1.0	0.9	0.9	1.0	1.0	1.0	.40	.36	.35	.35	.35	.35	.33	.36
Southwest:																
Oklahoma	0.8	0.9	0.6	0.7	0.5	1.8	1.1	0.9	.32	.29	.33	.32	.31	.31	.29	.28
Texas	0.5	0.4	0.3	0.4	0.4	0.6	0.6	0.5	.29	.26	.25	.29	.31	.29	.31	.31
New Mexico	1.6	1.0	0.8	0.9	0.8	0.8	0.8	0.8	.33	.34	.37	.33	.32	.34	.32	.31
Arizona	1.3	1.2	0.9	0.9	0.9	0.8	0.8	0.8	.36	.30	.29	.30	.32	.33	.31	.32
Rocky Mountain:																
Montana	1.5	1.5	0.9	0.9	0.9	1.5	1.0	1.0	.32	.29	.30	.31	.35	.33	.34	.34
Idaho	1.7	1.4	1.3	1.0	0.9	1.1	1.6	1.5	.35	.36	.35	.37	.44	.43	.42	.42
Wyoming	0.8	1.1	0.7	0.8	0.7	0.9	1.1	1.9	.43	.39	.42	.38	.44	.45	.48	.42
Colorado	0.7	0.7	0.3	0.4	0.5	0.3	0.8	0.9	.34	.32	.35	.32	.37	.42	.43	.42
Utah	0.9	0.8	0.8	0.8	0.9	0.9	0.9	1.0	.43	.39	.39	.36	.39	.39	.38	.38
Far West:																
Washington	2.2	1.3	1.4	1.5	1.7	1.6	1.5	1.4	.33	.33	.32	.35	.33	.33	.31	.29
Oregon	1.1	0.9	0.9	1.1	1.7	2.0	1.9	1.5	.33	.31	.29	.35	.39	.38	.36	.33
Nevada	1.3	1.5	1.5	1.5	1.6	1.5	1.6	1.7	.38	.33	.38	.37	.41	.38	.33	.33
California	1.9	1.5	1.0	1.0	0.8	1.3	2.0	1.8	.35	.31	.30	.32	.34	.38	.37	.36
Alaska	1.9	2.1	1.9	1.9	1.9	2.5	2.3	2.4	.28	.26	.28	.25	.27	.24	.25	.23
Hawaii	1.0	0.7	0.7	0.8	0.7	0.8	0.9	1.5	.39	.36	.37	.39	.38	.41	.46	.43

1/ Average employer contributions as a percent of total wages, twelve months ending June 30.

Source: U. S. Department of Labor, Bureau of Employment Security, Handbook of Unemployment Insurance Financial Data, 1946-1964 (BES No. U-73)
        updated September 1965.

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APPENDIX G.--ECONOMIC GROWTH PERFORMANCE OF STATES WITH HIGH PERSONAL INCOME TAXES
AND NEIGHBORING STATES WITH NO PERSONAL INCOME TAX

High income tax State / Non income tax neighbor	Growth Performance Indicators--Percent change related to U. S. average					
	Population 1950-1965	Per capita personal income 1950 to 1965	Nonargicultural employment 1950 to 1965	Manufacturing employment 1950 to 1965	Stock of Mfg. plant and equip. 1950 to 1962	Value added by manufacturing 1954 to 1963
Wisconsin	74 -	100 +	86 +	70 +	88 +	95 +
Illinois	79	95	60	43	87	80
Oregon	89 -	93 +	115 +	83 -	110 -	81 -
Washington	91	87	90	154	152	135
Delaware	209 +	71 -	137 +	176 +	204 +	140 +
New Jersey	143	94	103	51	88	91
New York	78 +	89 -	47 +	-28[1] -	88 -	60 -
Pennsylvania	35	94	17	*	97	64
Minnesota	68 +	105 +	97 +	161 +	94 -	122 -
South Dakota	27	80	81	50	109	131
Idaho	62 +	98 +	96 +	273 +	173 +	148 +
Wyoming	60	59	64	100	89	97
Vermont	18 -	127 +	68 -	16 -	87 +	61 -
New Hampshire	91	115	88	76	73	95

+   Means greater growth for the high personal income tax State.
-   Means lesser growth for the high personal income tax State.
*   Less than 0.5 percent of the U. S. average.

1/ Decrease in manufacturing employment.

Source: Economic growth performance indicators compiled by ACIR staff from data published by the Department of Commerce and the Department of Labor.
"High" personal income tax States selected on the basis of classification set forth in the ACIR publication, Federal-State Coordination
of Personal Income Taxes, p. 98.

	Population Growth (millions) 1950-1965				Per Capita Personal Income (dollars) 1950-1965			
	1950	1965	% Increase	% Related to U.S.	1950	1965	% Increase	% Related to U.S.
U.S., Excluding Alaska and Hawaii	149.9	192.0	28.1	100	1,497	2,718	81.6	100
31 Income tax States	88.7	113.1	27.5	98	1,227	2,345	91.1	112
17 Non income tax States	61.2	78.9	28.9	103	1,889	3,253	72.2	88

	Nonagricultural Employment (millions) 1950-1965				Value Added by Manufacturing (billions of dollars) 1954-1963			
	1950	1965	% Increase	% Related to U.S.	1954	1963	% Increase	% Related to U.S.
U.S., Excluding Alaska and Hawaii	44.4	58.9	32.6	100	116.7	190.9	63.6	100
31 Income tax States	25.0	34.1	36.6	112	59.2	100.5	69.6	109
17 Non income tax States	19.5	24.9	27.5	84	57.4	90.5	57.5	90

	Manufacturing Employment (millions) 1950-1965				Manufacturing Gross Stock of Plant and Equipment (billions of dollars) 1950-1962			
	1950	1965	% Increase	% Related to U.S.	1950	1962	% Increase	% Related to U.S.
U.S., Excluding Alaska and Hawaii	15.2	17.8	16.7	100	56.8	139.9	146	100
31 Income tax States	7.8	9.6	22.0	132	26.9	67.4	151	103
17 Non income tax States	7.4	8.2	11.0	66	29.9	72.5	143	98

Source: Economic growth performance indicators compiled by ACIR staff from data published by the Department of Commerce and the Department of Labor.

PUBLISHED REPORTS OF THE ADVISORY COMMISSION ON INTERGOVERNMENTAL RELATIONS [1]

Coordination of State and Federal Inheritance, Estate and Gift Taxes. Report A-1. January 1961. 134 p., printed.

Investment of Idle Cash Balances by State and Local Governments. Report A-3. January 1961. 61 p., printed. (Out of print; summary available.)

Investment of Idle Cash Balances by State and Local Governments--A Supplement to Report A-3. January 1965. 16 p., offset.

Governmental Structure, Organization, and Planning in Metropolitan Areas. Report A-5. July 1961. 83 p., U. S. House of Representatives, Committee on Government Operations, Committee Print, 87th Congress, 1st Session.

State and Local Taxation of Privately Owned Property Located on Federal Areas: Proposed Amendment to the Buck Act. Report A-6. June 1961. 34 p., offset. (Out of print; summary available.)

Intergovernmental Cooperation in Tax Administration. Report A-7. June 1961. 20 p., offset.

Periodic Congressional Reassessment of Federal Grants-in-Aid to State and Local Governments. Report A-8. June 1961. 67 p., offset. (Reproduced in Appendix of hearings on S. 2114 before the U. S. Senate, Sub-committee on Intergovernmental Relations of the Committee on Government Operations, January 14, 15, and 16, 1964, 88th Congress, 2d Session.)

Local Nonproperty Taxes and the Coordinating Role of the State. Report A-9. September 1961. 68 p., offset.

State Constitutional and Statutory Restrictions on Local Government Debt. Report A-10. September 1961. 97 p., printed.

Alternative Approaches to Governmental Reorganization in Metropolitan Areas. Report A-11. June 1962. 88 p., offset.

State Constitutional and Statutory Restrictions Upon the Structural, Functional, and Personnel Powers of Local Governments. Report A-12. October 1962. 80 p., printed.

Intergovernmental Responsibilities for Water Supply and Sewage Disposal in Metropolitan Areas. Report A-13. October 1962. 135 p., offset.

State Constitutional and Statutory Restrictions on Local Taxing Powers. Report A-14. October 1962. 122 p., offset.

Apportionment of State Legislatures. Report A-15. December 1962. 78 p., offset.

Transferability of Public Employee Retirement Credits Among Units of Government. Report A-16. March 1963. 92 p., offset.

*The Role of the States in Strengthening the Property Tax. Report A-17. June 1963. Volume I (187 p.) and Volume II (182 p.), printed ($1.25 each).

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