

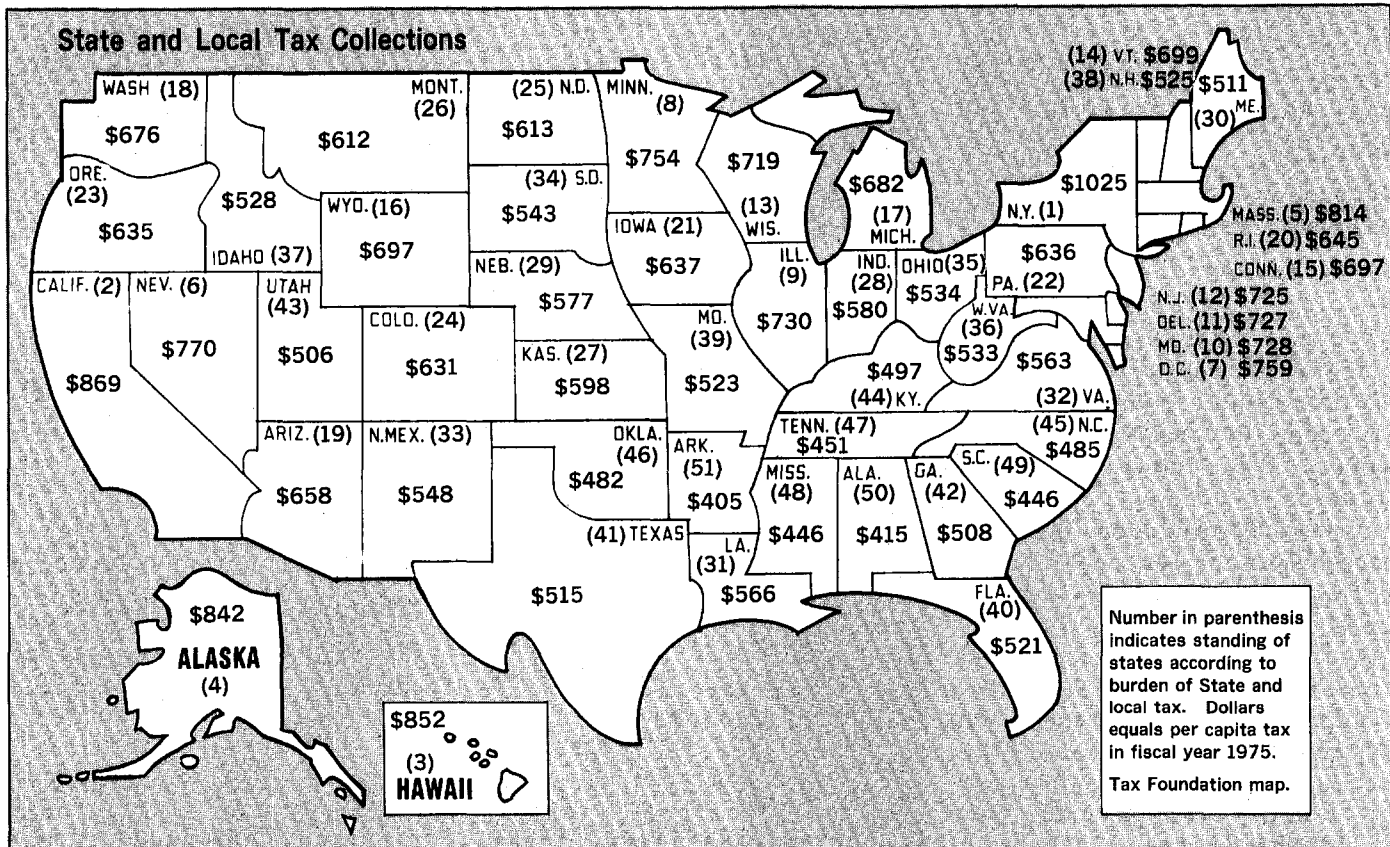
MONTHLY TAX FEATURES



Tax Foundation, Inc.

50 Rockefeller Plaza □ New York, New York 10020 □ 212-582-0880 □

Volume 21, Number 1, January 1977



New York Is Top Tax Collector

Per capita taxes collected at state-local level jumped 150 percent in the decade just passed, according to Tax Foundation.

New York led the list of states at \$1,205 collected in 1975 compared with

\$372 per capita in 1965 when the state ranked second. That's an increase of 175.5 percent.

The average increase in collections per \$1,000 of personal income rose only 17 percent during the period.

California dropped from first to second place although the per capita tax rose from \$379 to \$869 over the ten years. Arkansas remains in last place, the per capita tax being \$405 compared with \$159 in 1965.

New York also ranked first in the amount of state and local taxes per \$1,000 of personal income. New Yorkers paid \$166.53 compared with \$118.72 in 1965 when New York ranked in tenth place. Ohio dropped from forty-eighth to last place although the per capita tax per \$1,000 rose from \$86.36 to \$96.94.

Complete figures and state ranks are given in the accompanying tables.

(See Table page 4)

BUSINESS EXPENSES—The taxpayer incurred transportation expenses in traveling between his residence and a temporary place of work. The taxpayer's employer reimburses him for such expenses.

The Internal Revenue Service held:

(1) After 1976, the transportation expenses will be nondeductible commuting expenses, regardless of the nature of the work performed, the distance traveled, the mode of transport, or the degree of necessity.

(2) Reimbursements received after 1976 for the taxpayer's transportation expenses will be considered "wages" for purposes of the FICA, FUTA, and income tax withholding.

Students Join Businessmen in Conference



Raymond J. Saulnier

For the second successive year college professors were invited to attend the Tax Foundation's annual conference accompanied by their top students of economics. More than seventy students attended.

The expanded educational effort was inaugurated at last year's conference.

"The program gives the students an opportunity to participate personally within a university seminar type of format in what is essentially a conference for businessmen, tax experts, and economists. On the one hand, the students are exposed to the kinds of issues they will face upon obtaining their graduate degrees, and, on the other, it provides an opportunity for the business people to find out what's on the minds of the young folks coming along," said Bob Brown, Tax Foundation's vice president.

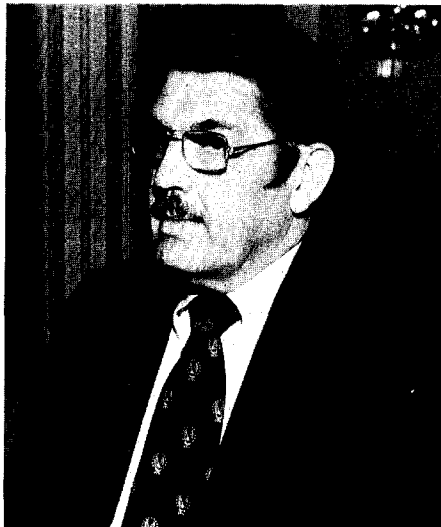
"Both benefit. And it was quite apparent that both the students and the members were following the proceedings with sharp interest," he noted.

Universities represented were Trinity, University of Hartford, Columbia, Central Connecticut State, CUNY, Hunter, Iona, John Jay, Herbert Lehman, Long Island University, Montclair College, New York Institute of Technology, Rutgers, and the University of Indiana.

Tickets for college and graduate students are provided by a group of Tax Foundation members who take an active interest in furthering the student education program.



Professor Broden of the University of Connecticut chats with students at the social hour following the morning session of the 28th National Conference.



The Hon. Clarence J. Brown



Martin S. Feldstein



Laurence N. Woodworth

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Federal Pay Patterns Face Adjustment

Top Federal government officials are in for a pay raise. Salary adjustments ranging up to more than 45 percent are recommended in a report to President Ford by a quadrennial commission on government salaries.

The commission report points out that top-level elective and appointive officials have not had a raise except for one five percent increase since 1969. The report also emphasizes that since this "freeze" has been in effect, average hourly private non-farm earnings increased more than 70 percent and the Consumer Price Index for urban wage earners rose by 60.5 percent.

"Moreover," says the Tax Foundation in a continuing review of Federal pay patterns, "since the pay of top-level civil service careerists is 'linked' by law to the rate of pay at Level V of the Executive Schedule, there has developed a serious pay compression problem, with the result that more than 20,000 employees in the top grades of the career services currently are being paid the same salary.

The pay freeze and compression problems have become a serious obsta-



COHN SCHOLARSHIP—In ceremonies at the 28th National Conference, December 1, Tax Foundation President Thomas Macioce announced that the Foundation plans to establish a three-year-scholarship fund in Mr. Cohn's name at a university of his choice. "The Samuel M. Cohn Scholarship" will be awarded by the university to a student of economics.

Recommended Federal Pay Increases		
Officials	Present Salary	Proposed Salary
Vice President, Chief Justice, and Speaker of the House	\$65,600	\$80,000
Associate Justices of Supreme Court	63,000	77,500
Cabinet officers (Executive Level I)	63,000	67,500
Judges, U.S. Court of Appeals, etc.	44,600	65,000
Judges, U.S. District Courts, etc.	42,000	62,000
Members of Congress	44,600	57,500
Sub-Cabinet positions, heads of major agencies, etc. (Level II)	44,600	60,000
Sub-Cabinet positions, chairman of regulatory agencies, etc. (Level III)	42,000	57,000
Assistant secretaries, members of regulatory agencies, etc. (Level IV)	39,900	53,000
Heads of bureaus, boards, commissions, etc. (Level V)	37,800	49,000

cle to Federal recruitment and promotion at top levels and have resulted in the loss of many competent and experienced managers and executives.

The commission recommendations go to President Ford for his consideration in preparing the budget. They become effective 30 days after the budget is submitted to Congress unless either house disapproves.

During the commission's deliberations Tax Foundation's Executive Vice President Robert C. Brown urged salary adjustments as "one factor in attracting competent people to Federal service." In a statement he also recom-

mended that any pay adjustments be considered on the basis of total compensation, so as to minimize officials' reliance on outside income. The commission went even further proposing a new Code of Public conduct including disclosure of personal finances, restrictions on outside earned income, strict conflict of interest provisions and full accountability for expense and other allowances.

The accompanying table shows some of the suggested salary adjustments. The full text of the Tax Foundation review will be available following submission of the President's budget.

Economics of New Tax Act Reviewed

The massive Tax Reform Act of 1976 will have large impacts for good or ill on some individuals, groups, businesses, methods of operation and forms of investment. Yet the immediate economic effects may be scarcely discernible, writes C. Lowell Harriss in Tax Foundation's *December Tax Review*.

The next stage of tax reform could be more productive, Professor Harriss believes. But anti-business attitudes create obstacles to the acceptance of tax changes which could aid the productive system to serve us and our children ever more effectively.

The author is professor of economics at Columbia University and economic

consultant to Tax Foundation.

He reviews the impact of the \$14.4 billion cut in the continuation of personal income tax reductions, the higher bracket increases, changes in the estate and gift taxes, capital formation, inflation adjustments, and the tax obstacles to employment and production.

The next stage of reform could benefit from taking account, openly and explicitly, of a basic characteristic of American life—rising expectations. Professor Harriss concludes, "the human goals so widely sought can be approached more rapidly and surely by enlarging our freedom to build a capital base."

State-Local Tax Collections by State—Per Capita and Per \$1,000 of Personal Income Fiscal Years 1965 and 1975

State	Per capita State-local tax collections						State-local tax collections per \$1,000 of Personal Income			
	1965	1975	Percent change	Rank		Change	1965	1975	Rank	
				1965	1975				1965	1975
Average	\$266	\$ 664	149.6	—	—	—	\$105.04	\$122.84	—	—
Alabama	168	415	147.0	27	49	50	97.37	99.45	34	48
Alaska	250	842	236.8	1	27	4	81.13	124.53	50	15
Arizona	266	658	147.4	25	20	19	121.45	132.58	7	10
Arkansas	159	405	154.7	19	51	51	97.67	99.02	33	50
California	379	869	129.3	41	1	2	125.76	145.91	4	3
Colorado	292	631	116.1	49	10	24	113.96	116.09	18	28
Connecticut	291	697	139.5	31	11	15	90.85	108.19	43	37
Delaware	302	727	140.7	30	5	11	89.76	116.55	45	26
Florida	233	521	123.6	46	34	40	105.33	99.44	25	49
Georgia	191	508	166.0	12	43	42	99.61	107.86	31	38
Hawaii	298	852	185.9	3	8	3	117.21	144.45	15	4
Idaho	245	528	115.5	50	29	37	121.41	110.21	8	33
Illinois	266	730	174.4	9	21	9	88.88	117.28	46	23
Indiana	257	580	125.7	43	25	28	102.39	111.49	27	32
Iowa	276	637	130.8	39	17	21	116.31	121.38	17	18
Kansas	273	598	119.0	48	18	27	117.00	108.57	16	36
Kentucky	175	497	184.0	4	47	44	96.17	113.19	37	31
Louisiana	222	566	155.0	18	37	31	120.54	129.89	9	12
Maine	233	571	145.1	29	33	30	109.84	125.90	21	13
Maryland	261	728	178.9	5	24	10	93.43	122.60	41	17
Massachusetts	302	814	169.5	10	6	5	102.07	142.00	28	5
Michigan	290	682	135.2	35	12	17	106.72	116.65	24	25
Minnesota	299	754	152.2	21	7	8	127.19	139.44	2	6
Mississippi	170	446	162.4	14	48	48	118.53	118.37	11	22
Missouri	223	523	134.5	36	36	39	87.37	103.53	47	46
Montana	265	612	130.9	38	22	26	117.83	125.70	13	14
Nebraska	220	577	162.3	15	39	29	93.35	109.57	42	34
Nevada	322	770	139.1	32	3	6	106.86	132.29	23	11
New Hampshire	221	525	137.6	33	38	38	95.06	107.54	39	39
New Jersey	269	725	169.5	11	19	12	90.65	115.91	44	30
New Mexico	243	548	125.5	44	31	33	121.57	135.41	6	8
New York	372	1,025	175.5	8	2	1	118.72	166.53	10	1
North Carolina	188	485	158.0	17	44	45	99.69	105.78	30	42
North Dakota	248	613	147.2	26	28	25	117.66	109.54	14	35
Ohio	225	534	137.3	34	35	35	86.36	96.94	48	51
Oklahoma	216	482	123.1	47	40	46	104.43	105.30	26	44
Oregon	281	635	126.0	42	14	23	109.38	121.33	22	19
Pennsylvania	245	636	159.6	16	30	22	94.73	116.75	40	24
Rhode Island	263	645	145.2	28	23	20	101.87	119.40	29	21
South Carolina	161	446	177.0	7	50	49	96.70	104.63	36	45
South Dakota	241	543	125.3	45	32	34	126.00	116.05	3	29
Tennessee	178	451	153.4	20	46	47	97.08	100.45	35	47
Texas	207	515	148.8	24	41	41	96.03	105.65	38	43
Utah	255	506	98.4	51	26	43	117.84	116.29	12	27
Vermont	278	699	151.4	22	16	14	127.22	154.28	1	2
Virginia	188	563	199.5	2	45	32	85.52	106.70	49	41
Washington	294	676	129.9	40	9	18	111.84	120.65	20	20
West Virginia	192	533	177.6	6	42	36	98.51	122.68	32	16
Wisconsin	310	719	131.9	37	4	13	125.45	138.30	5	7
Wyoming	278	697	150.7	23	15	16	112.83	134.34	19	9
Dist. of Columbia	288	759	163.5	13	13	7	80.91	106.73	51	40

Source: Bureau of the Census.