

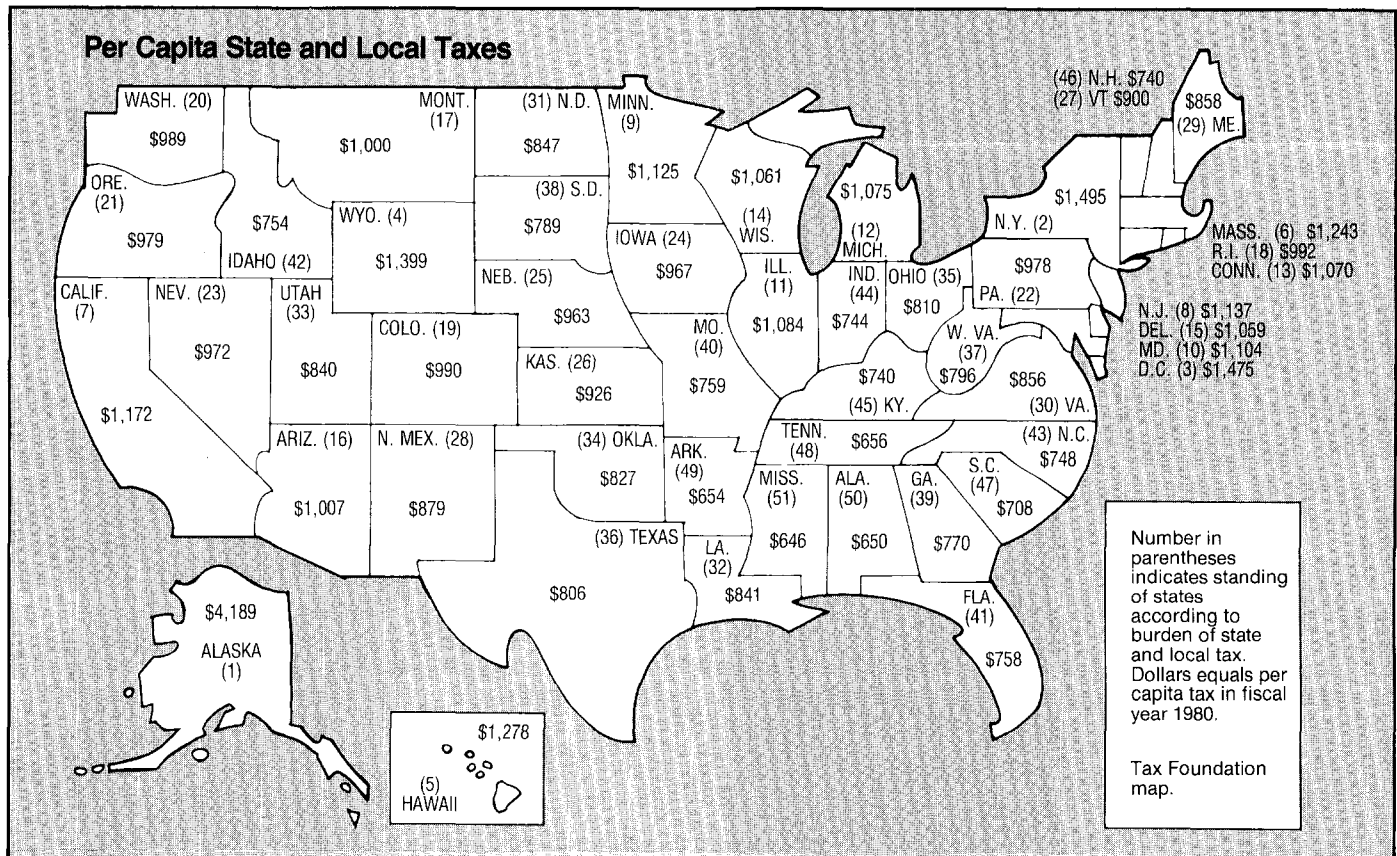
MONTHLY TAX FEATURES



Tax Foundation, Incorporated

Volume 25, Number 10, November-December 1981

1875 Connecticut Avenue, N.W. □ Washington, D.C. 20009 □ 202-328-4500 □



Per Capita State and Local Taxes Now Equal \$1,043; States and Localities Collected \$236 Billion in 1980

State and local taxes combined totaled \$236.2 billion in fiscal 1980, according to Tax Foundation economists. This represented an increase of 8.4 percent over the \$218.0 billion garnered in 1979. By comparison, \$89.3 billion was collected by these units in 1970, representing a rise of 164 percent in the ten years since.

On the average, state-local taxes in-

creased 10.2 percent per year for the 1970-1980 period. Per capita, state and local levies came to \$1,043, topping \$1,000 for the first time in history, researchers at the Foundation report. (These totals include unemployment insurance levies, which are excluded from "general taxes" as discussed below.)

Growth in U.S. state-local tax totals

did slow somewhat in the last two years for which data are available, they say. Between 1970 and 1978, general state-local taxes (excluding unemployment insurance taxes) rose an average of 10.6 percent annually. California's Proposition 13 helped reduce that rate to a 6.1 percent level for fiscal year 1979.

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The Front Burner

By Robert C. Brown

Executive Vice President
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"A Contract, not a Handout"?

By any set of criteria you choose, the Social Security system is in trouble. And it faces both short-term and long-term problems.

The OASI fund is in danger of going broke next year. If—and that's a big if, as of this writing—the economy remains relatively stable, the bandaid of interfund borrowing in the trust funds could see us through this crisis. Such a stopgap, however, does nothing about the long-term threat of insolvency and the potential for social revolt that lurks in the opening decades of the 21st Century.

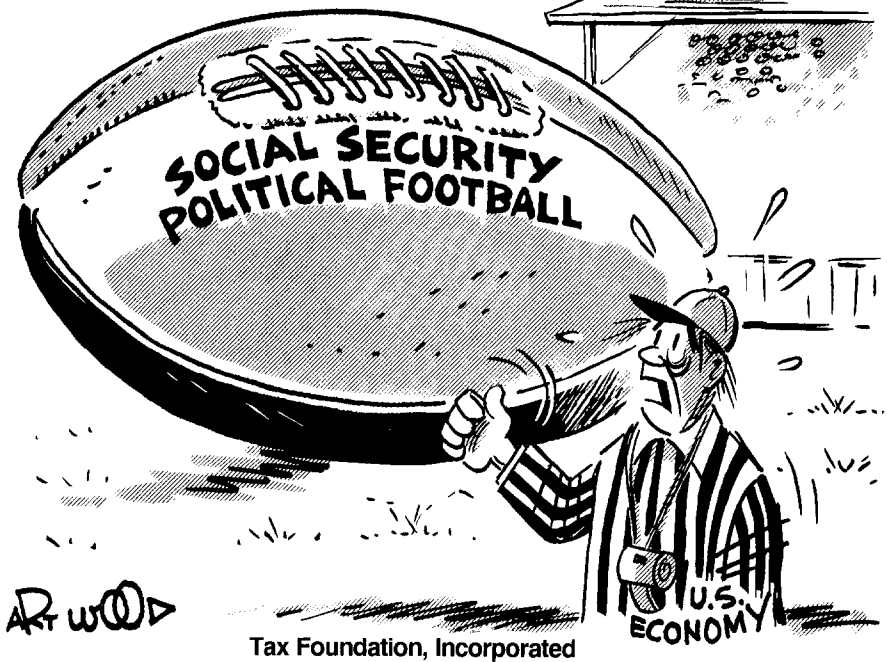
Congress faces some very tough decisions. Rather, Congress, looking toward Election '82, is refusing to face these tough decisions, preferring instead to keep the political football of Social Security reform bouncing along.

Congressman J. J. "Jake" Pickle, Chairman of the Subcommittee on Social Security of the House Ways and Means Committee, came out last spring with a reform program that addressed some of the major concerns of the system. But when the House leadership saw how poorly the Social Security recommendations of the Administration were received, Pickle was put on indefinite hold.

Now, Washington is the town that politics built, so we can't fault the House completely for what has happened to the so-called debate over Social Security reform. We can fault, however, the misrepresentation of what the Social Security system is legally constituted to be, a distortion embodied in TV commercials being run by a major public employees' union: "Social Security—a contract, not a handout." Both operative words in the tagline are blatant distortions, if not outright falsehoods.

Social Security is not a contract between government and beneficiaries—a fact of law clearly estab-

"WHO'S GONNA RUN WITH IT?"



State-Local Taxes

(Continued from page 1)

In spite of the recession during the last half of the fiscal year in most states, fiscal 1980 showed a moderately recovered growth of 8.7 percent in general state-local taxes. Both the 1979 and 1980 rates of increase, according to Foundation economists,

lished by the courts. And there is a huge welfare component in the Social Security system, as well as a significant income redistribution factor in the benefit structure.

Only about half the funds disbursed currently under OASI are "earned" in the sense that they represent payroll taxes collected from the beneficiaries earlier, plus an accrued interest factor. And much less than half of the disability and hospital insurance funds paid out are "earned" in this sense.

Sooner or later, politics notwithstanding, our leaders will have to straighten out the Social Security mess. Flagrantly distorted sloganeering now will only make the job more difficult when the day of reckoning arrives.

were also held down somewhat by changes in state laws during 1978 and 1979 which reduced some state taxes.

Despite these recent interruptions, state-local taxes appear well on their way to topping one quarter of a trillion dollars, perhaps by the time the 1981 data become available.

California's Proposition 13 led to a 12 percent decline in all state and local taxes in that state from 1978 to 1979. Such levies in the remaining 49 states were expanding at a 9.2 percent rate for the same period. Ironically, California taxes during the following year, 1979 to 1980, grew at a rate of 15.6 percent, twice the rate of increase recorded in all other states combined.

State and local governments collected \$223.5 billion in general taxes in fiscal year 1980, including \$137.1 billion by the states and \$86.4 billion by local governing units. This represented an increase of 157 percent from a total of \$86.8 billion collected in general taxes in fiscal 1970. On a per capita basis, general state-local taxes in fiscal 1980 averaged \$987 nationwide.

Sixteen states and the District of

(Continued on page 4)

States and Localities Own 8% of U.S. Debt, Says *Facts & Figures*

Facts and Figures on Government Finance, now in its 21st edition, contains 250 tables of data on Federal, state, and local government and selected economic series, including 40 new tabulations on key areas, added especially for this edition.

Highlights to be found include the following:

- Nationwide, state government employees average 4.6 percent higher earnings than local government employees. In nine states, however, local employees average the higher earnings by varying margins—most notably in Alaska, Massachusetts, Rhode Island, Maryland, and Delaware.

- Federal aid to state and local governments totaled \$91.4 billion in fiscal year 1980, compared to \$10.8 billion in fiscal 1965, and \$1.8 billion in 1949. Highway trust fund grants accounted for \$8.8 billion, or 9.6 percent of the Federal aid total in 1980 (compared to 36.7 percent in 1965).

- The largest portion of local property tax revenue in the United States is collected by school districts—\$27 billion out of a total \$62 billion in local property taxes in fiscal 1979. City governments are the largest collector of taxes from all local sources combined, raising \$29 billion of the \$80 billion in total local taxes in 1979.

- About 8 percent of Federal securities outstanding are held by state and local governments in the United States. At the end of fiscal year 1980, state and local governments held \$73.4 billion of a total \$914.3 billion in Federal government securities outstanding. By comparison, foreign and international entities held \$126.0 billion of that total—a 72 percent greater share.

Facts and Figures on Government Finance, 21st edition, is available from the Tax Foundation. Single copies are \$15. (Special member's price: \$12.)

Around 80,000 Units Comprise Local Government in the U.S.

There are approximately 80,000 units of government in the United States, and all but 51 of them are local. Among the local units, nearly 68,000 have the power to levy property taxes, according to Tax Foundation's new edition of *Facts and Figures on Government Finance*.

At the local jurisdictional level, there is about one government unit for every 2,800 persons in the United States: including approximately 3,000 counties, 19,000 municipalities, 17,000 towns and townships, 15,000 school districts, and 26,000 special districts in total.

In the New England states, over 1,400 small towns and townships account for close to 45 percent of the governing entities. Local government in the Southern states is heavily vested in the county form, with more urbanized areas organized primarily as municipalities. In the West, the vast majority of governmental units take the form of special districts, with specific and limited functions.

Within each region of the country, individual states show a diversity in their patterns of local self governance, and in the predominance of government. According to the latest Census count (1977), Illinois leads the states in number of local units, with 6,620. Pennsylvania ranks next, with 5,246 local jurisdictions. In Hawaii, local jurisdictions number 19—the lowest of the 50 states.

In recent years, there has been a substantial decline in the total number of government units (although that could be reversing with the proliferation of special districts). This decline has been due primarily to a drastic reduction in the number of small local school districts. In 1942, there were nearly 110,000 school districts in the United States; today they have been consolidated into only 15,000.

At the same time, the development of the "special district" form of government has been highly significant, according to Tax Foundation econo-

mists. Special districts typically have been established to perform single functions or to oversee specific areas of responsibility. They include local authorities, commissions, boards, and various other entities with sufficient autonomy to merit distinction from the administrative structure of any other government unit. The vast majority of special districts operating today have been established since the end of World War II.

The largest numbers of special districts are concerned primarily with responsibilities in areas of natural resources—about 25 percent of them are concerned mainly with soil conservation, drainage, irrigation, water conservation, flood control, and the like. Another 16 percent have been established specifically to provide fire protection. About 10 percent are chiefly responsible for urban water supply. Other fields of special district responsibilities today include housing and community redevelopment, cemeteries, sewerage, school buildings, highways, parks and recreation, hospitals, and libraries.

Of the \$259 billion in total direct local government expenditure in fiscal year 1980, municipalities accounted for 35.4 percent, school districts for 31.2 percent, counties for 20.5 percent, special districts for 9.6 percent, and towns and townships for 3.3 percent.

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State-Local Taxes

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Columbia collected more than \$1,000 per capita in general taxes in 1980. Alaska led, pulling in \$4,189 per capita. New York ran second, taking \$1,495 per resident. Following were the District of Columbia (\$1,475), Wyoming (\$1,399), Hawaii (\$1,278), and Massachusetts (\$1,243).

The lowest state-local general tax collections per capita in 1980 were

recorded for Mississippi (ranking 51st with collections of \$646 per capita), followed by Alabama (\$650), Arkansas (\$654), Tennessee (\$656), and South Carolina (\$708).

Per capita state-local tax burdens (excluding unemployment) rose by 131 percent during the 1970-1980 period. This growth varied considerably from state to state. Alaska recorded the highest increase (904 percent), with Wyoming following (223 percent), then Oklahoma (170 per-

cent), West Virginia (164 percent), and Arkansas (160 percent).

The lowest growth in state-local general taxes per capita for the decade was in Nevada (88 percent). Vermont and South Dakota followed next-lowest, showing rises of 91 percent and 98 percent, respectively.

California's general taxes in 1980 returned to previous levels, totaling \$27.7 billion in state-local collections. In 1979, "Prop 13" had reduced collections to \$24.0 billion from a 1978 level of \$27.4 billion. By comparison, collections for the state came to \$11.2 billion in fiscal 1970. Per capita, Californians saw a 110 percent rise in general state-local tax collections for the decade, from \$559 in 1970 to \$1,172 in 1980.

Nationwide, state-local general tax collections took \$116 for every \$1,000 in personal income in 1980, virtually unchanged from 1970. In total, 28 states recorded declines in general taxes relative to personal income for the decade, while 22 states and the District of Columbia witnessed increases. Most of the changes were relatively small in magnitude.

The most noteworthy declines in general state-local taxes relative to personal income were in the Dakotas. In South Dakota, state-local general tax collections declined from \$133 to \$106 per \$1,000 of personal income, or by 20 percent for the decade. North Dakota saw a decline of 18 percent, from \$125 to \$102 per \$1,000. Nevada and Wisconsin both showed declines of 15 percent.

The highest state-local general tax burdens per \$1,000 of personal income (next to Alaska's \$368) were recorded for New York, at \$163. Wyoming followed (\$148), with Hawaii (\$148), then Massachusetts (\$139), the District of Columbia (\$136), and Arizona (\$133).

The lowest state-local general tax burden per \$1,000 of personal income for fiscal year 1980 was for residents of Indiana, recording \$88. New Hampshire followed next lowest (at \$92), then Missouri (\$93), Ohio (\$94), and Tennessee (\$94).

The accompanying table and map provide more complete details on state and local taxes.

State-Local Taxes by State^a
Per Capita and Per \$1,000 of Personal Income
Fiscal Years 1970 and 1980

State	Per capita taxes				Taxes per \$1,000 of personal income			
	Amount		Percent increase	Rank 1980	Amount		Percent change	Rank 1980
	1970	1980			1970	1980		
U.S. AVERAGE	\$427	\$ 987	131	—	\$117	\$116	- 1	—
Alabama	259	650	151	50	98	96	- 1	46
Alaska	417	4,189	904	1	100	368	267	1
Arizona	425	1,007	137	16	132	133	^(b)	7
Arkansas	252	654	160	49	98	99	1	43
California	559	1,172	110	7	134	122	- 9	15
Colorado	419	990	136	19	122	113	- 7	24
Connecticut	485	1,070	121	13	107	105	- 1	35
Delaware	450	1,059	135	15	111	116	4	19
Florida	347	758	118	41	105	97	- 7	45
Georgia	312	770	147	39	100	108	7	31
Hawaii	572	1,278	123	5	144	148	2	4
Idaho	347	754	117	42	117	104	-11	38
Illinois	487	1,084	123	11	114	112	- 2	25
Indiana	357	744	108	44	98	88	-10	51
Iowa	436	967	122	24	125	111	-11	27
Kansas	395	926	135	26	110	100	- 9	42
Kentucky	299	740	147	45	105	104	- 1	37
Louisiana	331	841	154	32	116	116	^(b)	20
Maine	380	858	126	29	126	125	- 1	11
Maryland	482	1,104	129	10	123	120	- 2	16
Massachusetts	497	1,243	150	6	124	139	12	5
Michigan	456	1,075	136	12	115	115	^(b)	22
Minnesota	442	1,125	154	9	125	127	2	9
Mississippi	296	646	119	51	125	109	-13	30
Missouri	343	759	122	40	100	93	- 7	49
Montana	398	1,000	151	17	127	130	2	8
Nebraska	396	963	143	25	112	111	- 2	28
Nevada	517	972	88	23	124	105	-15	36
New Hampshire	333	740	122	46	99	92	- 7	50
New Jersey	447	1,137	154	8	106	117	11	18
New Mexico	359	879	145	28	127	122	- 4	14
New York	652	1,495	129	2	146	163	12	2
North Carolina	311	748	141	43	105	106	1	33
North Dakota	376	847	125	31	125	102	-18	40
Ohio	343	810	136	35	91	94	3	48
Oklahoma	306	827	170	34	100	102	2	41
Oregon	400	979	145	21	115	114	- 1	23
Pennsylvania	401	978	144	22	110	116	5	21
Rhode Island	408	992	143	18	110	119	8	17
South Carolina	274	708	158	47	101	107	5	32
South Dakota	398	789	98	38	133	106	-20	34
Tennessee	279	656	135	48	98	94	- 4	47
Texas	316	806	155	36	97	98	^(b)	44
Utah	375	840	124	33	127	125	- 2	13
Vermont	471	900	91	27	147	127	-13	10
Virginia	340	856	151	30	102	102	^(b)	39
Washington	443	989	123	20	115	109	- 6	29
West Virginia	301	796	164	37	111	112	1	26
Wisconsin	509	1,061	109	14	146	125	-15	12
Wyoming	434	1,399	223	4	134	148	10	3
District of Columbia ..	517	1,475	185	3	104	136	31	6

^aExcludes unemployment compensation taxes.

^bLess than .5%.

Source: Bureau of the Census, U.S. Department of Commerce; and Tax Foundation computations.