



Tax inequalities in Montana, an analysis of the tax burden in Montana as shown by state income tax returns, 1936
by Winfield G OLeary

A THESIS Submitted to the Graduate Committee in partial fulfillment of the requirements for the Degree of Master of Science in Agricultural Economics
Montana State University
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Abstract:

It has been the purpose of this study to point out Inequalities in the distribution of the burden of taxation to persons in the different occupations within the state. The criterion upon which the comparisons between the occupations were made was the ability to pay principle of taxation. Net income was used as the measure of ability to pay. Although the results cannot be considered without qualification, because of the fact that they apply only to those filing state income tax returns, the results may be regarded as being very representative of the true situation.

Is the ease of the state income tax, as might be expected. It was found that the tax conformed very closely to the principle of ability to pay i.e., not only did those receiving higher incomes pay a higher rate of taxes, but also the people in the occupations receiving the higher proportion of total income paid the higher proportion of the total income tax.

In the case of taxes other than income taxes, however, the condition was found to be quite different. There was found to be very little evidence of conformity of this system in which property is the tax base, to the principle of ability to pay. It was found that the rates of these taxes varied among the occupations from 1.8 per cent to 22.5 per cent of the net income. Furthermore, it was found that there was no correlation between the size of income, or the ability to pay, and the rates of taxes paid by the people in the different occupations. Because of this failure of the system to conform to the principle of ability to pay, the tax burden is extremely heavy for those people who receive their incomes from property investment, namely the business and Investor groups, the extreme being reached in the case of the farmers, while for those who receive their incomes as salaries and wages, the tax burden is extremely light.

The proportion of the total taxes for the state made up of income taxes was found to be only 1.5 per cent. Thus, it is obvious that when the income taxes and other taxes were added together, the results obtained were almost identical with the results pointed out for taxes other than income taxes; i.e., the total tax burden was found to be very unequally divided between these people whose incomes come from property and those whose incomes come from salaries and wages. Thus, In conclusion, it may be stated that the principle of ability to pay is quite foreign to this tax system, and that there exists grave discrepancies in the distribution of the tax burden among the people in the different occupations of the state.

TAX INEQUALITIES IN MONTANA

**An Analysis of the Tax Burden in Montana
As Shown by State Income Tax Returns, 1936**

by

Winfield G. O'Leary

A THESIS

**Submitted to the Graduate Committee
in partial fulfillment of the requirements
for the Degree of Master of Science
in Agricultural Economics at
Montana State College**

Approved:



In Charge of Major Work



Chairman Examining Committee



Chairman Graduate Committee

**Bozeman, Montana
June, 1939**

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TAX INEQUALITIES IN MONTANA

An Analysis of the Tax Burden in Montana
As Shown by State Income Tax Returns, 1936

ABSTRACT

It has been the purpose of this study to point out inequalities in the distribution of the burden of taxation to persons in the different occupations within the state. The criterion upon which the comparisons between the occupations were made was the ability to pay principle of taxation. Net income was used as the measure of ability to pay. Although the results cannot be considered without qualification, because of the fact that they apply only to those filing state income tax returns, the results may be regarded as being very representative of the true situation.

In the case of the state income tax, as might be expected, it was found that the tax conformed very closely to the principle of ability to pay; i.e., not only did those receiving higher incomes pay a higher rate of taxes, but also the people in the occupations receiving the higher proportion of total income paid the higher proportion of the total income tax.

In the case of taxes other than income taxes, however, the condition was found to be quite different. There was found to be very little evidence of conformity of this system in which property is the tax base, to the principle of ability to pay. It was found that the rates of these taxes varied among the occupations from 1.8 per cent to 22.5 per cent of the net income. Furthermore, it was found that there was no correlation between the size of income, or the ability to pay, and the rates of taxes paid by the peoples in the different occupations. Because of this failure of the system to conform to the principle of ability to pay, the tax burden is extremely heavy for those people who receive their incomes from property investment, namely the business and investor groups, the extreme being reached in the case of the farmers, while for those who receive their incomes as salaries and wages, the tax burden is extremely light.

The proportion of the total taxes for the state made up of income taxes was found to be only 1.5 per cent. Thus, it is obvious that when the income taxes and other taxes were added together, the results obtained were almost identical with the results pointed out for taxes other than income taxes; i.e., the total tax burden was found to be very unequally divided between those people whose incomes come from property and those whose incomes come from salaries and wages. Thus, in conclusion, it may be stated that the principle of ability to pay is quite foreign to this tax system, and that there exists grave discrepancies in the distribution of the tax burden among the peoples in the different occupations of the state.

TAX INEQUALITIES IN MONTANA

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INTRODUCTION

Ability to Pay as a Principle in Taxation

The main problem of fair taxation is to distribute the tax so it will produce ample revenue and at the same time place as light a burden as possible on the taxpayers. To accomplish this result, the problem narrows down to that of distributing the burden to each individual in accordance with his ability to pay.

This principle was recognized by Adam Smith over one hundred and fifty years ago as a basis for justice and equality in taxation.^{1/} Other theories of taxation have been advanced since that time, some of which merit consideration, but no one has ever suggested that taxes should not be levied according to the tax paying ability of the taxpayer.

In earlier days the property tax was not unjust, nor did it rest unequally upon the shoulders of those who paid it. Property was an indication or measure of ability to pay and did not violate the fundamental principle of a just system of public finance.^{2/} This is not the situation at the present time. Property not only fails to represent ability to pay but in many instances is a drain upon income derived from sources other than property. Although this condition is recognized by many authorities

^{1/} Smith, Adam, "The Wealth of Nations," Everyman's Edition, London, 1910, Vol. II, p. 307

^{2/} Aull, C. H., "Taxation and Ability to Pay in South Carolina," S.C. Agric. Exp. Sta. Bul. 286, 1932, p. 5.

upon the subject of taxation, it is of interest to note that 70.1 per cent of the total tax revenue of the United States in 1930 was from this source.^{3/} In contrast to this condition, it is further pointed out that in 1932, property accounted for only about one-fourth of the national income of the United States.^{4/}

Income as a Measure of Ability to Pay

Of the many proposed tax bases, income is the most equitable and satisfactory criterion or measure of ability to pay of any yet advanced. It is based upon a present reality as compared with a future probability in the case of a property tax base. When an individual has income, he possesses tax paying ability. He is then in a position to pay taxes, and can do so without financial injury to his person or to his business. Under this system, uncertainties are removed from the taxing problem, tax delinquencies and sheriff's deeds do not occur. Those who are unable to pay are not asked to do so, while those who are, do pay and to the same extent of their ability.

In contrast to this situation is the general property tax, which is distinctively impersonal. Taxes are levied upon property without regard to the net worth or the economic status of its possessor. Property values are based upon anticipated income which the property will yield. In the event that this anticipation is incorrect, which very often is the case, the taxpayers must bear the consequence. Because of this situation, inequalities and discriminations inevitably occur. Some persons lose their property and homes or are burdened with tax loads which absorb their income, while others

^{3/} Jensen, Jens P., "Government Finance," New York, 1938, p. 223.

^{4/} Aull, op. cit. p. 7.

may pay very little in proportion to the incomes which they receive.

These inequalities which result from a property tax base, or a single tax base, are gaining wide spread recognition. As a result many of the states, also the Federal Government, are coming to use, as a supplementary tax, a tax based upon net income. In 1936 a general personal income tax was in operation in twenty-eight of the forty-eight states.^{5/}

Purpose and Method of Analysis

It is the purpose of this study to point out any inequalities or discriminations existing in regard to the tax burden between the different occupational groups within the state. This includes comparison of average net incomes received by those in the different groups, average money per person dependent upon their incomes as well as comparisons of total net incomes for the groups. Comparisons will then be made between the relation of these incomes and the tax burden borne by each. This will consist of comparisons of the total and average taxes paid for each occupation and finally the average rates of taxes, both of income taxes and taxes, other than income taxes paid by the different occupational groups. By this means of comparison it will be possible also to compare relative merits of the state income tax with other forms of taxation.

Although all facts will be presented as found in the analysis, primary emphasis will be given to the condition of the farmers in respect to the above mentioned phases. This course is pursued without bias between the different occupations within the state, but because of special interest

^{5/} Jensen, op. cit. p. 7

by the author in this group.

As has been previously stated, the data used in this study are for only one year. It had been originally planned to cover the entire period for which the income tax law has been in operation, 1933-38, thereby making comparisons between the years and showing any general trends over the period. But due to lack of time and clerical assistance in compiling the data, only one year could be covered. In order to obtain as large a sample and to include as large a proportion of the total population of the state as possible in the sample, the entire income tax returns, both taxable and non-taxable for the year 1936 are included in the study.

As a basis of comparison that would be applicable to all occupations and to all persons filing income tax returns, net income was chosen as being the most satisfactory.^{6/} It is on this basis that all tax rates and other calculations are computed.

Source of Data and the Sample

The data used in this study were compiled entirely from the state individual income tax returns filed in Montana for the year, 1936. These forms were secured through the Department of Agricultural Economics from the State Board of Equalization in Helena. The entire returns for the year were used in the study; no method of sampling was employed in any respect. The study, therefore, constitutes a complete enumeration of its field, covering entirely the 1936 state income tax returns, which after removing some few that were incomplete and could not be identified, numbered 30,256.

^{6/} For a definition of net income see footnote on p. 12.

Although only one year was used in the study, the year 1936 is considered as very normal. This is verified by the index of Wholesale Prices for this year as compared to the years 1909-14 and 1926, the two most widely used base periods for index calculations. When 1926 is used as the base period, the index of wholesale prices for 1936 is found to be 80, while this index for the period 1909-14 was 69. If the base period be shifted to 1909-14, this for 1936 is found to be 118, while for 1926 it is 146. In either case the index for 1936 is near the center of the extremes marked by the other years. If the index of wholesale prices be an indicator of business conditions, these results indicate that this year is nearer an average and therefore nearer normal than either of the other periods. The same relation is found to exist between these years for United States farm wage rates, United States Farm Prices and Montana Farm Prices. For this reason and also the fact that the entire field was covered in the sample, the author is of the opinion that results here shown will be indicative of those over a longer period of time.

The Montana Income Tax Law

As a means of clarification and understanding of the basis upon which this study was made, some of the provisions and requirements of the state income tax law will be discussed. This law was enacted in the State of Montana by the twenty-third session of the Legislature in 1933.

Who shall file an income tax return? Every person having a net income, for the taxable year, of one thousand dollars (\$1,000) or over, if single or if married, and not living with or supporting a husband or wife

or family, or of two thousand dollars (\$2,000) or over if married and living with a husband or wife, or if he is the head of a family, or a gross income 7/ of twenty-five hundred dollars (\$2,500) or over, regardless of his net income.8/

Personal exemptions allowed under the law:

1. In the case of a single person or of a married person not living with or supporting a husband or wife or family, a personal exemption of one thousand (\$1,000) dollars.9/

2. In the case of the head of a family or a married person living with a husband or wife, a personal exemption of two thousand dollars (\$2,000).

7/ Gross income is ordinarily understood to mean all gains, profits and income derived from salaries, wages and compensation for personal services; also from rents, dividends, securities or the transaction of any business carried on for profit. Certain exceptions are made to this, however, under the income tax law because of certain incomes which are exempt from taxation under this law, such as: (1) the proceeds from life insurance policies whether received by the beneficiary upon the occasion of death of the insured, or received by the insured in return of premiums paid by him under endowment insurance policies or annuity contracts. (2) The refunds in the form of patronage dividends paid to share holders of consumers' co-operatives. (3) Salaries, wages and other compensation received from the United States Government.

8/ Net income, as used in this study and upon which the income tax is imposed, is found to be quite different from that ordinarily used in the field of business. In addition to the deductions from gross income as generally used in its computation, such as losses from fire, storms, etc., not compensated for by insurance, bad debts, reasonable depreciations of property, all necessary and ordinary expense incurred in the operation of a business; certain other deductions are allowed such as: (1) all taxes other than those imposed by this act, with the exception of improvement taxes; (2) all interest payed or accrued during the year on indebtedness; (3) all contributions made to any political unit of the United States for public purposes, or war veterans organizations, or fraternal organizations operating under the lodge system.

9/ "The Revised Codes of Montana," Helena, 1935, Vol. I, Chap. 204.

A husband or wife living together shall receive but one exemption, the amount of which shall be two thousand dollars (\$2,000). If such husband and wife make separate returns the personal exemption shall be divided equally between them.

3. Three hundred dollars (\$300) for each person, other than husband and wife, dependent upon and receiving his chief support from the taxpayer, if such dependant person is under eighteen (18) years of age or is incapable of self-support because mentally or physically defective.

4. In case of a change in the family status of the taxpayer during the taxable year, an exemption which bears a ratio to one thousand dollars (\$1,000) for each month he was unmarried shall be allowed plus an amount which bears the same ratio to two thousand dollars (\$2,000) as the number of months which the person was married and living with a husband or wife.^{10/}

From the requirements as to who shall file an income tax return and the provisions made for personal exemptions, both given above, it may be seen that there will be a great number of returns made on which the allowed exemptions will exceed the net income, and therefore on which no tax will be paid. This gives the basis for classifying the returns as to taxable and non-taxable returns as used in this study. The proportions for the year 1936 were on 66.3 per cent taxable returns and on 33.7 per cent non-taxable.

The State Income Tax Rates

The law states, "There shall be levied, collected and paid for each taxable year upon the net income of every individual subject to this tax,

^{10/} "The Revised Codes of Montana", Loc. Cit. p. 12.

after making allowance for exemptions and deductions, as herein-after provided, a tax at the following rates, to-wit:

- (a) on the first two thousand dollars (\$2,000) of net income, or any part thereof, at the rate of one per centum (1%);
- (b) on the second two thousand dollars (\$2,000) of net income, or any part thereof at the rate of two per centum (2%);
- (c) on the third two thousand dollars (\$2,000) of net income, or any part thereof, at the rate of three per centum (3%);
- (d) on any net income in excess of six thousand dollars (\$6,000) at the rate of four per centum (4%). 11/

It is interesting to observe, at this point, that under the provisions of the state income tax law, there exists a debatable condition in the system. This is in regard to the income method of personal exemptions.12/ When these exemptions are subtracted from the net incomes, these net incomes are lowered by this amount, thus each tends to fall into a lower bracket in which the rates are lower. The amounts paid by those having large incomes are, because of the progressive rates, affected more by this than those having lower incomes. If the rates of these taxes continued to increase to a high degree, as those of the Federal income tax law, the rates would be rendered less progressive. There would then be a discrimination in favor of the persons having the larger incomes. But when the rates increase only to four per cent (4%), as in the Montana income tax law, this condition ceases to be true.

The reverse becomes true--the tax rates are rendered more progressive through

11/ "The Revised Codes of Montana", Loc. Cit. P. 12.

12/ Jensen, op. cit. p. 7.

this type of exemption than through the alternative method. If then there be any flaw in the system, it is due to the fact that the tax rates rise to only four per cent (4%) and not because of the method of personal exemptions, for this method of exemption, under the tax rate limits, renders the rates more progressive than would be true of the other method of making exemptions and therefore causes the system to better conform to the principle of ability to pay.

The alternative method of making personal exemptions under the income tax law is illustrated by that of the State of Iowa. The tax rates there rise to only five per cent, so that the method of making personal exemptions, unlike that of Montana, does render the tax rates less progressive. Under their system the law is made to apply to those having smaller incomes, and the personal exemptions are made in the form of a flat sum deduction from the amount of imposed tax.^{13/} Specifically stated it is thus: Every individual shall file an income tax return who is single, or married and not living with or supporting a husband or wife or family and whose net income is six hundred dollars (\$600) or over, or who is married and living with and supporting a husband or wife or family, and whose net income is eleven hundred dollars (\$1100) or over, or anyone whose gross income is three thousand dollars (\$3000) regardless of his net income. The personal exemptions, made in the form of deductions from the amount of imposed tax are: (1) for an individual who is single, or married and not living with and supporting a husband,

^{13/} Reid, Margaret G. and Britton, Virginia, "Iowa Incomes as Reported in Income Tax Returns," Research Bulletin 236, Ames, Iowa, June, 1936, p. 131.

wife or family, six dollars (\$6); (2) for an individual who is married and living with and supporting a husband or wife or who is the head of a family, twelve dollars (\$12); (3) for each child who is under twenty-one years of age (21) or others who are mentally or physically incapable of self-support and actually dependent upon the taxpayer, two dollars (\$2).

Limitations of Data

Before proceeding further into the study, there are certain limitations to the suitability of the data used to this type of analysis that should be pointed out. Although no feasible and satisfactory means could be employed to eliminate these weaknesses, they should be borne in mind and given due consideration in the results herein shown.

The first of these that should be mentioned is the fact that the data included only the upper segments of the income earning population. This condition seems quite obvious when one recalls the requirements of the law as to who shall file an income tax return. This limitation is, however, in part compensated for by the fact that for the period covered, slightly over one-third of the returns were non-taxable; which means that these respective incomes were equal to, or less than, the allowed exemptions. So, even though the sample covered is from the top segments downward, it descends to a fairly low level. It might be more correctly stated that the sample includes all but the lowest segment of the income earning population.

Another limitation worthy of mention is the fact that there are inevitably some small and irregular incomes which are not listed in the income tax returns, and which of course escape taxation. This condition occurs

as a result of there being no way for the government to check on individual incomes other than those from regular sources and occupations. It should be added further that not all of these irregular incomes as missed from the listing are due to willful evasion by the people, but in the majority of the cases in which this is expected to occur, mainly that of small businesses and of laboring peoples, very inadequate records, or no records at all, are kept. Thus many small items would be unintentionally omitted.

The third limitation that should be mentioned is one of technicality, as applied to this study. It is that of being unable to separate the incomes entirely as to source. In the form used, several spaces are provided for the listing of incomes by type; i.e., according to salaries, wages, business profession, or rents and dividends. The occupation of the person making each return was then listed. In some instances these incomes were broken down as to type, but in others they were listed as being of one type and source which in some cases made for extremely large salaries and wages which led one to doubt this as being the true situation. The alternative employed was to classify each return under one type and source of income as shown by the largest single item of income. This is explained more fully under the method of analysis.

Finally, there is a limitation to the use of net income as a basis for comparing the well being of farmers with that of other businesses or occupations. Farmers have less living expenses than that of people in most other occupations due to the fact that in case of a rented farm the house is furnished free from rent, water for home use is generally furnished free

from cost, and the farmer usually raises much of his own food. For these reasons, the farmer may have a higher level of well being and still have a considerably lower net income than that of most other occupations. Because of this situation, the low net incomes of farmers may present a somewhat false picture. This fact should be borne in mind and given due consideration when making comparisons between the well being of farmers, on an income basis, and that of other occupations. Net income is also subject to a limitation when used as a means to compare the well being of landlords and investors with that of other occupations under the income tax law. All money spent for payment of interest is exempted from the state income tax, while that spent in payment of rent is not exempted. For this reason there is a heavier tax imposed on the incomes of people in other businesses who pay rent than there is on the incomes of landlords and investors who make their payments for borrowed capital mainly in the form of interest.

CHARACTERISTICS OF 1936 MONTANA INCOME TAX RETURNS

Number of Returns and Proportion of Population Filing

The total number of state income tax returns for Montana in 1936 was found to be 30,256. Of this number, the proportion of taxable returns was 66.3 per cent and that of non-taxable, 33.7 per cent, being almost perfectly divided into the ratio of 2 to 1.^{14/} According to the mid-year estimate of population of 531,000, which was given in the Statistical Abstract of the United States for Montana, in 1936, the proportion of population filing state income tax returns was calculated as 5.6 per cent.

In Iowa the proportion of population filing state returns in 1934 was 7.6 per cent, of which slightly less than two thirds were taxable.^{15/} This would seem to indicate that incomes are on the average higher in Iowa than in Montana, but this is untrue, for the average net income for those filing returns in Montana was \$2,435, while that of Iowa was only \$1,597. The reason for this condition is made clear when one remembers that, as given earlier in comparisons of the two income tax laws, in Iowa the income tax law begins to apply at a lower figure. This helps explain why the average net income shown for Iowa is so much below that of Montana. But another very obvious reason for this is the fact that a much higher proportion of the income tax returns in Iowa are filed by farmers than in Montana, and in Iowa as in Montana the average net income of farmers is much below that of other occupations.

^{14/} It will be remembered that a return is classified as non-taxable when the amount of allowed exemptions equals or exceeds the amount of net income.

^{15/} Reid and Britton, op. cit. p. 15.

TABLE I. STATE INCOME TAX RETURNS CLASSIFIED ACCORDING
TO TYPE OF RETURN AND ACCORDING TO OCCUPATION,
MONTANA, 1936

Occupation	No. of Returns	No. Of Taxable Returns	No. of Non- Taxable Returns	Per cent of Returns Taxable
Business				
Farms, dairies & ranches	1,659	594	1,065	35.8
Retail and wholesale	2,121	1,210	911	57.0
Cafes and hotels	374	194	180	51.9
Gas, oil and garage	503	291	212	57.8
Insurance and Real estate	102	73	29	71.6
Other business	610	399	211	65.4
Total business	5,369	2,761	2,608	51.4
Professional				
Doctors, dentists, etc.	858	437	121	78.3
Educators	2,000	1,626	374	81.3
Lawyers	308	235	73	76.3
Other Professional	241	194	47	80.5
Total professional	3,107	2,492	615	80.2
Employees				
Farms, dairies & ranches	278	155	121	56.2
Mining	3,705	2,595	1,110	70.0
Lumbering	361	279	82	77.3
Manufacturing	559	405	154	72.4
Motors, garages, etc.	680	472	208	69.4
Construction	417	302	115	72.4
Government	2,310	1,523	787	65.9
Retail	2,477	1,743	734	70.4
Wholesale	1,051	789	262	75.1
Gas, oil, and refining	603	413	190	68.5
Bank-	416	304	112	73.1
Ins., R. E. & Finance	616	423	193	68.7
Cafes, and hotels	210	157	53	74.8
Transportation & Commam.	4,477	2,851	1,626	63.7
Power, gas & water	1,006	656	350	65.2
Newspapers & printing	536	339	197	63.2
Other employees	502	384	118	76.5
Total employees	20,202	13,790	6,412	68.3
Investors	1,573	1,010	563	64.0
Totals	30,256	20,053	10,203	66.3

Size of Incomes

The average net income for all occupations and for both taxable and non-taxable returns was \$2,435 in 1935 for the state. This figure is very typical of all the incomes, for as may be seen from table II, the income class in which it falls is the distinctive modal class. In this class, which ranges from \$2,000 to \$2,999.9, 30.5 per cent of the total incomes fall. It may be seen, however, that there are almost three times as many of the remaining individual incomes below the modal class, or class in which the arithmetic average falls, as there are above it. This condition indicates that there is to a marked degree unequal distribution of income among those filing returns. The same condition could be expressed by saying that, after removing the 30.5 per cent of those whose incomes fall within the modal class, there would be three individuals below this class to one above it with the same total aggregate income; i.e., the average net income for those above is three times that for the individual below the modal class. This fact may be more readily comprehended by noting from table II that 2 per cent of all those filing returns had a net loss, 3.7 per cent had a net income of less than \$500, 7.9 per cent less than \$1,000, and 30.1 per cent less than \$2,000, while for the remaining 49.9 per cent the net income was \$2,000 or above.

When given these facts as an average for both taxable and non-taxable returns, one naturally wonders how each would differ from this average. The average net income for all non-taxable returns is found to be less than one-half that of the taxable ones. These figures are \$2,935 and

\$1,452 for the taxable and non-taxable returns, respectively. Table II also shows that the net incomes of the non-taxable returns are clustered into the lower income brackets, with very few cases appearing above the bracket, \$2,000 to \$3,000. This condition is expected because the allowed personal exemptions seldom exceed this range. At this point, one might question the possibility of a non-taxable return ever reaching the high income brackets, as is shown in table II. This condition arises from the fact that all incomes received from the Federal Government, and those received as proceeds from life insurance policies are exempted from the state income tax, also from the fact that all contributions made to any political division of the United States for public purposes, and all contributions made to any fraternal organization operating under the lodge system or to war veterans' organizations are allowed as deductions when computing net income.

As for the taxable returns, it may be seen from table II that they tend toward the higher income brackets, and seldom is there one found below the \$1,000 mark. This is readily comprehended by reference again to the allowed personal exemptions under the law. The few returns that are found below the \$1,000 mark occur as a result of a person residing in the state for a fractional part of the taxable year, in which case the exemptions are prorated on a monthly basis in proportion to that allowed for the year.

Total Income, Income Taxes and Total Taxes
As Shown in Income Tax Returns

The total net income for those filing income tax returns in Montana for 1936 was \$73,668,931. Of this amount, \$58,854,584 or 79.8

TABLE II. STATE INCOME TAX RETURNS CLASSIFIED ACCORDING
TO TYPE OF RETURNS AND SIZE OF NET INCOME,
MONTANA, 1936.

Class Intervals (Dollars)	Non-Taxable Returns	Taxable Returns	Total Returns	Per Cent Of Total Returns
\$ Net Loss	613	---	613	2.0
0 - 249.9	218	---	218	.7
250 - 499.9	293	2	295	1.0
500 - 749.9	357	1	358	1.2
750 - 999.9	892	2	894	3.0
1,000 - 1,499.9	1,878	5,675	7,453	24.7
1,500 - 1,999.9	2,597	2,677	5,274	17.5
2,000 - 2,999.9	3,249	5,994	9,243	30.5
3,000 - 3,999.9	100	2,838	2,938	9.7
4,000 - 4,999.9	4	1,151	1,155	3.8
5,000 - 5,999.9	1	620	621	2.0
6,000 - 6,999.9	---	362	362	1.2
7,000 - 7,999.9	---	238	238	.8
8,000 - 8,999.9	---	196	196	.6
9,000 - 9,999.9	---	73	73	.2
10,000 or Over	1	324	325	1.1

per cent was from persons having taxable incomes, while \$14,814,347 or 20.1 per cent was from those having non-taxable incomes.

The total income tax shown as paid on those incomes was \$488,958. Thus when calculated from these figures, the average proportion of net income absorbed in income taxes for all persons filing returns was 0.7 per cent. This rate seems extremely low, but it is to be remembered that all the income taxes are paid by those having taxable incomes, so that for those who pay the income tax the average proportion of net income absorbed in taxes is raised to 0.8 per cent.

The total taxes, other than income taxes, as shown in these returns in 1936, was \$4,215,592. Dividing this figure by the total net income as shown for the year, the average proportion of net income for all those filing returns, required for payment of other taxes is found to be 5.7 per cent. By adding the two tax rates together it may be seen that the proportion of net income required for payment of all taxes is 6.4 per cent. These rates when prorated equally for all persons are found to be quite low, and seemingly there would be no cause for alarm over the tax burden, but, as will be shown later in the study, these rates are not prorated equally to persons in different occupations, and on some the tax burden is a difficult load.

The question no doubt has arisen in the mind of the reader, as to what proportion of the total taxes paid in Montana in 1936 was included in the income tax returns, and as to what proportion of the total tax was made up of income taxes. The total tax levied for all purposes, exclusive of state income taxes, in 1936 was \$32,070,500.^{16/} This figure also

^{16/} Seventh Biennial Report of the State Board of Equalization of Montana for the period, July 1, 1934 to June 30, 1936, Helena, 1936, p. 107.

includes Federal income taxes paid by people in Montana. When the total other taxes shown in the returns is divided by this total for the state, it gives 14.6 per cent as the proportion of the total state taxes, exclusive of income taxes, shown in the state income tax returns. The total taxes levied in Montana including the income tax for this year is found to be \$32,589,458. When the total income tax levied is divided by this figure, it gives 1.5 per cent as the proportion of the total tax levied that is made up of income taxes. For those filing income tax returns the proportion of total tax paid, as shown, is found to be 10.4 per cent.

Even though the proportion of total taxes made up by those filing income tax returns is of considerable size, the proportion of the state total taxes made up of income taxes is very low. This condition would lead one to conclude that, regardless of how good the theory may be of adjusting the tax burden to ability to pay, the state income tax law has done relatively little toward accomplishing this result up to this time.

Marital Status and Sex of Those Filing State Income Tax Returns

The estimated proportion of the total population who filed state income tax returns in 1930 was given earlier in the study as 5.6 per cent. This figure alone gives an incomplete picture, and one is naturally interested in knowing the distribution of these returns for the adult population on the bases of sex and marital status.

By referring to table V, it may be seen that of the 30,256 returns, 24,063 or 79.6 per cent were filed by males, 4,349 or 14.3 per cent by

TABLE III. TOTAL AND AVERAGE NET INCOME BY OCCUPATION AND BY TYPE OF RETURN FOR THOSE FILING INCOME TAX RETURNS, MONTANA, 1936.

Occupation	TAXABLE RETURNS		NON-TAXABLE RETURNS	
	Total Net Income	Average Net Income	Total Net Income	Average Net Income
Business				
Farms, Dairies & Ranches	2,164,571	3,644	564,364	630
Retail and wholesale	4,773,129	3,946	1,058,943	1,162
Cafes and hotels	681,885	3,513	140,472	780
Gas, oil and garage	1,268,120	4,357	286,961	1,212
Insurance & real estate	294,655	4,035	36,907	1,273
Other business	1,673,386	4,695	242,340	1,148
Total business	11,055,745	4,005	2,299,987	882
Professional				
Doctors, dentists, etc.	2,249,586	5,148	163,352	1,350
Educators	2,847,233	1,725	594,463	1,589
Lawyers	1,298,019	5,524	117,997	1,616
Other professional	550,742	2,838	74,384	1,583
Total professional	6,945,580	2,402	950,196	1,845
Employees				
Farms, dairies & ranches	490,238	3,163	182,019	1,504
Mining	5,267,606	2,299	1,878,527	1,692
Lumbering	513,976	2,917	125,781	1,534
Manufacturing	1,108,692	2,733	300,721	1,953
Motors, garages, etc.	1,347,932	2,856	383,811	1,845
Construction	742,986	2,460	195,942	1,704
Government	3,359,977	2,206	1,326,939	1,686
Retail	4,674,884	2,602	1,192,479	1,625
Wholesale	2,672,680	3,261	499,705	1,907
Gas, oil, and refining	1,188,198	2,877	338,322	1,730
Bank	1,039,519	3,416	194,861	1,740
Insurance, R. E., and Fin.	1,454,741	3,439	322,754	1,872
Cafes and hotels	360,002	2,293	71,923	1,357
Transportation & Commun.	6,700,759	2,350	3,195,357	1,905
Power, gas & water	1,747,353	2,663	703,108	2,010
Newspapers & printing	679,879	2,596	389,601	1,978
Other employees	1,013,497	2,639	178,871	1,816
Total employees	34,761,649	2,521	11,481,121	1,790
Investors	6,091,610	6,031	83,043	146
Totals	53,854,584	2,935	14,814,347	1,452

TABLE IV. TOTAL TAXES PAID BY TYPE OF TAX, AND TOTAL NET INCOME BY OCCUPATIONS, FOR THOSE FILING STATE INCOME TAX RETURNS, MONTANA, 1936

Occupation	Total Net Income	Total Income Taxes Paid	Total Other Taxes Paid	Total All Taxes Paid
Business				
Farms, Dairies & Ranches	\$2,728,935	18,137	614,843	632,980
Retail and wholesale	5,832,471	44,505	400,460	444,965
Cafes and hotels	822,057	5,239	100,484	105,722
Gas, oil and garage	1,525,081	12,885	120,026	132,911
Insurance & real estate	331,462	2,390	20,466	22,856
Other business	2,115,726	24,548	141,562	166,110
Total business	13,355,732	107,703	1,397,841	1,505,544
Professional				
Doctors, dentists, etc.	2,412,938	27,061	135,550	162,611
Educators	3,441,696	10,362	62,736	73,098
Lawyers	1,416,016	16,190	88,605	104,795
Other professional	625,126	4,202	19,332	23,534
Total professional	7,895,776	57,815	306,223	364,033
Employees				
Farms, dairies & ranches	672,257	3,128	40,717	43,845
Mining	7,146,133	28,816	139,584	168,400
Lumbering	939,757	8,553	26,851	35,404
Manufacturing	1,409,413	6,893	45,122	52,015
Motors, garages, etc.	1,731,743	9,323	45,441	54,764
Construction	938,923	5,070	26,535	31,605
Government	4,686,876	12,481	122,210	134,691
Retail	5,867,033	27,387	165,256	192,643
Wholesale	3,072,385	16,142	76,781	92,923
Gas, oil, and refining	1,526,520	8,590	45,895	54,485
Bank	1,233,320	9,880	62,896	72,776
Insurance, R.E. and Fin.	1,777,455	11,834	72,896	84,730
Cafes and hotels	431,925	2,226	15,013	17,239
Transportation & Comm.	9,896,116	21,758	255,784	277,542
Power, gas & water	2,450,861	9,401	64,454	73,855
Newspapers & printing	1,269,580	3,925	26,964	30,889
Other Employees	1,192,368	6,913	44,262	51,175
Total employees	46,242,770	192,320	1,276,661	1,468,981
Investors	6,174,553	131,120	1,234,867	1,365,987
Totals	73,668,931	488,958	4,215,592	4,704,550

females and 1,644 or 6.1 per cent were filed jointly by a husband and wife. In the case of the males, the majority of returns, 67.2 per cent, were filed by married men. In the case of the females, the reverse is true, the majority or 81.6 per cent of the returns being filed by single women.

These results are exactly what one would expect because in the case of the male group, the older men, who are generally married, have larger incomes on the average and therefore file proportionately more returns than the single men. On the other hand, in the case of the female group, very few married women work outside of their homes, and consequently few have incomes; also married women who have incomes may file jointly with their husbands, placing the return under the joint return classification. Both of these conditions are conducive to giving the majority of returns filed to the single women.

It is quite interesting to note how the marital status and sex vary among the different occupations. From table V it may be seen that the business group is made up nearly exclusively of males. In the professional group, however, the females lead even in numbers, which means that the proportion of the total females in this group is very much greater than that of males. This is true because of the nurses in this group which are exclusively women, and also because, as shown in appendix B, three-fifths of the educators, which are placed in this group are women. In the employee group the numbers for both males and females are greater than that for any other occupational group, but the proportion of men falling in this group is much greater than that of women.

As for marital status, it may be seen that in the case of the males, the greater portion falling in the business and professional groups are made

up of married men, while the single men are largely concentrated in the employee group. This condition one would expect because older men, who are usually married, are the ones found to be in business for themselves. But it is interesting to note that contrary to these groups, the proportion of single men in the investor group is much greater than for married men. One reason for this is the fact that young heirs who have come into possession of wealth have it invested for them in trust funds, or invest it otherwise for themselves until they become of age or finish their schooling.

In the female group the conditions in this respect are the reverse. The single women are by far in the majority of the total women and the proportion of the single women in the business and professional groups is very much greater than that of married women, while the married women are concentrated in the employee group. This condition is true because the educators are made up largely of women and the nurses are women exclusively, and in both cases most of these women are single.

TABLE V. MARITAL STATUS AND SEX, BY OCCUPATIONAL GROUPS, OF THOSE
FILING STATE INCOME TAX RETURNS, MONTANA, 1936.^{1/}

Occupational Groups	Sex							Joint Returns
	All Returns	Male			Female			
		Total	Married	Single	Total	Married	Single	
Business	5,369	4,583	3,721	862	322	89	233	464
Professional	3,107	1,418	1,067	351	1,550	182	1,368	139
Employees	20,202	17,117	10,865	6,252	1,994	433	1,561	1,091
Investors	1,578	945	555	390	483	97	386	150
TOTALS	30,256	24,063	16,208	7,855	4,349	801	3,548	1,844

^{1/} A joint return is filed by a husband and a wife who have separate incomes, but who prefer to file only one return jointly.

AN ANALYSIS OF THE TAX BURDEN CARRIED BY VARIOUS GROUPS IN MONTANA

Introduction

Occupation will be used in this study as a basis upon which to make comparisons as to income distribution, amounts and rates of taxes, both income taxes and other taxes. These occupations number twenty-eight and are considered as those being most common and widely distributed in the state. Most of these are designated by common and familiar terms which are self-explanatory.

The occupations are grouped into four distinct classes, based upon the form of income received; i.e., whether profits from business, professional incomes, wages or salaries, or income from investments. These groups are then designated as business, professional, employees and investors.

In the investor group, no attempt was made to subdivide these incomes into smaller units, but all incomes from investments whether from rents, interest, dividends or royalties are placed into this classification. From this it may be seen that the incomes of this group are very largely from property in one form or another.

Under each of the other groups, the occupations listed are self-explanatory, with the exception of the one designated as "other." This classification is employed to allow for placing in the group those occupations rightfully belonging there, but which occur only very rarely, and which are of minor importance in comparison with the total for the group. Under the business group, this "other" includes principally plumbers, undertakers, contractors, transportation and newspaper businesses. Under professional it includes mainly nurses, embalmers, and engineers, while under employees it includes mostly stenographers, plumbers, and those receiving wages and salaries who listed no occupation.

Income in Relation to Occupation

The total net income as shown in these returns for the year 1936 was \$73,668,931. This figure, when divided by the total number of returns for the year gives \$2,435 as the average net income per return filed.

One will be interested in knowing how the average net incomes for the different occupational groups compare with that of the state average, as well as how the total net income is distributed among these groups. By referring to table VI, it may be seen that as for total net income, the employee group leads with \$46,242,770 or 62.7 per cent of the state total; the business group is second with \$13,385,732 or 18.1 per cent of the state total; the professional group is third with \$7,895,776 or 10.7 per cent of the state total; and fourth and last is the investor group with \$6,174,653 or 8.5 per cent of the state total. For a graphic comparison of the proportion of total net income to that of total returns filed by these groups, see figure 1.

How do these occupational groups compare as to average net income per person filing a return in each? The first and most interesting observation is the fact that the order of magnitude in which these groups appear in size of average net income is the complete reverse of that for total net income for each group. The investor group, although last in order of total net income, ranks first with an average net income of \$4,913. The professional group, third in rank of total net income, ranks second with an average of \$2,641. The business group, second in rank of total, ranks third with an average net income of \$2,488. And the employee group, although

first in rank of total, ranks fourth or last with an average net income of \$2,289. See figure 2 for a graphic comparison of average net income by occupational groups.

At this point comment should be made as to how typical or representative these average net incomes are of each respective occupational group. It may be seen by reference to table VI that within the employee group there is relatively little divergence of each minor unit from the average for the group as a whole. The average net incomes for the minor units are fairly uniform. As for the investor group, there are no subdivisions, so that the average for this group may be considered as perfect. In the professional group, it may be noticed that there is a very wide range within the averages for the sub-units. The average incomes for the lawyers and doctors rank second and third respectively for all occupations, being exceeded only by that of the investors, while the average for the educators ranks next to the lowest, the average for the farmers being the lowest of any. In the business group, in which the farmers fall, the average for the sub-units ranges from lowest of all occupations to that of fourth highest in case of the unit "other" businesses. Thus when the average net incomes for these major groups are mentioned, it should be remembered that the average for the educators is far below that of the other professional groups, and that for the farmer, although placed in the group being third high in average net income, his average net income is the lowest of all occupations in the state.

In table VII is shown the distribution of net incomes by size for the occupational groups. It may be noticed that within the professional and employee groups alike there is a heavy concentration of individual incomes

within the range of \$1,000 to \$4,000. This concentration is slightly below the \$2,000--\$3,000 group, in which the average for these occupations and for all occupations fall, but the number falling below the \$1,000 mark is relatively very few, being considerably less in the case of the professional group.^{17/} It may be seen also that there is, in both cases, a considerable number of these incomes falling in the class of \$4,000 or over. It could be stated then that in both cases the majority of individual incomes fall within the range of \$1,000 to \$4,000, and that the number falling below this range is quite low as compared to those falling above.

It may be seen that in case of the business group, in this respect, the situation is quite different from that of the salary and wage groups. The incomes are less concentrated in the \$1,000 - \$4,000 range, thus there is wider dispersion of incomes in this group. As may be seen also, the proportion of the incomes of this group falling below \$1,000 is much higher than that of the professional and employee groups. Likewise it may be seen that this situation is much more true for the investor group than for that of the professional group.

It will be remembered that the income of the business group is principally from property, and to a somewhat lesser degree also of the investors. So it seems quite evident that there are less fluctuations and risks involved in the income derived from wages and salaries than is the case of those incomes derived from property. This being true, it would seem that

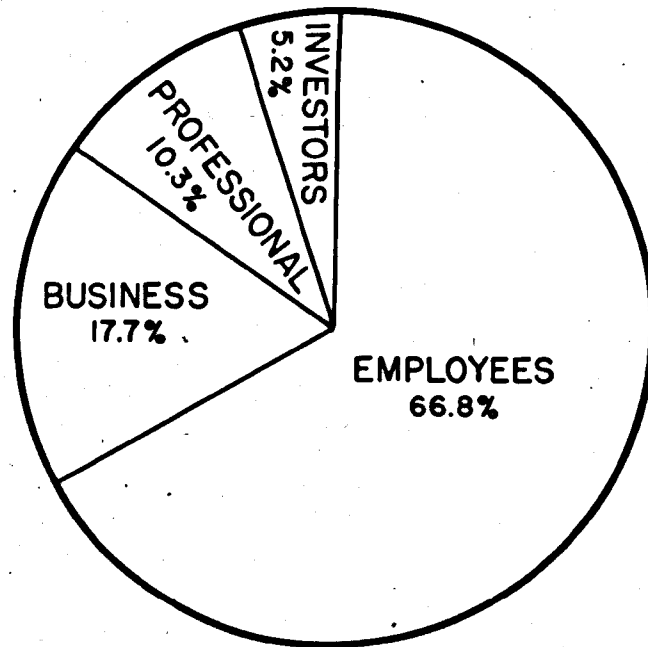
^{17/} If there is question as to how it is possible to have persons whose net income is under \$1,000, file returns, it may be remembered that the law applies likewise to anyone whose gross income is \$2,500 or over. The allowed deductions then may lower the net income to less than \$1,000.

TABLE VI. AVERAGE NET INCOME RECEIVED AND PER CENT OF TOTAL NET INCOME RECEIVED BY OCCUPATIONS AS SHOWN IN STATE INCOME TAX RETURNS, MONTANA, 1936

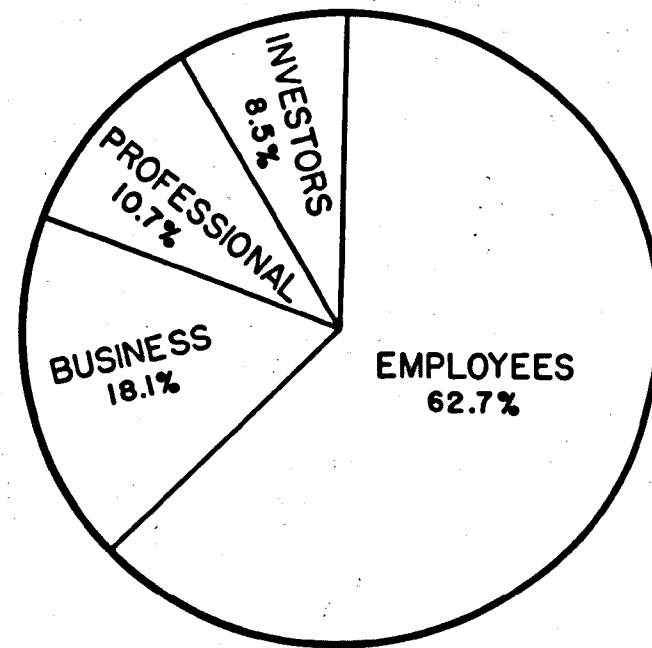
Occupation	Total Net Income	Number of Tax Returns	Average Net Income	Per cent of Total Net Income
Business				
Farms, dairies & ranches	2,728,935	1,659	1,645	3.7
Retail and wholesale	5,832,471	2,121	2,750	7.9
Cafes and hotels	822,057	374	2,198	1.1
Gas, oil and garage	1,525,081	503	3,032	2.1
Insurance and Real Estate	331,462	102	3,250	.4
Other business	2,115,726	610	3,468	2.9
Total business	13,355,732	5,369	2,488	18.1
Professional				
Doctors, dentists, etc.	2,412,938	558	4,324	3.3
Educators	3,441,696	2,000	1,721	4.7
Lawyers	1,416,016	308	4,597	1.9
Other Professional	625,126	241	2,594	.8
Total professional	7,895,776	3,107	2,541	10.7
Employees				
Farms, dairies & ranches	672,257	276	2,436	.9
Mining	7,146,133	3,705	1,929	9.7
Lumbering	939,757	361	2,603	1.3
Manufacturing	1,409,413	559	2,521	1.9
Motors, garages, etc.	1,731,743	680	2,547	2.3
Construction	938,928	417	2,552	1.3
Government	4,686,876	2,310	2,029	6.3
Retail	5,867,033	2,477	2,369	8.0
Wholesale	3,072,385	1,051	2,923	4.2
Gas, oil, and refining	1,526,520	603	2,532	2.1
Bank	1,233,380	416	2,965	1.7
Ins., R.E. & Finance	1,777,495	616	2,886	2.4
Cafes, and hotels	431,925	210	2,056	.6
Transportation & Commun.	9,896,116	4,477	2,210	13.4
Power, gas & water	2,450,861	1,006	2,436	3.3
Newspapers & printing	1,269,580	536	2,369	1.7
Other employees	1,192,368	502	2,375	1.6
Total employees	46,242,770	20,202	2,289	62.7
Investors	6,174,653	1,578	4,913	8.5
Totals	73,668,931	30,256	2,435	100.0

TABLE VII. STATE INCOME TAX RETURNS CLASSIFIED ACCORDING TO
OCCUPATIONAL GROUPS AND SIZE OF NET INCOME, MONTANA,
1936

Class Intervals (Dollars)	Business	Professional	Employees	Investors	TOTAL
Net Loss	451	13	53	96	613
0 - 249.9	114	6	56	42	218
250 - 499.9	156	11	67	61	295
500 - 749.9	176	21	103	58	358
750 - 999.9	254	66	480	94	894
1000 - 1499.9	669	1077	5492	215	7453
1500 - 1999.9	733	656	3680	200	5274
2000 - 2999.9	1251	696	7118	278	9243
3000 - 3999.9	665	274	1844	155	2933
4000 - 4999.9	339	123	592	101	1155
5000 - 5999.9	220	67	277	57	621
6000 - 6999.9	107	58	159	38	362
7000 - 7999.9	55	26	118	39	238
8000 - 8999.9	45	22	110	19	196
9000 - 9999.9	23	17	17	16	73
10000 - or over	106	74	36	109	325
Totals	5369	3107	20,202	1578	30,256



A
INCOME TAX RETURNS



B
NET INCOME

Figure 1.--Proportion of total state income tax returns filed, in comparison to the total net income received by occupational groups, Montana, 1936.

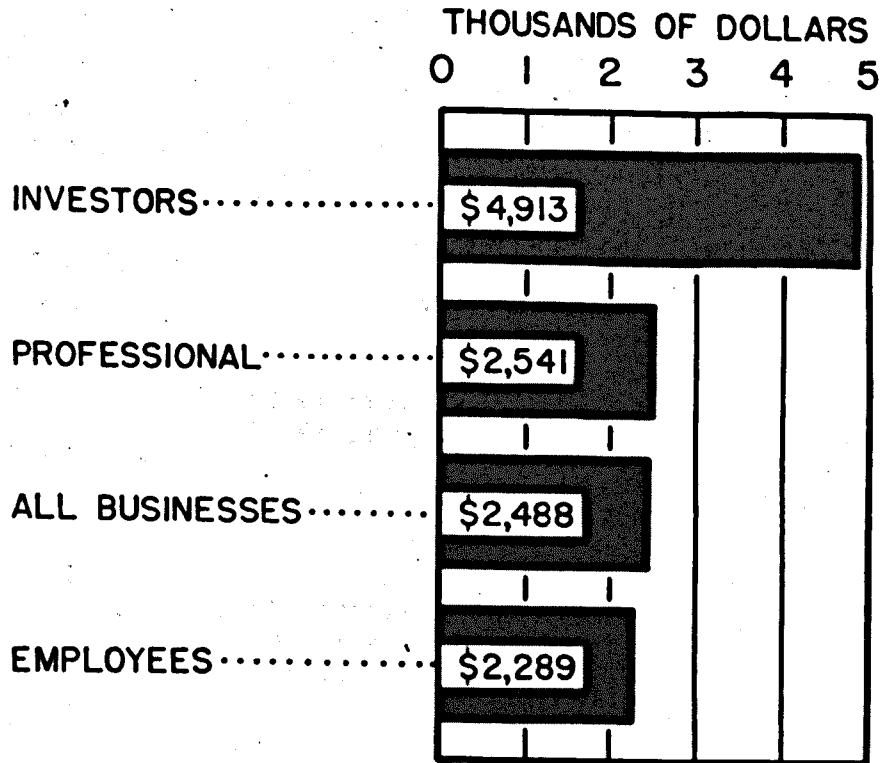


FIGURE 2A

Comparison of average net income received by occupational groups, Montana, 1936.

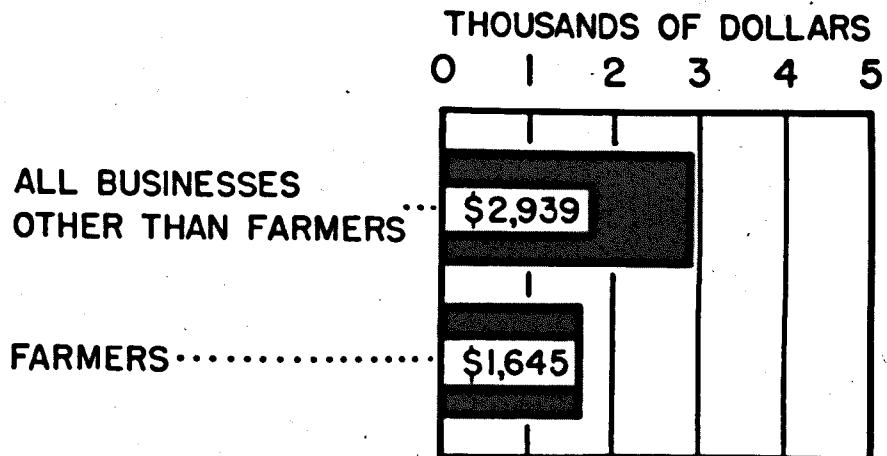


FIGURE 2B

Comparison of average net income received by farmers and of all other businesses, Montana, 1936.

there is a grave flaw in the use of property as a measure of ability to pay or as a basis for taxation. As may be seen, there is a considerable number of incomes in the business and investor groups which show a net loss. When property is used as a basis for taxation, as is very largely the case in these groups, those whose income is a net loss may be taxed at the same rate as those receiving large incomes. Property in such cases would not only fail to represent ability to pay, but would actually be a drain upon incomes derived from other sources, if any. In view of this situation it is easy to see why many writers on the subject of taxation appraise income as a measure of ability to pay, and as a just and equitable basis for taxation.

Income Taxes in Relation to Occupation

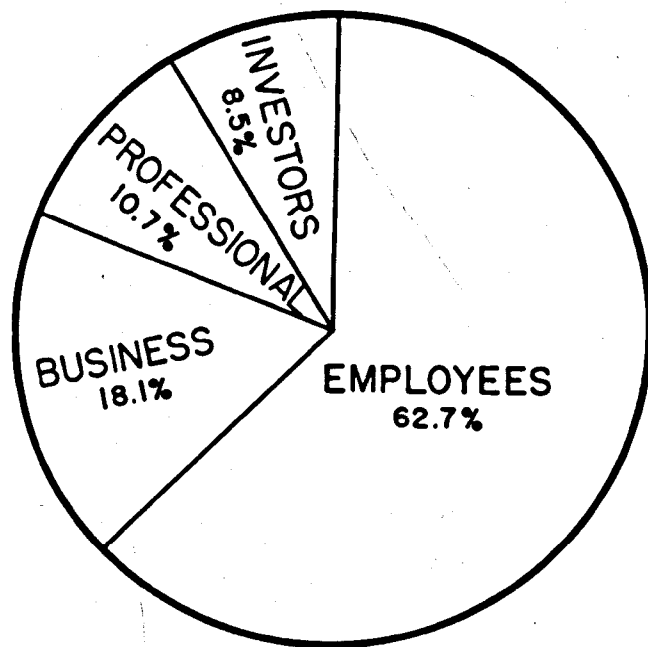
The total state income taxes levied in 1936, as shown, in the income tax returns was \$488,958. This amount was distributed to the four occupational groups, in order of magnitude as follows: the employee group \$192,320 or 39.4 per cent of the total, the investor group \$131,120 or 26.8 per cent of the total, the business group \$107,703 or 22.0 per cent of the total, and the professional group \$57,815 or 11.8 per cent. The reader will remember that the order in which total net incomes for these groups appeared, according to magnitude was thus: the employee group with 62.7 per cent of the total, the business group with 18.1 per cent, the professional group with 10.3 per cent and the investor group with 8.5 per cent. At first glance, one may wonder how it is possible for the investor group, having the lowest total net income, to rank second in total income taxes paid. This is explained by the effect of the progressive rates of taxation employed in the income tax system. The investor

group, having the highest average net income of the four groups, is taxed at a higher rate. The aggregate amount produced from this source thereby exceeds that of either the business or professional group. This condition is shown graphically in figure 3.

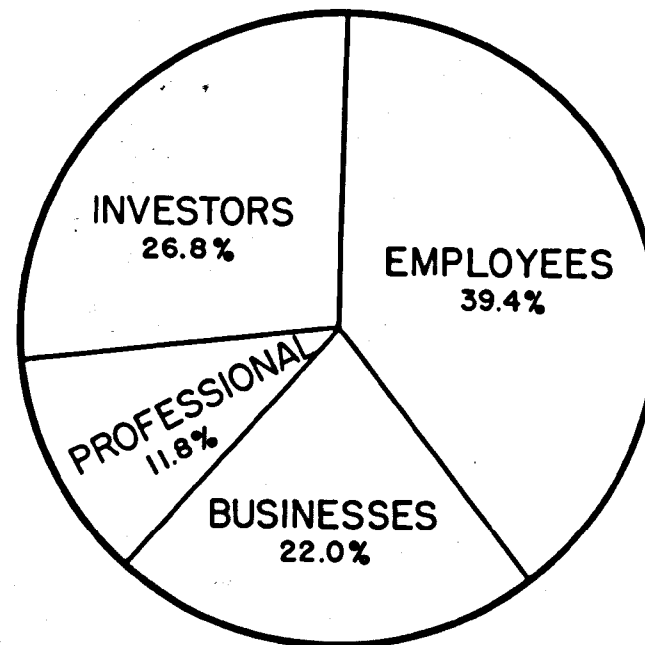
How do the income tax rates compare for the different occupational groups? These rates are given as proportion of net income absorbed in income taxes. The average rate for all occupations, as shown in table VIII, is 0.7 per cent. The rates for the different occupational groups, in order of magnitude are as follows: the investor group 2 per cent, the business group .8 per cent, the professional group .7 per cent, and the employee group .4 per cent.

As explained above, these rates tend to follow the average net income for the group; i.e., the group having the highest average net income per person will likewise tend to pay a higher rate of taxes because of the progressive rates. This line of reasoning, however, fails to hold true in all cases, as may be noticed in the case of the business and professional groups. By referring to tables VI and IX respectively, it may be seen that the average net income is higher for the professional group than that of the business group, yet the rates are higher for the business group. This condition arises because of the fact, that the incomes of the business group are more widely distributed in range of size than are those of the professional group. This would mean that a greater proportion of the business incomes would fall in the upper income bracket, than for the professional incomes, and would therefore be taxed at a higher rate. This, obviously, would raise the average rate for the group.

In conclusion, it may be said of the income tax that it causes



A
NET INCOME



B
INCOME TAXES

Figure 3.--Proportion of total net income received in comparison to total income taxes paid by occupational groups, Montana, 1936.

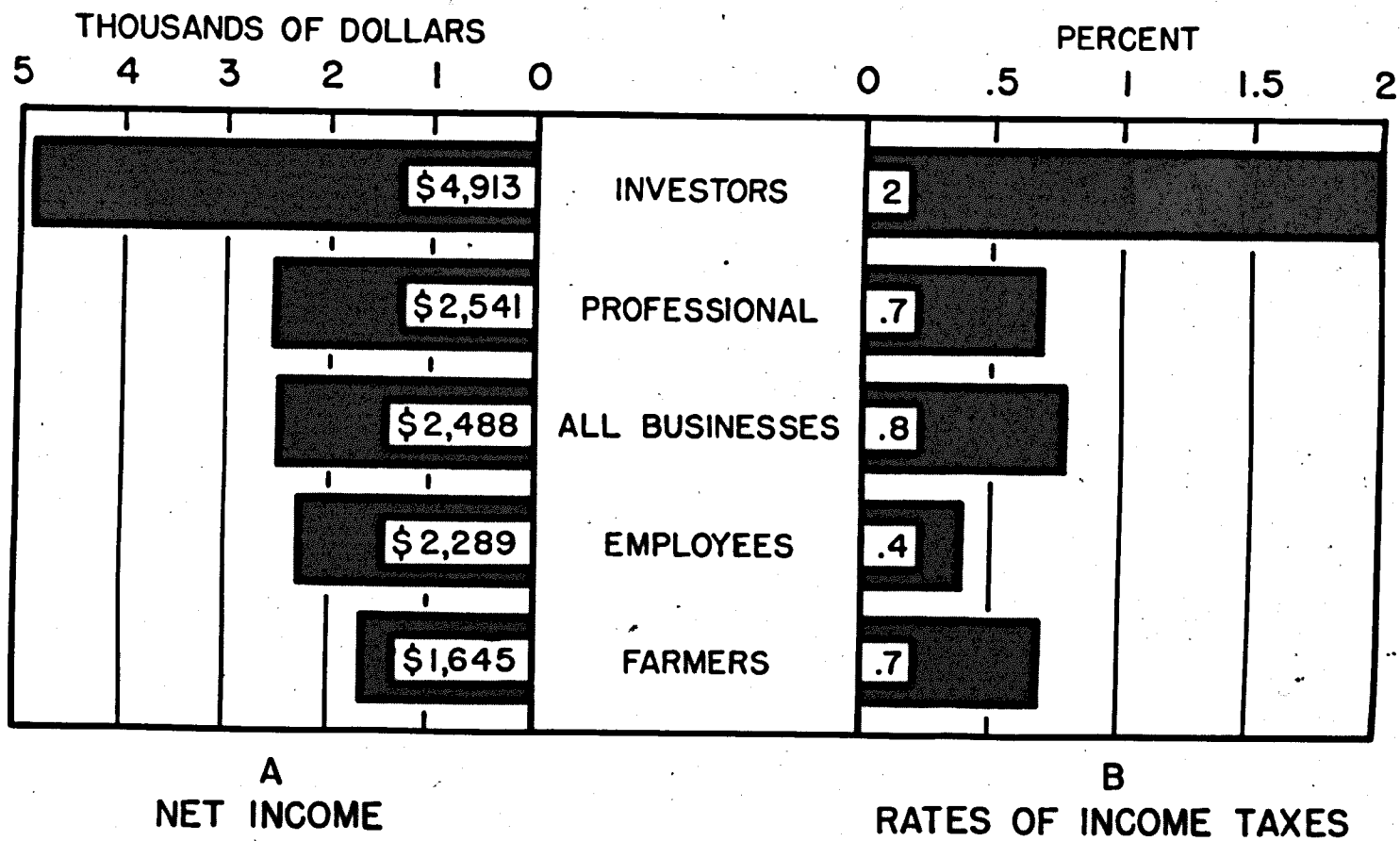


Figure 4.--Comparison of average net income received and of average rates of income taxes paid by occupational groups, Montana, 1936. (Rates of taxes in per cent of net income required for payment of the tax.)

TABLE VIII. PER CENT OF NET INCOME ABSORBED IN STATE INCOME TAXES BY OCCUPATIONS FOR THOSE FILING INCOME TAX RETURNS, MONTANA, 1936

Occupation	Total Net Income	Total Income Taxes Paid	Per cent of net Income absorbed in Income Taxes
Business			
Farms, dairies & ranches	2,728,935	18,137	.7
Retail and wholesale	5,832,471	44,505	.8
Cafes and hotels	822,057	5,238	.6
Gas, oil and garage	1,525,081	12,885	.8
Insurance and Real Estate	331,462	2,390	.7
Other business	2,115,726	24,548	1.2
Total business	13,355,732	107,703	.8
Professional			
Doctors, dentists, etc.	2,412,938	27,061	1.1
Educators	3,441,696	10,362	.3
Lawyers	1,416,016	16,190	1.1
Other professional	625,126	4,202	.7
Total professional	7,895,776	57,815	.7
Employees			
Farms, dairies & ranches	672,257	3,128	.5
Mining	7,146,133	28,816	.4
Lumbering	939,757	8,553	.9
Manufacturing	1,409,413	6,893	.5
Motors, garages, etc.	1,731,743	9,323	.5
Construction	938,928	5,070	.5
Government	4,686,876	12,481	.3
Retail	5,867,033	27,387	.5
Wholesale	3,072,385	16,142	.5
Gas, oil, and refining	1,526,520	8,590	.6
Bank	1,233,380	9,880	.8
Ins., R.E. & Finance	1,777,495	11,834	.7
Cafes and hotels	431,925	2,226	.5
Transportation & Commun.	9,896,116	21,758	.2
Power, gas & water	2,450,861	9,401	.4
Newspapers & printing	1,269,580	3,925	.3
Other employees	1,192,368	6,913	.6
Total employees	46,242,770	192,320	.4
Investors	6,174,653	131,120	2.0
Totals	73,668,931	488,953	.7

TABLE IX. PERCENTAGE OF TOTAL NET INCOME RECEIVED AND PERCENTAGES OF INCOME TAXES, OTHER TAXES AND TOTAL TAXES PAID BY OCCUPATIONS FOR THOSE FILING STATE INCOME TAX RETURNS, MONTANA, 1936

Occupation	Per cent of Total Net Income	Per cent of Total Income Taxes Paid	Per cent of Total other Taxes Paid	Per cent of Total Taxes Paid
Business				
Farms, dairies & ranches	3.7	3.7	14.7	13.5
Retail and wholesale	7.9	9.1	9.5	9.5
Cafes and hotels	1.1	1.1	2.3	2.2
Gas, oil and garage	2.1	2.6	2.8	2.8
Insurance & real estate	.4	.5	.5	.5
Other business	2.9	5.0	3.3	3.5
Total business	18.1	22.0	33.1	32.0
Professional				
Doctors, dentists, etc.	3.3	5.5	3.2	3.5
Educators	4.7	2.1	1.5	1.6
Lawyers	1.9	3.3	2.1	2.2
Other professional	.8	.9	.5	.5
Total professional	10.7	11.8	7.3	7.8
Employees				
Farms, dairies & ranches	.9	.6	1.0	.9
Mining	9.7	5.9	3.3	3.6
Lumbering	1.3	1.7	.6	.7
Manufacturing	1.9	1.4	1.0	1.1
Motors, garages, etc.	2.3	1.9	1.2	1.2
Construction	1.3	1.0	.6	.7
Government	6.3	2.6	2.9	2.8
Retail	8.0	5.6	3.9	4.1
Wholesale	4.2	3.3	1.8	1.9
Gas, oil, and refining	2.1	1.8	1.1	1.2
Bank	1.7	2.1	1.5	1.5
Ins. R.E., and Finance	2.4	2.4	1.7	1.8
Cafes and hotels	.6	.5	.4	.4
Transportation & Commam.	13.4	4.5	6.1	5.9
Power, gas & water	3.3	1.9	1.5	1.6
Newspapers & printing-	1.7	.8	.6	.7
Other employees	1.6	1.4	1.0	1.1
Total employees	62.7	39.4	30.2	31.2
Investors	8.5	26.8	29.4	29.0
Totals	100.0	100.0	100.0	100.0

those who have the greater incomes to pay, not only a greater amount, but also a greater proportion of those incomes in taxes than for those having less income. It also provides that those who have only small incomes, or no real incomes at all, will be required to pay no tax. Therefore, to the principle of ability to pay, which most writers think is the soundest basis for a just system of taxation, the income tax is seen to conform very closely. This, in no small way, justifies the praise that tax specialists give to the income tax.

Taxes Other Than Income Taxes in Relation to Occupation

The total amount of taxes other than income taxes paid by those filing income tax returns was \$4,215,592 for the year 1936. This figure divided by the total number of returns gives an average of \$139 per person filing a state income tax return. By comparing this figure with the average amount of income taxes paid per person filing a return, which was \$16, it may be seen that this source of tax revenue is all important from a quantitative standpoint. It will be remembered also that the income taxes for this year amounted to only 1.5 per cent of the state's total taxes.

In view of the predominant importance of this source of tax revenue, it seems quite justifiable to determine who bears the burden of its payment, and as to how the manner in which it is distributed conforms to the principles of a just and equitable system of taxation. Of the four occupational groups, it was found that the business group leads in total amount of these taxes with 33.1 per cent of the total for the state, the employer group ranks second with 30.2 per cent of the total, the investor group third with 29.4 per cent and the professional group last with 7.3 per cent of the state total. It will

be remembered that the distribution of the total net income to these groups was quite different. In the net income distribution, the employee group ranks first with 62.7 per cent of the total, the business group second with 18.1 per cent, the professional group third with 10.7 per cent and the investor group last with 8.5 per cent of the total. A graphic comparison of these two distributions is shown in figure 5.

What makes for the difference in the way in which the total income and the total "other" taxes are distributed? Obviously it is because of the difference in the percentages of net income of the different occupational groups that is required for payment of their respective tax burdens. This we may term for convenience, tax rates. These rates are shown for the different occupations in table XI. Here it may be seen that the tax rates range from 2.8 per cent in the case of the employee group to 20 per cent in the case of the investor group, the rates for the business and professional group being 10.5 and 3.8 per cent respectively. This seems to show that there is a great disparity in the rates of "other" taxes paid for the different occupations, but the case is made even more striking if one observes the individual occupations within the groups. By so doing, one finds that the rates range from 1.8 per cent in the case of the educators to 22.5 per cent in the case of the farmers.

It was pointed out in the section dealing with the state income tax that the income tax rates followed very closely that of average net income for the occupational groups. With an increase in the size of the income, there was an increase in the rates of taxation. Upon this score, the income tax system receives much praise, and is seen to conform very closely to the

fundamental principle of a just tax system, namely, ability to pay.

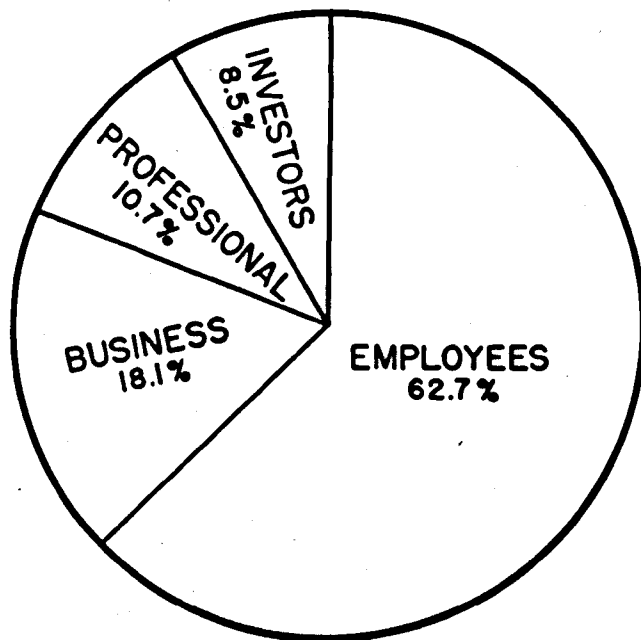
How do the rates for these "other" taxes, which are levied primarily on a property basis for the different occupations, compare with the respective average net incomes? It was found that for the occupational groups, the investors ranked first in highest average net income, and likewise first in the highest rate of "other" taxes. This, so far, would seem to indicate that this tax is conforming to the principle of ability to pay. But on further inquiry, another and very definite reason is found for the close correlation in the high rates of tax and high average net income. The answer is that the incomes of the investor group are, as previously stated, mainly from property, in one form or another, and that regardless of the incomes derived from the property, the tax rates would change very little. So it might be said that the rates on property are levied with little attention to income produced therefrom, and that the correlation between the high tax rates and high incomes of the investor group is more nearly accidental than it is authoritatively predetermined. On turning to the professional group, it may be noticed that the average net income is second only to that of the investors, while in the rates of "other" taxes paid they fall next to last. It could be briefly, but correctly stated therefore, that this group, in light of ability to pay, fails to pay their proportionate share of these taxes. The business group, it may be noticed, falls third in the size of average net income, but second highest in the rates of these taxes. This group therefore is obviously paying more than their proportionate share of the total of "other" taxes. As for the employee group, they fall lowest in average net income and likewise in the rates of "other" taxes paid. It could be stated that the cause for

the low rates of these taxes for this group is due primarily to the fact that they own very little property, and therefore are not assessed for these taxes.

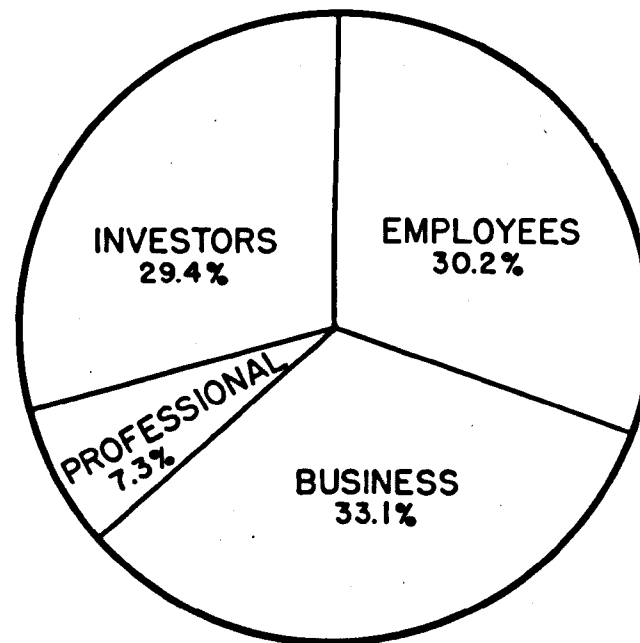
From this discussion it is quite evident that these "other" taxes, quite unlike that of the income tax, are not levied in accordance with ability to pay, and therefore this fundamental principle of a just system of taxation is violated. This means that there does exist in the system discriminations in the distribution of the tax burden. Because of this disparity, it is seen that the burden falls extremely heavily on those whose incomes are from property while for those whose incomes are from salaries and wages the burden is, to say the least, quite light. It is further seen that the rates paid by the different occupations failed to follow, except in special cases, the ability to pay as measured by income. These conditions produce the results of having the burden of these taxes borne out of proportion by the business and investor groups. The extreme of this disparity is reached in the case of the farmers, who having the lowest average net income of all occupations, pay the highest rate of these taxes of any occupation. A graphic representation of these facts is shown in figure G.

It is interesting to compare these results for Montana with that of other areas. In a study very similar to this one, it was found in South Carolina that the results compared very closely, and showed even greater disparity than those just pointed out.^{18/} There the rates of "other" taxes varied from 2.13 per cent, in the case of the occupational group termed clerks,

^{18/} Aull, G. H., "Taxation and Ability to Pay in South Carolina", S.C. Exp. Sta. Bul, 286, p. 29.



A
NET INCOME



B
OTHER TAXES

Figure 5.--Proportion of total net income received in comparison to total taxes, other than income taxes, paid by occupational groups, Montana, 1936.

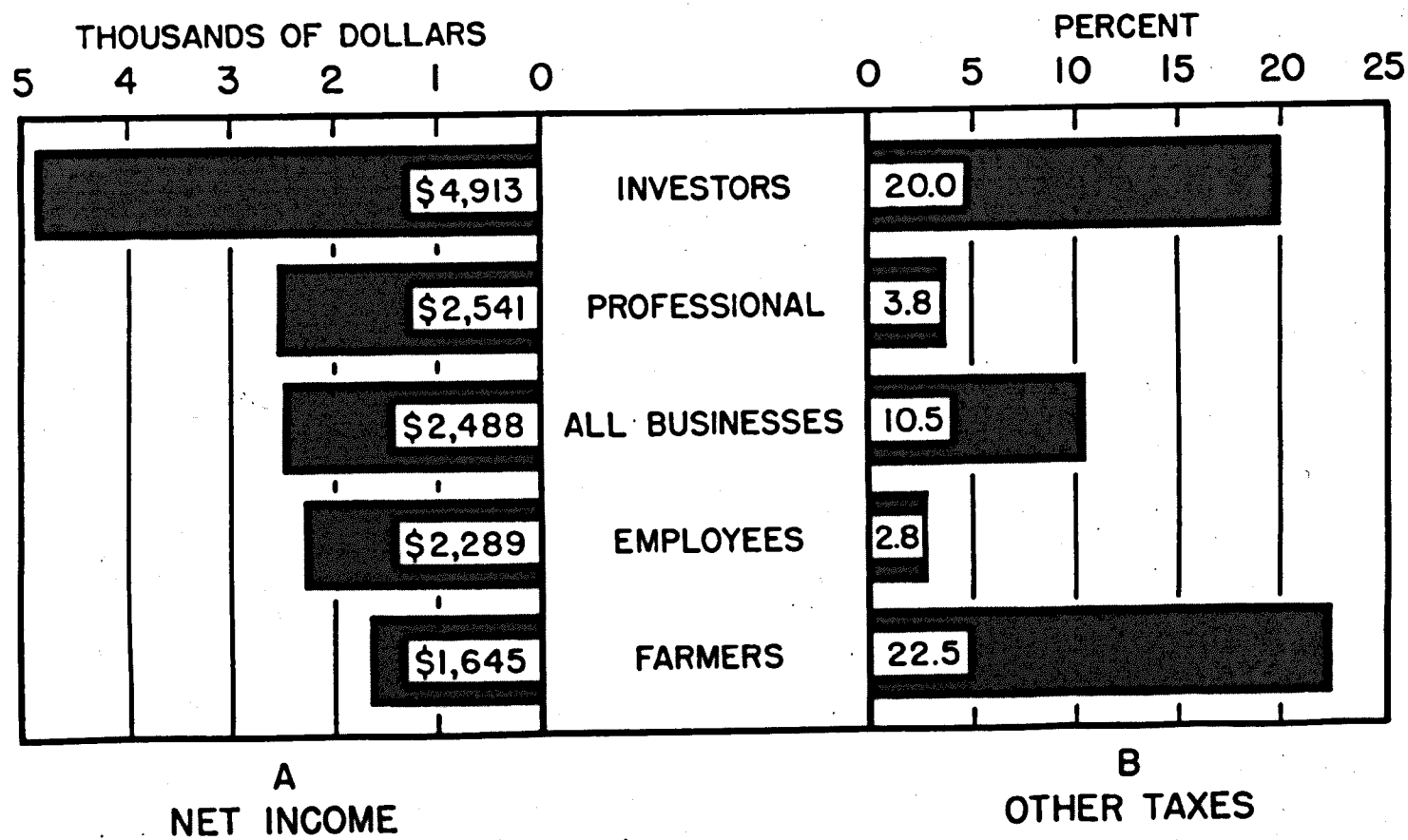


Figure 6.--Comparison of average net income, and of average rates of taxes, other than income taxes, paid by occupational groups, Montana, 1936. (Rates of taxes in per cent of net income required for payment of the tax.)

TABLE X. AVERAGE TAXES, OTHER THAN INCOME TAXES, AND PER CENT OF TOTAL OTHER TAXES PAID BY OCCUPATIONS FOR THOSE FILING STATE INCOME TAX RETURNS, MONTANA, 1936

Occupations	Total Other Taxes	Number of Returns	Average other taxes paid per person filing returns	Per cent of total other taxes paid by groups
Business				
Farms, dairies & ranches	614,843	1,659	382	14.7
Retail and wholesale	400,460	2,121	189	9.5
Cafes and hotels	100,484	374	269	2.3
Gas, oil and garage	120,026	503	239	2.8
Insurance and Real estate	20,466	102	201	.5
Other business	141,562	610	232	3.3
Total business	1,397,841	5,369	260	33.1
Professional				
Doctors, dentists, etc.	136,550	558	243	3.2
Educators	62,736	2,000	31	1.5
Lawyers	88,605	308	288	2.1
Other professional	19,332	241	80	.5
Total professional	306,223	3,107	99	7.3
Employees				
Farms, dairies & ranches	40,717	276	148	1.0
Mining	139,584	3,705	38	3.3
Lumbering	26,651	361	74	.6
Manufacturing	45,122	559	81	1.0
Motors, garages, etc.	45,441	620	67	1.2
Construction	26,535	417	64	.6
Government	122,210	2,310	53	2.9
Retail	165,256	2,477	67	3.9
Wholesale	76,781	1,051	73	1.8
Gas, oil and refining	45,895	603	76	1.1
Bank	62,896	416	151	1.5
Ins., R.E. & Finance	72,896	616	118	1.7
Cafes, and hotels	15,013	210	71	.4
Transportation & Comm.	255,784	4,477	57	6.1
Power, gas & water	64,454	1,006	64	1.5
Newspapers & printing	26,964	536	50	.6
Other employees	44,262	502	88	1.0
Total employees	1,276,661	20,202	63	30.2
Investors	1,234,867	1,578	783	29.4
Totals	4,215,592	30,256	139	100.0

TABLE XI. PER CENT OF NET INCOME REQUIRED FOR PAYMENT OF TAXES, OTHER THAN INCOME TAXES, FOR THOSE FILING STATE INCOME TAX RETURNS, MONTANA, 1936

Occupation	Total Other Taxes	Total Net Income	Per cent net Income Required in Payment of Other Taxes
Business			
Farms, dairies & ranches	614,843	2,728,935	22.5
Retail and wholesale	400,460	5,832,471	6.9
Cafes and hotels	100,484	822,057	12.2
Gas, oil and garage	120,026	1,525,081	7.9
Insurance and Real estate	20,466	331,462	6.2
Other business	141,562	2,115,726	6.7
Total business	1,397,841	13,355,732	10.5
Professional			
Doctors, dentists, etc.	135,550	2,412,938	5.6
Educators	62,736	3,441,696	1.8
Lawyers	88,605	1,416,016	6.2
Other professional	19,332	625,126	3.1
Total professional	306,223	7,895,776	3.8
Employees			
Farms, dairies & ranches	40,717	672,257	6.0
Mining	139,584	7,146,133	1.9
Lumbering	26,851	939,757	2.8
Manufacturing	45,122	1,409,413	3.2
Motors, garages, etc.	45,441	1,751,743	2.6
Construction	26,535	938,928	2.8
Government	122,210	4,686,876	2.6
Retail	165,256	5,867,033	2.8
Wholesale	76,781	3,072,385	2.5
Gas, oil, and refining	45,895	1,526,520	3.0
Bank	62,890	1,233,360	5.1
Ins., R.E. & Finance	72,896	1,777,495	4.1
Cafes and hotels	15,013	431,925	3.5
Transportation & Commun.	255,784	9,896,116	2.6
Power, gas & water	64,454	2,450,861	2.6
Newspapers & printing	26,964	1,269,580	2.1
Other employees	44,262	1,192,366	3.7
Total employees	1,276,661	46,242,770	2.8
Investors	1,234,867	6,174,653	20.0
Totals	4,215,592	73,668,931	5.7

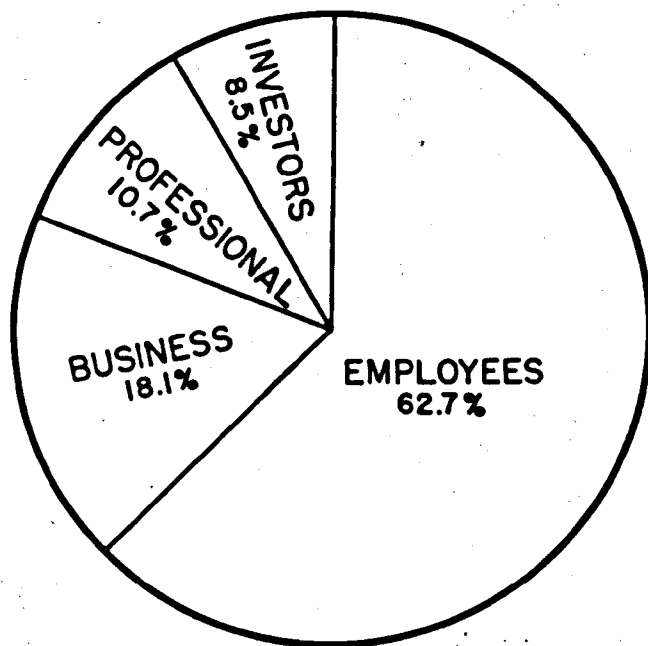
to 27.23 per cent in the case of the farmers. The rates of the investor group there, as here, were second only to that of the farmers.

Total Taxes in Relation to Occupation

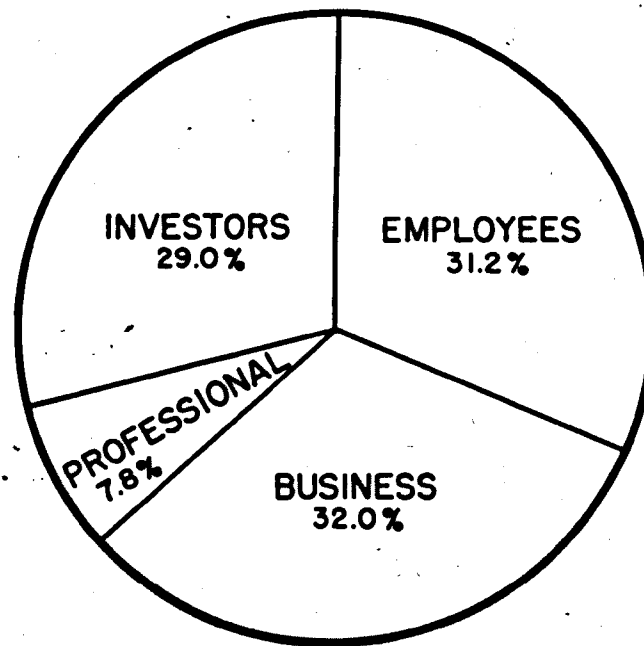
It was pointed out in the preceding section that the proportion of the income tax paid by the different occupational groups followed rather closely the proportional distribution of the total net income to these groups, being affected however by the average size income of the occupation. But it was found that with the taxes other than income taxes, there was very little correlation between the distribution of the total net income and the total amount of these taxes.

Since the income taxes amounted to only 1.5 per cent of the total taxes for the year, one can see why the distribution of the total taxes among the occupational groups will be much the same as that for "other" taxes. The distribution of the total tax in order of magnitude, along with that of total net income distribution is thus: the business group first with 32 per cent of the total tax, but having only 18 per cent of the total net income; second is the employee group with 31.2 per cent of the total tax, but having 62.7 per cent of the total net income; third is the investor group with 29 per cent of the tax, but having only 8.5 per cent of the income; last is the professional group with 7.8 per cent of the total tax, but having 10.7 per cent of the total net income. These comparisons are shown graphically in figure 7.

It is found from these comparisons that the conditions in relation to total taxes paid are much the same as that for taxes other than income taxes. There exists great variation in the rates of taxes paid by the peoples in the



A
NET INCOME



B
TOTAL TAXES

Figure 7.--Proportion of total net income received in comparison to total taxes paid by occupational groups, Montana, 1936.

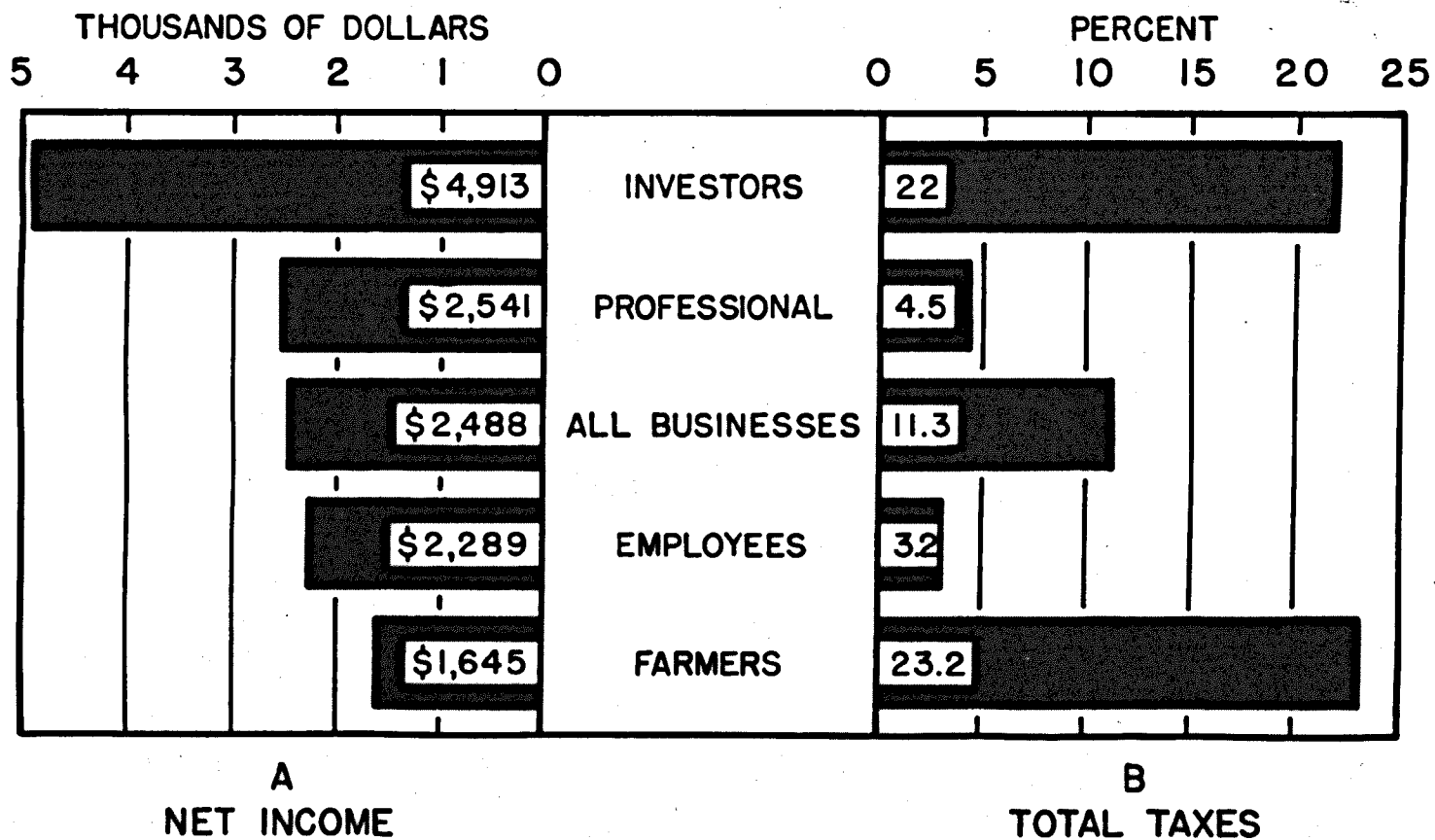


Figure 8.--Comparison of average net income, and of rates of total taxes paid by occupational groups, Montana, 1936. (Rates of taxes in per cent of net income required for payment of tax.)

TABLE XII. PROPORTION OF TOTAL NET INCOME RECEIVED AND OF TOTAL TAXES PAID BY OCCUPATIONS, FOR THOSE FILING STATE INCOME TAX RETURNS, MONTANA, 1936.

Occupation	Total Taxes	Total Net Income	Per Cent of Total Net Income	Per Cent Of Total Taxes Paid
Business				
Farms, dairies & ranches	632,980	2,728,935	3.7	13.5
Retail and wholesale	444,965	5,832,471	7.9	9.5
Cafes and hotels	105,722	822,057	1.1	2.2
Gas, oil and garage	132,911	1,525,081	2.1	2.8
Insurance & real estate	22,856	331,462	.4	.5
Other business	166,110	2,115,726	2.9	3.5
Total business	1,505,544	13,355,732	18.1	32.0
Professional				
Doctors, dentists, etc.	162,611	2,412,938	3.3	3.5
Educators	73,093	3,441,696	4.7	1.6
Lawyers	104,795	1,416,016	1.9	2.2
Other professional	23,534	625,126	.8	.5
Total professional	364,038	7,895,776	10.7	7.8
Employees				
Farms, dairies & ranches	43,845	672,257	.9	.9
Mining	168,400	7,146,133	9.7	3.6
Lumbering	35,404	939,757	1.3	.7
Manufacturing	52,015	1,409,413	1.9	1.1
Motors, garages, etc.	54,764	1,731,743	2.3	1.2
Construction	31,605	938,923	1.3	.7
Government	134,691	4,686,876	6.3	2.8
Retail	192,643	5,867,033	8.0	4.1
Wholesale	92,923	3,072,385	4.2	1.9
Gas, oil, and refining	54,465	1,526,520	2.1	1.2
Bank	72,776	1,233,380	1.7	1.5
Ins., R.E. and Finance	84,730	1,777,495	2.4	1.8
Cafes and hotels	17,239	431,925	.6	.4
Transportation & Commn.	277,542	9,896,116	13.4	5.9
Power, gas & water	73,855	2,450,861	3.3	1.6
Newspapers & printing	30,869	1,269,580	1.7	.7
Other employees	51,175	1,192,368	1.6	1.1
Total employees	1,468,931	46,242,770	62.7	31.2
Investors	1,365,937	6,174,653	8.5	29.0
Totals	4,704,550	73,668,931	100.0	100.0

TABLE XIII. TOTAL, AVERAGE, AND PER CENT OF NET INCOME REQUIRED FOR PAYMENT OF ALL TAXES BY OCCUPATIONS, FOR THOSE FILING STATE INCOME TAX RETURNS, MONTANA, 1936.

Occupation	Total Taxes	Average Tax Paid Per Return	Average Rates Of Taxes In Per Cent
Business			
Farms, dairies & ranches	\$632,980	\$ 383	23.2
Retail and wholesale	444,965	210	7.7
Cafes and hotels	105,722	283	12.8
Gas, oil and garage	132,911	265	8.7
Insurance and Real Estate	22,856	224	6.9
Other business	166,110	272	7.9
Total business	1,505,544	280	11.3
Professional			
Doctors, dentists, etc.	162,611	291	6.7
Educators	73,098	36	2.1
Lawyers	104,795	341	7.3
Other professional	23,534	97	3.8
Total professional	364,038	118	4.5
Employees			
Farms, dairies & ranches	43,845	159	6.6
Mining	168,400	46	2.3
Lumbering	35,404	98	3.7
Manufacturing	52,015	93	3.7
Motors, garages, etc.	54,764	81	3.1
Construction	31,605	76	3.3
Government	134,691	58	2.9
Retail	192,643	78	3.3
Wholesale	92,923	88	3.0
Gas, oil, and refining	54,485	91	3.6
Bank	72,776	175	5.9
Ins., R.E. & Finance	84,730	137	4.8
Cafes and hotels	17,239	82	4.0
Transportation & Commun.	277,542	62	2.8
Power, gas & water	73,855	73	3.0
Newspapers & printing	30,889	57	2.4
Other employees	51,175	112	4.3
Total employees	1,468,981	73	3.2
Investors	1,365,987	806	22.0
Totals	4,704,550	147	6.4

different occupations, and because of this the burden is found, like that of "other" taxes, to fall extremely heavy on those who receive their incomes from property, while the burden is quite light on those who receive their incomes in the form of salaries and wages. The extremes in the range of tax rates may be seen to be from the educator group with 2.1 per cent to that of the farmers who have an average tax rate of 23.2 per cent of their net incomes. A graphic comparison of the average net incomes and rates of total taxes for these groups is shown in figure 8.

That we may determine the effect that choice of occupation has upon the actual amounts that persons contribute to the support of government, let us take as an example a person similarly situated in every respect, other than occupation, and compare his total tax bills paid in the different positions. Suppose that our hypothetical person has a net income of \$3,000 throughout the illustration, and that he is a married man with no dependents, other than a wife. Thus in every case he will be identical with respect to the income tax, and will be paying the same amount, which under this condition will be \$10. In figuring the amounts of other taxes, principally on property, let us use the average rates as found for the respective occupation.

First let us suppose our hypothetical taxpayer to be a farmer. His tax bill for 1936 then would have been as follows:

State income taxes - - -	\$ 10
Other taxes (Property) -	<u>675</u>
Total	\$685

Now let our tax puppet be placed in the investor group. This would have been his tax bill for the year:

State income taxes - - - \$ 10

Other taxes (property) - 600

Total \$610

If he be an operator of a hotel or restaurant, his tax bill for the year would have been:

State income taxes - - - \$ 10

Other taxes (property) - 366

Total \$376

Let him be an operator of a wholesale or retail establishment; then his tax bill would have been:

State income taxes - - - \$ 10

Other taxes (property) - 207

Total \$217

Thus far, we have considered only the business and investor groups in this comparison. Now let us consider that of one in a professional career. Suppose our hypothetical tax payer to be a lawyer. His tax bill then for 1936 would have been:

State income taxes - - - \$ 10

Other taxes (property) - 186

Total \$196

If our tax puppet be a doctor, his tax bill for the year would have been:

State income taxes - - - \$10

Other taxes (property) - 178

Total \$188

If he had been an educator, this would have been his tax bill for the year:

State income taxes - - -	\$ 10
Other taxes (property) -	<u>57</u>
Total	\$ 67

Now if our hypothetical taxpayer be a member of the employee group and his rates of taxes be that of the average for this group, his tax bill for 1936 would have been:

State income taxes - - -	\$ 10
Other taxes (property) -	<u>84</u>
Total	\$ 94

From this example of comparing actual amounts of taxes paid by persons identical except for occupation, it may be seen that the conclusions arrived at are the same as those pointed out earlier; namely, that the discriminations in the distribution of the tax burden are greatly against those who receive their income from property investments. In a study, conducted much on this principle, results were found to exist in Wisconsin which were closely comparable with these.^{19/}

It may be argued at this point, as it frequently is, that there is justification for those who own property to pay a higher rate of taxes than those who own none, but who are entirely dependent upon their wage or salary income. The argument is frequently heard that property owned provides for security and that incomes therefrom represent more ability to pay than incomes

^{19/} Groves, H. E., "Ability to Pay and the Tax System in Dane County, Wisc., The University of Wisconsin, July, 1930.

from personal services. It is further argued that those who own property receive more benefits from the government than those who do not, and therefore they should pay a higher rate of taxes. In reply to these contentions, the opponents to this theory point out that property which fails to yield an income is valueless and in some cases is a detriment to its owner. They also point out that the benefit principle is over-emphasized, and that when all welfare activities of the government, such as schools, health services, recreational activities, and relief measures are taken into account, which are for people as such and have no necessary connection with property, the governmental benefits enjoyed by those people who do not own property are very nearly equal to those enjoyed by the property owners.

There may be some justification for these differences in the burden of taxation borne by the different occupations in the state, but the author is of the opinion that after due allowance has been made for any such just claims, there would still exist discriminations in the tax system much the same as those found at the present time. But regardless of what the true situation may be in this respect, the purpose of this study has been only to measure the extent to which the ability to pay principle is applied in the Montana tax system, and not to justify the principle.

SUMMARY AND CONCLUSIONS

The results of this study clearly indicate that the tax system of the state fails to conform to the principle of ability to pay, as measured by incomes received. The proportion of net income required to pay the imposed taxes was found to vary among persons in the different occupations from 2.8 per cent to 23.2 per cent. This in itself is not necessarily alarming, but what is of concern is the fact that these higher rates of taxes are not generally paid by those who receive the higher incomes. On the contrary, the highest rate of taxes paid by any group was paid by the group who received the lowest average net income--the farmers.

The case of the farmer may be slightly exaggerated because of the fact that net income is a poor measure of his true well-being, or ability to pay, but regardless of this condition, his case is quite representative of that for all groups who receive their principal income from property investments. Thus, because of this situation, it is concluded that the tax levied on a property basis is not levied in accordance with ability to pay, and for this reason, it is concluded that the property tax is not a just and equitable form of taxation.

In contrast to the general property tax, the state income tax was seen to conform very closely to the principle of ability to pay. Upon this point it is commended as being a just and equitable form of public finance. It was further seen that the income tax has a balancing influence on the variation in rates of taxes imposed, through the general property tax, upon persons in the different occupations. But it is still to be regretted that

this tax accounted for only 1.5 per cent of the state's total taxes for the year, so that this desirable effect is quite small.

Thus the final conclusion is that there exists grave discrepancies in the tax system of the state, and because of this condition the burden of taxation is extremely heavy on those whose principal income is from property investments: namely, the business and investor groups; while the burden is extremely light on those who receive their incomes as salaries and wages, namely, the professional and employee groups.

APPENDIX A. NET INCOMES CLASSIFIED ACCORDING TO SIZE FOR
ALL OCCUPATIONS, AS SHOWN IN STATE INCOME TAX
RETURNS, MONTANA, 1936

Occupation	\$ Net Loss	\$ 0 to 249.9	\$250 to 499.9	\$500 to 749.9	\$750 to 999.9	\$1000 to 1499.9	\$1500 to 1999.9	\$2000 to 2999.9
Business								
Farms, dairies, ranches	254	64	75	78	94	222	245	302
Retail and wholesale	110	36	60	56	87	263	289	559
Cafes and hotels	26	6	10	18	31	54	51	76
Gas, oil and garage	23	6	10	14	21	51	65	138
Ins. & real estate	4	1	0	0	1	11	11	28
Other business	34	1	1	10	20	68	77	148
Total business	451	114	156	176	254	669	738	1251
Professional								
Doctors, dentists, etc.	10	4	2	3	10	26	48	139
Educators	0	0	5	12	43	960	524	329
Lawyers	3	2	1	2	4	20	34	82
Other professional	0	0	3	4	9	71	50	46
Total professional	13	6	11	21	66	1077	656	596
Employees								
Farms, dairies, ranches	5	2	8	12	14	57	43	72
Mining	3	3	4	3	65	1778	686	889
Lumbering	2	0	1	1	12	143	42	107
Manufacturing	0	0	3	2	12	115	97	216
Motors, garages, etc.	1	0	3	3	16	173	115	217
Construction	0	8	2	3	7	100	81	162
Government	13	18	10	28	58	602	594	723
Retail	5	6	9	15	98	694	447	657
Wholesale	3	3	1	4	13	199	140	417
Gas, oil, and refining	4	2	3	3	21	133	115	210
Bank	2	0	2	2	14	64	87	117
Insurance, R. E. and Finance	3	3	5	11	12	99	89	202
Cafes and hotels	1	1	1	2	5	87	33	55
Transportation & Commun.	8	3	4	8	79	814	806	2188
Power, gas & water	0	3	4	1	15	192	146	476
Newspapers & printing	3	2	3	0	18	80	71	283
Other employees	0	2	4	5	21	162	88	127
Total employees	53	56	67	103	480	5492	3680	7118
Investors	96	42	61	58	94	215	200	278
Totals	613	218	295	358	894	7453	5274	9243

APPENDIX A, Sheet 2

Occupation	\$3000 to 3999.9	\$4000 to 4999.9	\$5000 to 5999.9	\$6000 to 6999.9	\$7000 to 7999.9	\$8000 to 8999.9	\$9000 to 9999.9	\$10000 and Over
Business								
Farms, dairies, ranches	146	75	46	24	8	6	1	20
Retail and wholesale	247	135	103	35	30	25	17	42
Cafes and hotels	46	23	20	4	4	1	0	4
Gas, oil and garage	73	33	28	19	2	1	1	17
Insurance & real estate	18	17	4	1	0	2	0	4
Other business	108	56	19	24	11	10	4	19
Total business	665	339	220	107	55	45	23	106
Professional								
Doctors, dentists, etc.	111	63	41	25	9	11	9	47
Educators	84	16	10	12	2	1	2	--
Lawyers	52	33	11	15	13	10	6	20
Other professional	27	11	5	6	2	0	0	7
Total professional	274	123	67	58	26	22	17	74
Employees								
Farms, dairies, ranches	31	15	11	2	3	1	--	--
Mining	153	45	29	18	13	15	--	--
Lumbering	22	7	4	8	4	8	--	--
Manufacturing	63	23	10	9	4	5	--	--
Motors, garages, etc.	77	34	11	11	4	15	--	--
Construction	28	12	4	1	1	8	--	--
Government	160	59	22	11	8	4	--	--
Retail	272	116	65	33	28	22	5	--
Wholesale	157	51	21	13	16	13	--	--
Gas, oil, and refining	57	22	12	8	10	2	1	--
Bank	61	26	17	7	2	4	3	8
Ins., R. E., and Fin.	98	37	24	7	7	4	2	13
Cafes and hotels	14	4	5	1	0	0	--	1
Transportation & Commun.	473	61	10	8	4	5	2	4
Power, gas & water	102	33	10	10	4	2	3	5
Newspapers & printing	44	16	9	0	3	1	--	3
Other employees	32	30	13	7	7	1	1	2
Total employees	1844	592	277	159	118	110	17	36
Investors	155	101	57	38	39	19	16	109
Totals	2938	1155	621	362	238	196	73	325

APPENDIX B. SEX AND MARITAL STATUS BY OCCUPATION OF THOSE
FILING STATE INCOME TAX RETURNS, MONTANA, 1936

Occupation	All Returns	MALE		
		Total	Married	Single
Business				
Farms, dairies, ranches	1,659	1,511	1,174	337
Retail and wholesale	2,121	1,760	1,449	311
Cafes and hotels	374	265	211	54
Gas, oil and garage	503	444	385	59
Insurance & real estate	102	80	65	15
Other business	610	523	437	86
Total business	5,369	4,583	3,721	862
Professional				
Doctors, dentists, etc.	558	500	439	61
Educators	2,000	499	307	192
Lawyers	308	269	223	46
Other professional	241	150	98	52
Total professional	3,107	1,418	1,067	351
Employees				
Farms, dairies, ranches	276	238	167	71
Mining	3,705	3,539	1,603	1,936
Lumbering	361	328	170	158
Manufacturing	559	494	311	173
Motors, Garages, etc.	680	580	375	205
Construction	417	392	226	166
Government	2,310	1,585	1,012	573
Retail	2,477	1,898	1,168	730
Wholesale	1,051	896	660	236
Gas, oil, and refining	603	512	345	167
Bank	416	327	247	80
Ins., R.E. & Finance	616	463	377	86
Cafes and hotels	210	140	58	82
Transportation & Commun.	4,477	4,075	2,956	1,119
Power, Gas, and Water	1,006	859	643	216
Newspapers & Printing	536	461	357	104
Other employees	502	340	190	150
Total employees	20,202	17,117	10,865	6,252
Investors	1,578	945	555	390
Totals	30,256	24,063	16,208	7,855

APPENDIX B, Sheet 2

Occupation	FEMALE			Joint Returns
	Total	Married	Single	
Business				
Farms, dairies, ranches	61	17	44	87
Retail and wholesale	144	35	109	217
Cafes and hotels	61	21	40	48
Gas, oil and garage	16	5	11	43
Insurance & real estate	8	3	5	14
Other business	32	8	24	55
Total business	322	89	233	464
Professional				
Doctors, dentists, etc.	16	--	16	42
Educators	1,458	170	1,288	43
Lawyers	--	--	--	39
Other professional	76	12	64	16
Total professional	1,550	180	1,368	139
Employees				
Farms, dairies, ranches	14	--	14	24
Mining	80	24	56	86
Lumbering	17	3	14	16
Manufacturing	36	6	30	39
Motors, Garages, etc.	47	9	38	53
Construction	11	2	9	14
Government	579	121	458	146
Retail	370	73	297	209
Wholesale	72	9	63	83
Gas, oil, and refining	52	11	41	39
Bank	64	15	49	25
Ins., R. E. & Finance	109	24	85	44
Cafes and Hotels	50	11	39	20
Transportation & Commun.	231	63	168	171
Power, Gas & Water	88	27	61	59
Newspapers & Printing	54	14	40	21
Other employees	120	21	99	41
Total employees	1,994	433	1,561	1,091
Investors	483	97	386	150
Totals	4,349	801	3,548	1,844

APPENDIX C. SCHEDULE EMPLOYED IN SECURING INFORMATION FROM
THE STATE, PERSONAL INCOME TAX RETURNS

1937 STATE INCOME TAX ANALYSIS

COUNTY..... Serial No..... OCCUPATION.....

Income:

Salaries, Wages, etc. \$.....
Business or Profession \$.....
Interest \$.....
Partnerships, etc. \$.....
Rents, Royalties \$.....
Sales prof. from F.E., etc. \$.....
Dividends \$.....
Other: Kind.....
Amount \$.....
TOTAL INCOME \$.....
Deductions:
Interest Paid \$.....
Taxes Paid \$.....
Losses by Fire, etc. \$.....
Bad Debts \$.....
Contributions \$.....
Other \$.....
TOTAL DEDUCTIONS \$.....
NET INCOME \$.....
EXEMPTIONS \$.....
INCOME SUBJ. TO TAX \$.....
TOTAL TAX LEVIED \$.....

Taxes Paid:

Federal \$.....
County \$.....
City \$.....
Less Improv. Taxes \$.....
TOTAL PAID \$.....

Male.....
Female.....
Married.....
Single.....
Husband.....
Wife.....
Joint Return.....
Head of Family.....
Dependents, but not
Head of Family.....
No. of Dependents.....

Business or Profession

Kind.....
Gross Income (sales, etc.) \$.....
Net Income from Business \$.....

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