

MONTHLY TAX FEATURES



Tax Foundation, Incorporated

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

Volume 25, Number 9, October 1981

State Tax Revenues Up 156% for Decade To \$607 Per Capita

State governments now collect over \$600 in taxes for every man, woman, and child in the U.S., according to Tax Foundation economists. In fiscal year 1980, they took in \$607 per capita, up from \$237 ten years before. Tax Foundation researchers also say that state taxes averaged double-digit growth in the 1970s for the second consecutive decade, and more than quintupled from 1965 to 1980. As of 1980, state taxes totaled \$137.1 billion, compared to \$48.0 billion in 1970—up 186 percent. On a per capita basis, for the same period, state taxes rose 156 percent.

State government taxes in 1980 amounted to \$71 for every \$1,000 in personal income that year, up from \$65 in 1970, and \$54 in 1965. The state tax bite accounted for 62 percent of total combined state and local government tax revenue, exceeding local tax dollar amounts by about 50 percent. As recently as 1965, state and local governments had collected approximately equal amounts in taxes, according to the Foundation. Since 1965, however, state tax revenues have risen about 70 percent faster than local collections.

State tax collections in 1980 were highest per capita in Alaska, coming to \$3,594 for every state resident. Second highest was Hawaii, where the state government took \$1,035 per capita in taxes. Next came Delaware

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Weinberger Named for TF Award; Rep. Jones to Keynote Conference

Representative James R. Jones, Democrat of Oklahoma, will be the principal speaker at the Tax Foundation's 33rd National Conference on December 2. Jones, Chairman of the House Budget Committee and a member of the Ways and Means Committee of the House, will address the conference luncheon on the topic, "Budget and Fiscal Policy—The Road Ahead." W. Bruce Thomas, Executive Vice President—Accounting and Finance—U.S. Steel Corporation and a Trustee of the Tax Foundation, will chair the luncheon session.

The Tax Foundation Conference, under the general theme of "Federal Expenditure and Tax Policy—1981 and Beyond," will examine the immediate results and long-range implications of this year's tax and budget action in Washington.

The morning session, chaired by Sam Coats, Vice President-Domestic and International Affairs, Braniff International, will begin with a presentation on "Fiscal Policy and the Economic Outlook" by Morris Cohen, President, Morris Cohen & Associates, a leading independent economic analyst. Following Cohen will be an analysis of the "Implications of Federal Budget Policy for States and Localities" by Robert B. Carleson, Special Assistant to the President for Policy Development; James A. Papke, Professor of Economics, Purdue University; and Paul T. Wrotenbery, Director, Govern-

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Secretary of Defense Caspar W. Weinberger will receive the Tax Foundation's Distinguished Public Service Award for 1981, Thomas M. Macioce, Chairman of the Foundation's Board of Trustees, announced recently. The award will be presented at the Foundation's 44th Annual Dinner at The Plaza hotel in New York City on December 2. In accepting the award, the Defense Secretary will deliver a major address on the Administration's national defense program and its fiscal policy implications. Macioce said that Weinberger was being honored for his "long and distinguished career and for his leadership in the cause of economical and efficient government."

Caspar W. Weinberger was nominated by President Ronald Reagan to be Secretary of Defense on December 11, 1980; was confirmed by the United States Senate on January 20, 1981; and took the oath of office on January 21, 1981. His career in public service reaches back to November 1952, when he was elected to the Assembly of the California State Legislature. He was reelected in 1954 and 1956, and was selected in 1956 by a poll of California newspaper correspondents as the most effective member of the Legislature.

In 1967, Weinberger was named Chairman, Commission on California State Government Organization and Economy, also known as the Little

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The Front Burner

By Robert C. Brown

Executive Vice President
Tax Foundation, Incorporated

"On Walking the Walk"

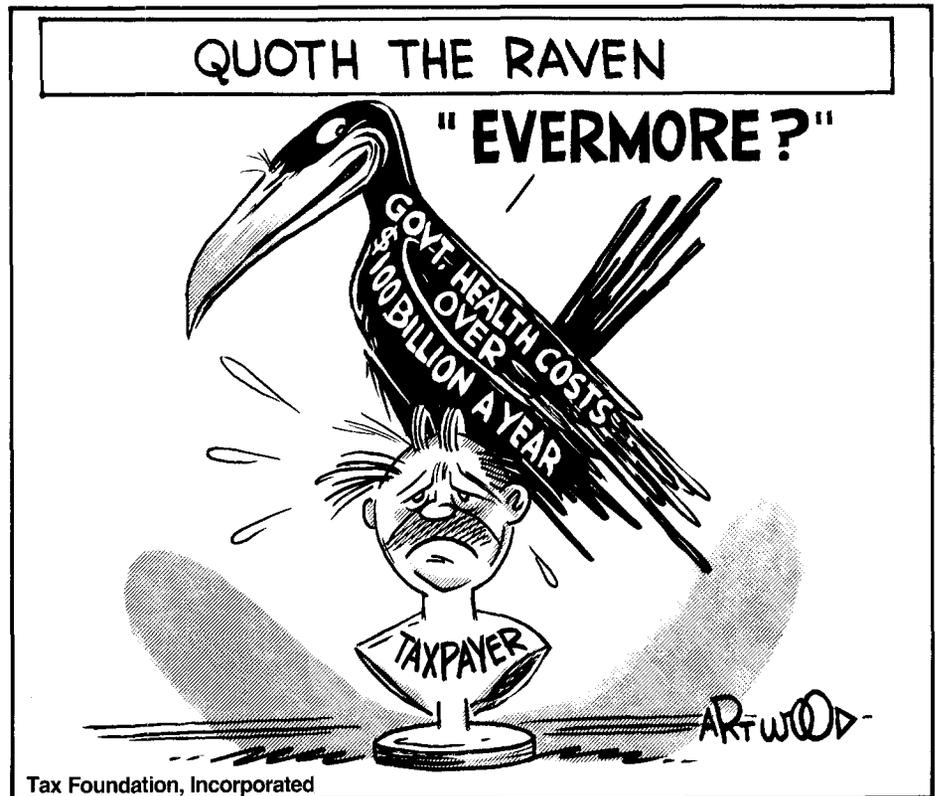
There are those who "talk the talk" and those who "walk the walk" in any field. It is the "walkers," those who back rhetoric with action, who have brought human enterprise as far as it has come since the dawn of history.

W. Bruce Thomas, Executive Vice President—Accounting and Finance of U.S. Steel Corporation and Trustee of the Tax Foundation, is both a doer and a talker. On September 17, he addressed the Foundation's Minneapolis membership meeting in which he urged that area's business leaders to spring into action in the wake of the sweeping revisions embodied into the Economic Recovery Tax Act of 1981:

It is imperative that we in the business community realize an obligation to "put our money where our mouth is!" We have now been accorded the improved capital recovery provisions that we have long sought and we now need to put them to work—to start building the plants and creating the jobs we have been promising.

Only a businessman could say that; specifically, only a businessman whose firm has this year committed itself to invest \$1.3 billion in new plant and equipment. Such commitment means that the product being produced will be made with the most modern equipment available. It means giving American labor and management the tools to show that they are still the most productive in the world. It means showing our national leadership that the private sector is willing and able to work hand in hand with public officials to revitalize the American economy.

The voice of fear is abroad in the halls of Congress as the slow response of the economy makes members of both Houses and both parties wonder if they might have been per-



haps a little too bold in the steps they took last summer. Given the pressure from certain constituencies, Congress alone may not be able to withstand the temptation to dismantle the program of tax relief and spending reduction which was put in place. If they are to be more than "summer soldiers," they will need the tangible evidence from the private sector in the form of major commitments for new plant and equipment, in the creation of new jobs and job training

programs, and in a vigorous expansion of activity in research and development.

Last summer's tax act was the strongest shot in the arm the American business community has had in more than a generation. Given the pressures on the Congress to retrench, if business leaders are too slow to "walk the walk," the euphoria of last August may very soon dissipate as we find ourselves in the winter of our discontent.

33rd Conference

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nor's Budget and Planning Office, State of Texas.

After examining the budget, the Conference will look at the tax side of the ledger during the afternoon session, with Donald K. Frick, Vice President—Taxes, U.S. Steel Corporation, serving as Chairman.

Norman B. Ture, Under Secretary for Tax and Economic Affairs, Department of the Treasury, will speak on "Future Implications of the Economic Recovery Tax Act of 1981." He will be followed by a panel of three respondents: William C. Penick, Managing Director—Tax Policy, Ar-

thur Andersen & Co.; John R. Mendenhall, Vice President—Taxes, Union Pacific Corporation; and William K. Condrell, Partner, Steptoe & Johnson.

MARK YOUR CALENDAR

Tax Foundation's 33rd National Conference and 44th Annual Dinner will be held this year on Wednesday, December 2nd at The Plaza hotel in New York City. A program and registration form may be obtained from the Tax Foundation.

Current Government Health Spending Exceeds \$100 Billion Annual Level

Government health expenditure today runs over \$100 billion annually, and could easily top one quarter of a trillion dollars within the decade, according to research by Tax Foundation economists. If recent trends in medical assistance payments continue, they say, government spending on health may actually exceed private health outlays in the United States in the near future.

Between 1965 and 1979, total national health expenditure rose from \$42 billion to \$212 billion—a jump of 405 percent. This represents a rise from 6.1 percent of gross national product (GNP) to about 9.0 percent now going for health expenditures.

From 1965 to 1979, government health spending rose from \$11 billion to over \$91 billion—a jump of 733 percent—rapidly outpacing private health expenditure nationwide. The taxpayer was footing the bill for 26.1 percent of national health costs in 1965. By 1979, that tab was covering 43.1 percent of health costs. And outlays of public money continue to grow at unprecedented rates.

Government spending for health related matters rose by an average annual rate of 16.3 percent during the 1965-1979 period, Tax Foundation researchers say. For this same period, private health expenditures had a 10.2 percent growth rate.

Uncle Sam footed the bill for about 70 percent of that total dollar increase in government health expenditure since 1965. As of 1979, Federal health expenditures accounted for about two-thirds of public spending on health (\$60.9 billion), while state and local governments supplied the other one-third (\$30.5 billion).

The largest sources of growth in government health spending since 1950 have been the Federally legislated programs of Medicare and Medicaid, both enacted in 1965. Costs of the Medicaid program are shared jointly by the Federal government and the states.

As of 1979, out of the total \$91.4 billion in government spending on health, the Medicare and public assistance (mainly Medicaid) programs, combined, accounted for \$54.7 billion, or 59.8 percent, of the total. Since 1965, Medicaid has accounted for most public assistance medical vendor payments in the United States. These averaged a growth rate of 19.1 percent annually for the years 1965-1979. This twelve-fold increase (in just 14 years) dwarfed the growth record of virtually every other category of health expenditure.

Payments to or on behalf of individuals make up the bulk of govern-

ment health spending. And this has occurred partly at the expense of other health priorities. Between 1965 and 1979, spending on medical research diminished from 11.6 percent of public health expenditure to 4.7 percent. (Private spending for medical research, at the same time, fell from 12.2 percent to 6.2 percent of the public-private total for the period.)

Other major categories of public spending on health include general hospital and medical care (primarily state-local psychiatric care and school health), totaling \$7.4 billion in 1979; public health activities (\$6.0 billion); and veterans' medical care (\$5.4 billion).

The accompanying table provides further details on recent trends in U.S. public and private health expenditures.

**National Health Expenditures by Source of Funds and Type
Selected Calendar Years 1965-1979^a**

Item	1965	1970	1975	1979
Amount (millions)				
Total expenditures	\$41,994	\$74,903	\$132,120	\$212,199
Private expenditures, total	31,020	47,094	75,811	120,806
Health services and supplies	29,552	44,534	72,476	117,081
Direct payments	18,584	26,128	37,725	59,973
Insurance premiums ^b	10,001	17,185	33,014	54,420
Other	966	1,221	1,737	2,688
Medical research	176	215	264	285
Medical facilities construction	1,292	2,345	3,071	3,440
Public expenditures, total	10,974	27,809	56,309	91,393
Health services and supplies	8,999	25,049	51,346	85,237
OASDHI (Medicare)	—	7,495	16,316	30,338
Temporary disability insurance ^c	52	67	74	78
Workers' compensation ^c	880	1,537	2,639	4,442
Public assistance medical payments ^d	2,112	6,205	14,866	24,326
General hospital and medical care ^e	2,680	3,961	5,451	7,417
Department of Defense medical care	1,013	1,887	3,071	4,023
Maternal and child health programs	241	406	562	696
Public health activities	814	1,420	3,157	6,047
Veterans medical care	1,145	1,764	3,495	5,355
Medical vocational rehabilitation	40	149	224	275
Other	22	158	1,491	2,240
Medical research	1,270	1,674	2,975	4,330
Medical facilities construction	705	1,086	1,988	1,827
Percentage distribution				
Total expenditures	100.0	100.0	100.0	100.0
Private	73.9	62.9	57.4	56.9
Public	26.1	37.1	42.6	43.1
Federal	13.4	23.5	28.0	28.7
State-local	12.7	13.6	14.6	14.4
Exhibit: Total as percent of GNP	6.1	7.6	8.6	9.0

^aData for 1979 are preliminary.

^bCovers insurance benefits and amount retained by insurance companies for expenses, additions to reserves, and profits.

^cIncludes medical benefits paid under public law by private insurance carriers and self-insurers.

^dAfter 1965, primarily Medicaid.

^ePrimarily state and local psychiatric hospitals and school health.

Source: Department of Health and Human Services, Health Care Financing Administration.

State Taxes

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(\$867 per capita), Wyoming (\$824), California (\$818), Minnesota (\$786), New York (\$724), and Wisconsin (\$715).

Ranking lowest in state taxes per capita was New Hampshire, placing 50th at \$290; then South Dakota (\$392), Tennessee (\$411), Missouri (\$426), and Ohio (\$441).

Nationwide, per capita state tax collections rose 156 percent during the 1970s. Alaska ranked highest in

growth with an eleven-fold increase for the decade. Wyoming followed next highest, with an increase of 224 percent in state taxes per capita. New Jersey followed (212 percent), then Oklahoma (199 percent), Montana (198 percent), California (197 percent), and Nebraska (195 percent).

The lowest growth figure shown was for Vermont, with an increase of 71 percent. Next lowest growth was for Nevada (95 percent), then New York (115 percent), New Hampshire (126 percent), and Utah (126 percent).

Much of the growth in state taxes has resulted from increased reliance on income-based tax revenues. State income tax collections continue to outpace growth in virtually every other state tax revenue source, rising as a share of total state taxes for the ninth consecutive year in fiscal 1980.

Income taxes in 1980 accounted for 36.8 percent of total state tax revenue (27.1 percent from individual incomes, plus 9.7 percent from corporate incomes).

Sales taxes remain the largest source of state tax revenue. In fiscal year 1980, however, the share of state tax revenue derived from sales taxes dropped to less than half of total taxes for the first time on record—down to 49.4 percent, compared to 56.8 percent in 1970.

The accompanying table gives further details on state taxes.

Per Capita Levels, Growth, and Sources of State Tax Revenue by State^a

Fiscal Years 1970-1980

State	Per capita state tax collections		Rank 1980	Increase 1970 to 1980		Percent distribution of state tax revenues by source, 1980		
	Amount 1970	Amount 1980		Percent	Rank	General sales	Income	Other
TOTAL	\$237	\$607	—	156	—	31.5	36.8	31.7
Alabama	191	477	44	150	24	31.1	27.3	41.6
Alaska	284	3,594	1	1,164	1	—	46.3	53.7
Arizona	268	620	15	132	44	48.4	24.1	27.5
Arkansas	183	508	39	178	13	32.0	34.5	33.5
California	276	818	5	197	6	34.6	46.3	19.1
Colorado	213	516	37	142	31	36.0	38.4	25.6
Connecticut	245	592	20	142	32	43.6	18.9	37.5
Delaware	357	867	3	143	29	—	53.6	46.4
Florida	209	493	42	136	38	46.9	7.7	45.4
Georgia	205	499	40	144	27	34.2	40.8	25.0
Hawaii	442	1,035	2	134	41	49.9	36.2	13.9
Idaho	219	519	36	138	35	28.0	41.2	30.8
Illinois	258	619	16	140	34	33.6	38.2	28.2
Indiana	193	491	43	154	23	49.4	27.3	23.3
Iowa	222	600	18	170	15	28.7	42.4	28.9
Kansas	192	537	33	180	11	33.0	38.3	28.7
Kentucky	218	586	22	168	18	28.3	31.0	40.7
Louisiana	230	570	25	148	26	30.8	20.7	48.5
Maine	209	550	29	163	20	34.6	30.3	35.1
Maryland	276	655	12	137	36	25.8	45.7	28.5
Massachusetts	245	685	11	179	12	19.0	60.8	20.2
Michigan	264	642	13	143	28	28.7	47.5	23.8
Minnesota	268	786	6	193	8	20.3	51.3	28.4
Mississippi	219	499	41	128	45	53.3	17.0	29.7
Missouri	175	426	47	143	30	37.8	35.3	26.9
Montana	186	554	27	198	5	—	41.5	58.5
Nebraska	176	520	35	195	7	33.9	35.9	30.2
Nevada	305	596	19	95	49	38.4	—	61.6
New Hampshire	128	290	50	126	47	—	27.4	72.6
New Jersey	186	579	24	212	3	27.7	35.2	37.1
New Mexico	269	712	9	165	19	43.5	10.1	46.4
New York	336	724	7	115	48	22.4	55.1	22.5
North Carolina	234	547	30	134	42	21.6	45.7	32.7
North Dakota	197	569	26	189	9	33.3	24.1	42.6
Ohio	160	441	46	176	14	30.3	32.7	37.0
Oklahoma	196	587	21	199	4	17.9	25.4	56.7
Oregon	206	553	28	168	17	—	71.8	28.2
Pennsylvania	236	610	17	159	21	27.6	35.0	37.4
Rhode Island	241	582	23	142	33	30.7	37.6	31.7
South Carolina	210	538	31	156	22	34.4	38.6	27.0
South Dakota	169	392	49	132	43	54.4	1.2	44.4
Tennessee	175	411	48	135	39	52.1	12.1	35.8
Texas	176	475	45	169	16	37.5	—	62.5
Utah	238	538	32	126	46	41.3	38.9	19.8
Vermont	304	521	34	71	50	15.3	39.6	45.1
Virginia	206	513	38	150	25	21.7	47.3	31.0
Washington	302	706	10	134	40	55.7	—	44.3
West Virginia	221	625	14	183	10	49.1	23.4	27.5
Wisconsin	302	715	8	137	37	25.4	51.7	22.9
Wyoming	254	824	4	224	2	42.0	—	58.0

^aPer capita figures based on resident population excluding armed forces overseas. Source: Department of Commerce, Bureau of the Census; and Tax Foundation computations.

About Tax Features

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Weinberger

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Hoover Commission. He was appointed by then-Governor Ronald Reagan as Director of Finance of the State of California in March 1968. In January 1970, he was appointed as Chairman of the Federal Trade Commission. Six months later, he was named Deputy Director of the Office of Management and Budget and became Director of the office in June 1972.

In February 1973, Weinberger was named Secretary of Health, Education and Welfare, a post he held until he resigned to enter private business in August 1975.