

Research Aid No. 3

Allocating the Federal Tax Burden Among the States

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FOREWORD

For reasons set out in this study, Federal tax collections by state as reported by the Internal Revenue Service do not reflect the distribution of the burden of these taxes. For example, tobacco taxes are largely collected in North Carolina, Kentucky and Virginia, but the burden of these taxes presumably falls on people in every state according to their consumption of tobacco. However, the burden of Federal taxes can be allocated among the states according to various economic series that reflect the distribution of the burden of particular taxes.

For many years Tax Foundation has annually published an allocation of the Federal tax burden by state. These allocations have been widely used by researchers, editors and others, particularly for comparing the total of Federal grants-in-aid to states with the allocated tax cost by state of these grant programs. An example of this application is contained in Table 6.

Other organizations have used allocation bases which differ in part from those used by Tax Foundation. The resulting differences in allocation estimates give rise to questions about the several methods and assumptions used in allocating the Federal tax burden by state. Moreover, the validity of these estimates for various purposes requires some analysis of the limitations of allocation estimates.

Methods of allocation are being improved as new statistical materials permit and as more of a consensus is reached on the conceptual and technical problems involved. It is not expected, however, that there will ever be complete unanimity in the selection of methods and bases for the allocation of the Federal tax burden by state.

This research aid discusses the uses and limitations of estimates of the Federal tax burden by state, explains some of the problems involved and the methods used in these allocations, and presents Tax Foundation's allocation of the tax burden for 1957.

Tax Foundation, a non-profit organization, is engaged in research on government spending and taxation. Its purpose is to aid in the development of more efficient government at less cost to the taxpayer. It also serves as national information agency for organized taxpayer and research groups throughout the country.

THE TAX FOUNDATION

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ALLOCATING THE FEDERAL TAX BURDEN AMONG THE STATES

Introduction

It is a fairly simple matter to determine the total tax burden in the sense of the total tax revenue collected by the government or the total of tax bills paid or accrued in one year. Such problems as drawing a line between tax and nontax revenue, timing of tax payments, etc., are relatively minor matters of definition.

It is more difficult to estimate the breakdown of the total tax burden by income class, by industry, by occupation, by state, or by geographic region. Such breakdowns involve questions of the incidence and effects of taxation which have not yet been satisfactorily resolved. This does not mean it is impossible to arrive at estimated breakdowns of the tax burden, but that "distributions can be approximated in a number of different ways."¹ Methods of allocation are being improved as new statistical materials permit and as more of a consensus is reached on the conceptual and technical problems involved.

This study: (1) discusses the uses and limitations of estimates of the Federal tax burden by state, (2) explains some of the problems involved and the methods used in these allocations, and (3) presents Tax Foundation's allocation of the tax burden for 1957.

1. G. St.J. Perrott in foreword to Statistical Materials on the Distribution of Federal Expenditures Among the States, U. S. Department of Health, Education, and Welfare, Public Health Service, Washington, D.C., 1956, p. 2.

I. Uses of Allocations of the Federal Tax Burden by State

In the analysis of many problems and issues of both national and local concern it is useful to know how much of the Federal tax burden is borne by the people of each state. The following illustrate the kinds of questions which allocation estimates help to answer:

Does the Federal tax burden bear more heavily in some states than in others, and so affect the ability of state and local governments to raise tax revenue?

How do the Federal taxes paid or borne by the people of a given state compare with the benefits received from the Federal government?

Can the cost in taxes be compared with the benefits received by the people of each state for specific Federal programs?

If the Federal government vacated certain tax sources, how would this affect the ability of state governments further to utilize those sources?

What is the net flow of cash from a given state or region as a result of Federal operations?

What is the gross value of production of goods and services in each state? (The Department of Commerce measures production of "goods and services at prices which include indirect business taxes). "

What is the national income as distinct from the personal income of each state? (National income includes undistributed corporate profits, corporate profits taxes, and contributions for social insurance, all of which are excluded from personal income).

These questions by no means exhaust the governmental and economic issues that suggest the need for estimates of the allocation of the Federal tax burden by state. The questions that are of most concern in this memorandum are those of intergovernmental fiscal relations.

II. Limitations of Allocation Estimates

The limitations of allocation estimates depend in part on the particular use made of the estimates. If the purpose is to measure the relative severity of the Federal tax burden by state, some measure of income or production by state must be used against which allocated Federal taxes can be compared. If the purpose is to compare tax burdens with benefits received by state, an allocation of expenditures as well as taxes must be made. If the purpose is to measure economic production by state, the problem of allocating the corporate profits tax and indirect business taxes becomes crucial.

Since the Tax Foundation formula is used most often in comparing tax burdens and benefits by state, this section contains a discussion of some of the difficulties involved in such comparisons.

The mere statement of the problem of comparing Federal taxes borne and benefits received by state raises difficulties. It has been pointed out that:

"...Federal taxing and spending is governed by national objectives and requirements. Geographic variations occurring in the taxing or spending process are a byproduct of the pursuit of these national objectives. An overlay of state boundaries on these national programs necessarily yields a distorted view of the effects of fiscal operations of the national government..."²

A similar comment has been made in connection with the allocation of Federal taxes and benefits by income classes:

"As for...attempt/s/ to allocate all the benefits of government by spending units, I regard it for the most part as an unprofitable occupation. I go along with the famous dictum of John Stuart Mill that 'Government must be regarded as preeminently the concern of all citizens enjoyed by all in their corporate capacity.' I find myself unable to agree, for instance, that the exclusive benefit of educational outlay may be allotted to the spending units according to their number of school children. The schools are simply one of the amenities of civilization that we enjoy in our corporate capacity as the public. How they shall be paid for is also determined in our corporate capacity as the public."³

Nevertheless, there are good reasons for the efforts being made to find some basis or bases for allocation of the benefits of Federal programs as well as for the allocation of the Federal tax burden. That such allocations are of wide interest is evident in the fact that the Public Health Service has recently published

2. G. St.J. Perrott, loc. cit. See also Selma Mushkin, Illustrative Estimates of Federal Expenditures and Revenues by States, U.S. Department of Health, Education and Welfare, Public Health Service, Washington, D.C., 1956.

3. H. M. Groves, "The Distribution of Government Burdens and Benefits--Discussion," American Economic Review, Papers and Proceedings, May 1953, p. 536.

an extensive study of the problem, Statistical Materials on the Distribution of Federal Expenditures Among the States. This and other studies have been instigated in connection with studies of intergovernmental fiscal relations, particularly programs of Federal aid to state and local governments.

While the resulting statistical estimates leave a good deal to be desired, they represent a necessary attempt to measure or approximate the extent of contributions and benefits flowing between the Federal government and the states.

Narrowing down the range of Federal programs to be considered makes it possible to avoid some difficulties. Thus the problems of allocating national defense and the benefits of general government may be excluded. If the programs are narrowed down to those of direct Federal aid to states, a more exact and useful comparison of costs and benefits appears to be made. Thus in Table 6, actual Federal grants-in-aid to each state are compared with the tax cost of Federal aid by state. The latter is obtained by applying the percentage distribution of the total Federal tax burden by state as indicated by Tax Foundation's formula (Table 5) to the total Federal grants to state and local governments.

It is true that for Federal grants-in-aid immediate benefits are more closely pinned down, but questions of timing and localization of benefits remain. For example, the immediate benefits of Federal aids for welfare and education may be clearly localized, but with extensive movements of population across state lines, particularly of people entering and leaving the labor force, the immediate benefits may not measure much more than a cash flow. Federal aid to states under the new highway program, together with the growing importance of interstate traffic, raises questions about the localization of benefits. Federal aid for construction or initiation of power, irrigation and conservation projects may be immediately localized, while the ultimate benefits of such projects may be spread over a wider area, or at least distributed differently from construction expenditures.

Nevertheless, it is the immediate benefits which are most amenable to statistical estimation, and the extent of immediate benefits is one of the considerations that enter into the determination of intergovernmental programs.

The limitations of these allocations rest not so much on the assumptions used in selection of statistical bases of allocation as in the danger that the statistical estimates may divert attention from other, but no less important aspects of the issues and problems involved.⁴ For example, studies of the distribution of the tax burden by income classes which show that the total tax burden is not very progressive have been used as arguments for more progression in the individual income tax rates and as arguments against a general sales tax. But in fact the distribution of the tax burden by income classes is not especially germane to some of the important issues involved in the use of a general sales tax.⁵ Similarly, the fact that some states pay relatively more in Federal taxes than they receive under various Federal aid programs is not necessarily of central importance in the determination of these programs.

4. Cf. G. Colm and H. P. Wald, "Some Comments on Tax Burden Comparisons," National Tax Journal, March 1952, pp. 1-14.

5. Federal Excise Taxes, Tax Foundation Project Note No. 40, pp. 19-35.

III. Weaknesses of Collections Data by State for Allocation of the Federal Tax Burden

The Internal Revenue Service annually publishes statistics showing the amount of Federal taxes collected in each state.⁶ These statistics are a by-product of the process of collection, and they are useful for administrative purposes. But as an indication of the distribution of the Federal tax burden among the states, they have little validity. The reasons for this have been discussed in various studies,⁷ so that for the present purpose only a few major points need to be mentioned.

It is only in a few cases that the collections data by state indicate the state in which the burden of a given tax falls. That part of the individual income tax paid at the time of filing of the return, and shown by state in collections statistics according to the residence of the taxpayer, comes closest to indicating the state distribution of the corresponding part of the tax burden. The withheld part of the individual income tax, however, is shown in collections statistics generally according to the location of the head office of the company withholding and remitting the withheld tax.

In the case of the corporation income tax, the collections data by state also reflect the location of the head offices of corporations, not the location of their sales or production or owners.

The collections data for manufacturer's excises reflect the location of the manufacturing firms, rather than the consumers of their products who presumably bear the burden of these taxes. Thus in the fiscal year 1956, 95 percent of tobacco taxes was collected in North Carolina, Kentucky and Virginia, but clearly the burden of the tax was distributed among the states in accordance with the consumption of the residents of each state. Similarly, in fiscal 1955, 88 percent of the excise taxes on automobiles, trucks and parts was collected in Michigan, but Michigan accounted for only 7 percent of new motor vehicle registrations in 1955.

It is interesting to note the distortions that might result from taking total internal revenue collections in a given state as an indication of the total Federal tax burden in that state. In the fiscal year 1956 total internal revenue collections in Delaware amounted to 85 percent of total personal income in that state as estimated by the Department of Commerce for calendar 1955. In Michigan, total internal revenue collections amounted to 46 percent of state personal income.

6. The latest data can be found in Annual Report of the Commissioner of Internal Revenue, Fiscal Year Ended June 30, 1955, pp. 66-85, and in the Internal Revenue Service News Release of November 20, 1956.

7. The most recent and detailed analysis is Selma Mushkin, "Distribution of Federal Taxes Among the States," National Tax Journal, June 1956, pp. 148-165.

IV. Problems of Tax Incidence

In addition to such statistical problems as are imbedded in data available for an allocation of the tax burden, there are involved numerous questions of tax shifting and incidence which have to be answered in some fashion in order to arrive at a complete estimate of the Federal tax burden by state.

The question of the incidence of the corporation income tax is perhaps the most important. If this tax is assumed to be entirely shifted forward in the prices of corporate products, the distribution by states will be very much different than if the burden of this tax is assumed to be borne by shareholders. The distribution of dividends is highly concentrated in certain states, particularly New York, as compared with the distribution of retail sales and total personal income.

The individual income tax may be assumed to be borne by the persons on whom it is levied. But questions are often raised about the incidence of social security taxes. The similarity of bases and levies of the parts of these taxes levied on employers and employees, leaves room for doubt about the extent to which the burden falls on employees and employers, or falls in some part upon consumers.

Excise and sales taxes may be assumed to fall on consumers, though the possibility that these taxes may be shifted "backwards" to the "factors of production" has recently been put forward.⁸

The incidence of estate, gift and inheritance taxes is another ancient but unsolved problem which, as in the case of other taxes, has to be resolved in some arbitrary manner for purposes of an allocation estimate.

In an allocation study of the Federal tax burden by state, some of these questions of incidence may not be of much significance. Thus the distribution of wages and salaries by state is very similar to the distribution of retail sales by state. It is therefore not of much significance whether one assumes that the burden of a given tax falls on wage earners or is shifted forward into prices.

8. E. R. Rolph, "A Proposed Revision of Excise-Tax Theory," Journal of Political Economy, April 1952, pp. 102-117.

V. Tax Foundation's Method of Allocation

Various methods have been proposed and used for allocating the Federal tax burden among the states. These methods reflect in part varying opinions about the incidence of taxes and in part the changes in the character of statistical data that can be used as bases of allocation.

In some cases it is found that the choice among different bases of allocation of particular taxes has no significant effect on the final estimated tax burden by state, either because the percentage distributions by state indicated by different economic series are very similar or because the particular tax allocated on a given base is a very small part of the total Federal tax burden.

Table 1 shows the bases of allocation used for each type of tax in Tax Foundation's 1957 formula. Table 2 shows Federal tax receipts by source for the fiscal year 1956;⁹ the detail by type of tax is that necessary to show the parts of the total tax burden that are allocated on separate bases.

The percentage distribution of tax receipts by source in Table 2 indicates the weights that are applied to the different bases of allocation used for distributing the corresponding parts of the total tax burden. In other words, the percentages in Table 2 show the relative importance of the corresponding bases of allocation shown in Table 1.

Table 3 shows the percentage distributions by state of the major bases used for allocation of the tax burden. For example, Alabama's share in the individual income tax burden is .87 percent as indicated by Alabama's share in total individual income tax liability. Alabama's share in total retail sales, and so also in the burden of any taxes allocated on this basis, is 1.32 percent.

By weighting each state's share in the burden of each tax by the relative importance of that tax in the total tax burden, and adding the results, we obtain each state's share in the total tax burden. This is illustrated in Table 4. For example, Alabama's share in the burden of the individual income tax is .87 percent, according to the base used in Tax Foundation's formula. Since the individual income tax accounted for 44.65 percent of the total Federal tax burden (in fiscal 1956), Alabama's share in the total tax burden via the individual income tax is $.87\% \times 44.65\% = .39\%$. Similarly, Alabama's share in the total Federal tax burden via the corporation

9. The definition of "tax receipts" in Table 2 is that used in various Tax Foundation publications. It conforms closely with the definition of "tax revenue" plus social insurance taxes as used in Census Bureau reports on governmental revenue. Federal "tax receipts" in Table 2 are derived from "net budget receipts" by subtracting miscellaneous receipts (nontaxes) and adding social insurance taxes that are outside the administrative budget (beginning in fiscal 1957 highway taxes that are transferred to the highway trust fund will also be added). The detail of refunds by type of tax was estimated by Tax Foundation to obtain tax receipts net of refunds by type of tax. For purposes of the allocation by state, collections in the territories were excluded from "tax receipts."

income tax is .27 percent. Adding all these shares for each tax gives 1.00 percent as Alabama's share in the total Federal tax burden.

The resulting percentage distribution of the total Federal tax burden by state is shown in Table 5.

The following notes on allocation bases by type of tax in Tax Foundation's 1957 formula include a discussion of certain alternative possibilities.

1. Individual income tax

This tax presents no special problem of incidence--it is generally agreed that the burden of this tax falls on those on whom it is levied.

Collections data cannot be used for allocating the burden of the tax, because about two-thirds of the tax bill is collected through withholding from wages and salaries, and collections statistics on withheld income taxes reflect the location of the head office or principal place of business of the withholding firms.

Several possible alternatives are available for allocating the individual income tax burden. One used by Tax Foundation in former years was to allocate the nonwithheld tax according to the distribution of collections of this part of the tax, and to allocate the withheld part of the tax according to the distribution of personal income by state. The withheld part of the tax might also be allocated according to the distribution of wages and salaries by state (part of the Department of Commerce series on personal income by state).¹⁰ These two alternatives however, would ignore the differences in the effective tax rates on withheld income in different states. The withheld tax is a flat rate (now 18 percent) on wages and salaries in excess of exemptions. But exemptions amount in the aggregate to about 30 percent of total personal income and over 40 percent of total wages and salaries. In a low income state the average wage may exceed the exemptions of the average worker by only a small amount. The effective rates of withholding (percentage of tax to total wages and salaries) may vary from zero to nearly 18 percent.

Another alternative is to use the distribution of individual income tax by state as indicated by individual income tax returns.¹¹ Since these data reflect the location of the taxpayer's residence, they provide the best possible indication of the distribution of the burden of this tax. However, Statistics of Income which contains these data, becomes available only after a lag of three years. Thus the latest information now available (early 1957) is for the income year 1953. In a three-year period considerable change can occur in the distribution of income and income tax burdens by state.

In Tax Foundation's formula for 1957, the burden of the individual income tax is allocated according to the distribution of tax liability as shown by Statistics of Income but brought up to date by later changes in personal income by state.

10. Wages and salaries as reported in Statistics of Income could also be used.

See Selma Mushkin, "Distribution of Federal Taxes Among the States," National Tax Journal, June 1956, p. 162.

11. Statistics of Income Part I, Internal Revenue Service.

Thus to obtain a basis for the 1957 allocation, the tax liability in each state for 1953 was multiplied by the percentage change in personal income in that state from 1953 to 1955 (the latest year personal income by state is available); the product represents an estimated tax liability for 1955, and the percentage distribution of these estimated tax liabilities for 1955 provides a basis for allocating the individual income tax burden. More refined methods could be used for estimating the tax liability, but taking account of relative changes in personal income by state in this way would appear to be sufficient for purposes of an estimated allocation of the tax burden by state.

The Internal Revenue Service does not regularly publish data on withheld taxes by state as reported on individual income tax returns. Such data, if regularly available, would form an improved basis for allocation of this part of the individual income tax; and it could be combined with the collections data on nonwithheld income taxes to form a better basis of allocation of the individual income tax burden than tax liability as estimated above.

2. Corporation Income Tax

Various bases may be used for allocating this tax depending upon the assumptions adopted as to the incidence of the tax. In view of the uncertain state of opinion on this point,¹² it was decided for the purpose of the present allocation to assume that half of the burden of this tax is borne by shareholders and that the other half is shifted forward to consumers.

In previous years Tax Foundation allocated the total burden of this tax according to the distribution of personal income on the ground that, given the uncertainties of tax incidence, the personal income distribution would allow for distribution of the burden of this tax over various kinds of income--that is to say, the distribution of personal income might be regarded as a weighted average of the distribution of dividends, wages and salaries, and the other kinds of income making up total personal income. Dividends, however, accounted for only 3.7 percent of total personal income in 1955, so that an allocation of the corporation tax burden on the basis of personal income gives a very small weight to the part of the burden of this tax falling on shareholders.

In the current allocation formula the 50 percent of the burden of this tax falling on shareholders is allocated according to a distribution of dividends by state. The 50 percent assumed to be shifted forward to consumers is allocated according to the distribution of retail sales by state--a series based on the 1954 Census of Business and recently released by the Department of Commerce.¹³ This distribution of retail sales by state for calendar 1954 was brought up to date in the same manner as the distribution of individual income tax liability described above--retail sales in each state for 1954 was multiplied by the percentage change in total personal income in that state from 1954 to 1955 (the latest year available), and a revised percentage distribution then calculated.

12. Cf. Selma Mushkin, "Distribution of Federal Taxes Among the States," National Tax Journal, June 1956, p. 161.

13. Survey of Current Business, September 1956, pp. 11-20.

3. Estate and Gift Taxes

In previous years the burden of this tax was allocated in Tax Foundation formulas by the distribution of total personal income. In the current formula this basis is changed to actual collections by state. The latter has the disadvantage that there can be substantial changes from year to year in collections in any one state. On the other hand, given the large exemptions under the Federal estate tax, it is unlikely that total personal income is a very good indication of the location of estates in excess of \$60,000 (the specific exemption under the Federal estate tax).

An average of several years collections could also have been used as a basis of allocation.

Still another possibility would be the data on estate tax returns as sometimes reported in the Statistics of Income, but at the present time the latest data available are for 1951.

4. Employment Taxes

For the purposes of Tax Foundation's formula, it was decided to assume, as in the case of the corporation income tax, that half of the burden of these taxes is shifted to consumers in higher prices, and accordingly this part of the tax is allocated according to the distribution of retail sales by state. The other half of these taxes is assumed to be borne by employees and is allocated according to the distribution of personal contributions for social insurance by state. (Department of Commerce).

More detailed data on the distribution of wages and salaries covered under each social insurance program could be used. But in view of the uncertain incidence of these taxes and the relatively minor differences that would probably result from such alternative bases, it was decided to use the broader bases of retail sales and total personal contributions for social insurance for total employment taxes.

5. Excise Taxes and Customs

As in previous years, excise taxes on alcoholic beverages, motor vehicles and motor fuels are allocated on the basis of government and trade association data on consumption or purchases of the taxed items by state. Tobacco taxes are allocated on the basis of population (in the absence of complete data on consumption by state).

All other excises and customs are allocated according to the distribution of retail sales by state. The Department of Commerce retail sales data are not broken down by type of commodity but by line of business of the retail establishment. The detail by type of retail sales and by state, therefore, is of doubtful value for purposes of a tax allocation. In previous years, when official data on retail sales by state were not available, personal income was used for allocation of these taxes in Tax Foundation's formula.

Note on Exclusion of the Territories

Because of the peculiar tax position of Puerto Rico and the limited economic information available on the territories, it was decided to eliminate the territories from the allocation. Internal revenue collections from the territories are excluded from Federal tax receipts as shown in Table 2. No account is taken of the small part of the burden of taxes collected in continental U.S. that may fall on people in the territories.

Table 1

**BASES FOR TAX FOUNDATION ALLOCATION OF FEDERAL
TAX BURDEN BY STATE
1957**

Type of Tax	Basis of Allocation by State
Individual Income	The distribution of Federal individual income tax liability by state (tax liability as shown in <u>Statistics of Income</u> for 1953 brought up to date by changes in personal income by state 1953-1955).
Corporation Income Tax	
50 percent assumed borne by shareholders	The distribution of dividends by state (part of Department of Commerce series on personal income by state).
50 percent assumed shifted to consumers	The distribution of retail sales by state (Department of Commerce).
Estate and Gift Taxes	Collections by state (Internal Revenue Service).
Employment Taxes	
50 percent assumed to fall on wage earners	Personal contributions for social insurance (Department of Commerce).
50 percent assumed shifted to consumers	Retail sales (Department of Commerce).
Excises	
Alcoholic Beverages	Consumption data (trade associations).
Tobacco	Population (Department of Commerce).
Motor Vehicles	Registrations (trade associations & Bureau of Public Roads).
Motor Fuel	Consumption data (Bureau of Public Roads).
Other Excises & Customs	Retail sales (Department of Commerce).

Table 2

FEDERAL TAX RECEIPTS^a

Fiscal Year 1956

Tax	Amount (Millions)	Percentage Distribution
Total Tax Receipts	\$71,885	100.0
Individual Income	32,094	44.6
Corporation Income	20,832	29.0
Estate and Gift	1,156	1.6
Employment	7,231	10.1
Excises		
Alcoholic Beverages	2,844	4.0
Tobacco	1,609	2.2
Motor Vehicles and Parts	1,881	2.6
Gasoline	1,025	1.4
All Other Excises	2,533	3.5
Customs	680	.9

a. As used in Tax Foundation's 1957 allocation of the Federal tax burden by state. Net of refunds. Excludes Alaska, Puerto Rico and Hawaii.
Detail will not necessarily add to totals because of rounding.

Source: Treasury Department.

Table 3

PERCENTAGE DISTRIBUTIONS BY STATE OF PERSONAL INCOME AND SELECTED BASES
FOR ALLOCATION OF FEDERAL TAX BURDEN

Calendar Year 1955

State	Personal Income	Individual Income Liability ^a Base #1	Dividends ^b Base #2	Retail Sales Base #3	Estate and Gift Collec- tions ^c Base #4	Personal Contribution for Social Insurance Base #5
Alabama	1.21	.87	.55	1.32	.52	1.37
Arizona	.52	.43	.34	.59	.25	.58
Arkansas	.63	.37	.34	.79	.28	.58
California	9.70	9.94	9.17	9.37	9.36	11.07
Colorado	.90	.90	.78	1.03	.58	.94
Connecticut	1.81	2.11	2.96	1.54	3.26	1.54
Delaware	.32	.46	.91	.30	3.55	.23
Florida	1.95	1.67	2.67	2.46	2.64	1.87
Georgia	1.61	1.12	1.02	1.81	.86	1.62
Idaho	.29	.22	.10	.38	.16	.33
Illinois	6.91	7.98	7.41	6.45	6.86	6.21
Indiana	2.70	2.57	1.60	2.68	1.31	2.45
Iowa	1.39	1.17	.78	1.61	.74	1.14
Kansas	1.12	1.01	.58	1.21	.81	1.10
Kentucky	1.23	.99	.93	1.26	.70	1.23
Louisiana	1.29	1.08	.80	1.35	.93	1.23
Maine	.48	.39	.52	.56	.52	.48
Maryland ^d	2.46	2.80	2.81	2.30	2.24	3.26
Massachusetts	3.29	3.45	5.17	3.24	3.98	3.22
Michigan	5.15	6.09	3.81	4.97	2.86	4.20
Minnesota	1.78	1.61	1.54	1.99	1.31	1.69
Mississippi	.67	.33	.27	.79	.32	.69
Missouri	2.49	2.53	2.79	2.67	1.95	2.25
Montana	.38	.32	.18	.46	.23	.37
Nebraska	.71	.63	.45	.84	.51	.69
Nevada	.19	.20	.19	.21	.16	.21
New Hampshire	.32	.31	.50	.36	.28	.33
New Jersey	4.06	4.38	4.30	3.59	3.88	4.01
New Mexico	.37	.31	.18	.43	.27	.39
New York	11.95	13.33	19.20	10.61	23.53	12.60
North Carolina	1.77	1.16	1.12	1.92	.99	1.66
North Dakota	.29	.20	.09	.42	.06	.21
Ohio	6.08	6.89	5.23	5.70	4.94	5.74
Oklahoma	1.10	.92	.78	1.22	.79	1.14
Oregon	1.02	.97	.68	1.13	.63	1.12
Pennsylvania	6.83	7.16	8.38	6.29	7.14	6.84
Rhode Island	.53	.51	.78	.49	.71	.64
South Carolina	.84	.52	.55	.90	.78	.85
South Dakota	.28	.18	.12	.35	.10	.29
Tennessee	1.41	1.12	.73	1.62	.65	1.46
Texas	4.66	4.20	3.02	5.29	4.52	4.20
Utah	.41	.34	.24	.44	.11	.58
Vermont	.19	.13	.27	.22	.20	.19
Virginia	1.81	1.48	1.49	1.82	.98	2.43
Washington	1.71	1.71	1.03	1.66	.73	1.75
West Virginia	.84	.67	.58	.82	.36	.67
Wisconsin	2.17	2.11	1.96	2.29	1.38	1.95
Wyoming	.18	.16	.12	.22	.10	.23
Total	100.00	100.00	100.00	100.00	100.00	100.00

a. Estimated by adjusting income tax liability for 1953 by the change in personal income by state. Detail will not necessarily add to totals because of rounding.

b. Preliminary.

c. For fiscal year ending June 30, 1956.

d. Includes District of Columbia.

Source: Department of Commerce and Treasury Department.

Table 4

ILLUSTRATIVE CALCULATION OF STATE SHARES IN FEDERAL TAX BURDEN^a
TAX FOUNDATION ALLOCATION 1957
SELECTED STATES

Type of Tax	Allocation Base No. ^b	Percentage Distribution of Federal Tax Burden By Type of Tax (Fiscal Year 1956)	State Shares of Burden of Each Tax and of Total Tax Burden Via Each Type of Tax			
			Alabama		New Jersey	
			Share of Burden of Each Type of Tax ^c	Share of Total Tax Burden Via Each Type of Tax (1) x (2)	Share of Burden of Each Type of Tax ^c	Share of Total Tax Burden Via Each Type of Tax (1) x (4)
		(1)	(2)	(3)	(4)	(5)
Individual Income Tax	#1	44.65%	.87%	.39%	4.38%	1.96%
Corporation Income Tax		28.98	.94	.27	3.94	1.14
50 Percent Assumed Borne by Shareholders	#2	14.49	.55	.08	4.30	.62
50 Percent Assumed Borne by Consumers	#3	14.49	1.32	.19	3.59	.52
Estate and Gift Taxes	#4	1.61	.52	.01	3.88	.06
Employment Taxes		10.06	1.34	.14	3.80	.38
50 Percent Assumed Borne by Wage Earners	#5	5.03	1.37	.07	4.01	.20
50 Percent Assumed Borne by Consumers	#3	5.03	1.32	.07	3.59	.18
Excises and Customs	(d)	14.71	1.33	.20	3.76	.55
Total		100.00		1.00		4.10

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

b. The bases of allocation are as follows:

#1 Individual income tax liability.

#2 Dividends.

#3 Retail Sales.

#4 Estate and gift tax collections.

#5 Personal contributions for social insurance.

(See also footnote d)

c. According to the basis of allocation indicated in the first column and footnote d.

d. Excises on alcoholic beverages, motor vehicles and motor fuels are allocated on the basis of data on the consumption or purchases of the taxed items by state. Tobacco taxes are allocated on the basis of population. Other excises and customs are allocated on the basis of retail sales.

Table 5

TAX FOUNDATION ALLOCATION OF FEDERAL TAX BURDEN BY STATE^a
1957

State	Percentage Distribution
Total ^b	100.00
Alabama	1.00
Arizona	.48
Arkansas	.52
California	9.66
Colorado	.92
Connecticut	2.04
Delaware	.51
Florida	2.13
Georgia	1.36
Idaho	.26
Illinois	7.26
Indiana	2.43
Iowa	1.24
Kansas	1.02
Kentucky	1.10
Louisiana	1.17
Maine	.47
Maryland ^c	2.68
Massachusetts	3.59
Michigan	5.25
Minnesota	1.72
Mississippi	.49
Missouri	2.59
Montana	.35
Nebraska	.68
Nevada	.20
New Hampshire	.36
New Jersey	4.10
New Mexico	.34
New York	13.33
North Carolina	1.44
North Dakota	.25
Ohio	6.16
Oklahoma	.99
Oregon	.98
Pennsylvania	7.01
Rhode Island	.55
South Carolina	.68
South Dakota	.24
Tennessee	1.24
Texas	4.40
Utah	.36
Vermont	.19
Virginia	1.67
Washington	1.56
West Virginia	.72
Wisconsin	2.13
Wyoming	.18

a. Based on actual fiscal year 1956 tax receipts.

b. Continental United States.

c. Includes District of Columbia.

Table 6

**FEDERAL GRANTS TO STATE AND LOCAL GOVERNMENTS AND
ESTIMATED BURDEN OF FEDERAL GRANTS, BY STATE**

Fiscal Year 1956

State	Federal Grants-in-Aid ^a			
	Payments to State (millions)	Estimated Burden ^b		Amount Paid for Every Dollar Received
		Percentage Distribution	Amount (millions)	
TOTAL, Continental U.S.	\$3,356.4	100.00	\$3,356.4	
Alabama	94.3	1.00	33.6	\$.36
Arizona	31.4	.48	16.1	.51
Arkansas	56.9	.52	17.5	.31
California	308.8	9.66	324.2	1.05
Colorado	50.9	.92	30.9	.61
Connecticut	31.0	2.04	68.5	2.21
Delaware	7.0	.51	17.1	2.45
Florida	76.9	2.13	71.5	.93
Georgia	92.5	1.36	45.6	.49
Idaho	18.8	.26	8.7	.46
Illinois	148.6	7.26	243.7	1.64
Indiana	56.0	2.43	81.6	1.46
Iowa	54.1	1.24	41.6	.77
Kansas	52.0	1.02	34.2	.66
Kentucky	71.5	1.10	36.9	.52
Louisiana	107.8	1.17	39.3	.36
Maine	22.3	.47	15.8	.71
Maryland ^c	53.8	2.68	90.0	1.67
Massachusetts	90.0	3.59	120.5	1.34
Michigan	111.0	5.25	176.2	1.59
Minnesota	64.8	1.72	57.7	.89
Mississippi	57.2	.49	16.4	.29
Missouri	130.6	2.59	86.9	.67
Montana	21.4	.35	11.7	.55
Nebraska	34.6	.68	22.8	.66
Nevada	14.1	.20	6.7	.48
New Hampshire	11.9	.36	12.1	1.02
New Jersey	57.4	4.10	137.6	2.40
New Mexico	33.4	.34	11.4	.34
New York	245.5	13.33	447.4	1.82
North Carolina	85.2	1.44	48.3	.57
North Dakota	18.9	.25	8.4	.44
Ohio	122.2	6.16	206.8	1.69
Oklahoma	95.7	.99	33.2	.35
Oregon	34.3	.98	32.9	.96
Pennsylvania	156.4	7.01	235.3	1.50
Rhode Island	20.6	.55	18.5	.89
South Carolina	46.6	.68	22.8	.49
South Dakota	21.1	.24	8.1	.38
Tennessee	75.7	1.24	41.6	.55
Texas	190.1	4.40	147.7	.78
Utah	24.8	.36	12.1	.49
Vermont	10.4	.19	6.4	.62
Virginia	62.2	1.67	56.1	.90
Washington	66.3	1.56	52.4	.79
West Virginia	47.1	.72	24.2	.51
Wisconsin	58.0	2.13	71.5	1.23
Wyoming	14.3	.18	6.0	.42

a. Excludes shared revenues and loans and payable advances. Detail will not necessarily add to totals because of rounding.

b. Based on formula developed by Tax Foundation.

c. Includes District of Columbia.