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SB 447 (1970)

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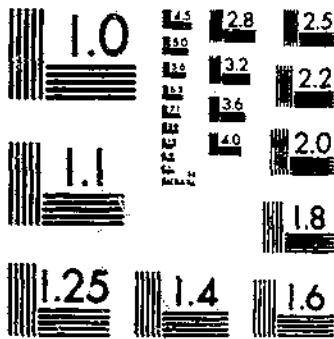
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PERSONAL PROPERTY TAXES LEVIED ON FARMERS, 1950 TO 1967.

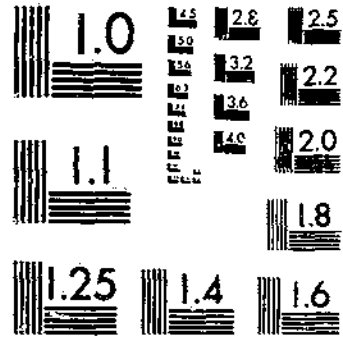
MATHEWS, T. H.; BIRD, R.

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**PERSONAL
PROPERTY
TAXES
LEVIED ON
FARMERS
1950 to 1967**

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HIGHLIGHTS

Revisions of previously published estimates show that taxes levied by State and local governments on farm personal property totaled about \$382.5 million in 1967. This amount was more than double the amount in 1950. More of the increase occurred during the 1950's than during the 1960's.

Taxes on farmers' personal property have been increasing at a less rapid rate than taxes on farmers' real estate. In 1967, personal property levies represented 17.1 percent of the total property tax bill. This proportion which reached a peak of 22.0 percent in 1952, has declined almost every year since then.

In the future, personal property taxes are apt to represent a smaller proportion of the total property tax bill paid by farmers because an increasing number of States are exempting all classes of personal property from the property tax. In 1967, six States did not tax personal property. Since then, three other States have passed laws exempting all classes of personal property from property taxation.

Livestock, farm machinery, motor vehicles, and household goods are the major classes of farm personalty taxed. In 1967, livestock represented about 55 percent of the total personalty taxed, farm machinery 27 percent, motor vehicles 14 percent, and household furniture 4 percent.

PERSONAL PROPERTY TAXES LEVIED ON FARMERS, 1950 to 1967

by

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INTRODUCTION

Taxes on personal property of farmers affect their income, their property values, and their community lives. Information about these taxes is used in evaluating the income position of farmers and of various types of farming enterprises. Data on the amount and classes of personalty taxed in various States are needed to answer questions relating to State and local tax policies. In addition, this tax information is needed to resolve problems of tax equity and the economic effects of these taxes on the value of property and the level of public services.

Taxes on personal property owned by farmers in the United States have been estimated by the Department of Agriculture for each year beginning with 1924. The series was first published in May 1941 in Agricultural Finance Review, and showed national estimates only of personal property taxes levied from 1924 through 1939. These estimated taxes have been published annually since 1941.

The national estimates are derived from tax data reported by State tax departments. The general procedure is for USDA to obtain from State reports the classes and amounts of personalty assessed, allocate a proportion of these amounts to farmers, multiply the farm assessments by the appropriate tax rates, and sum the results for each State. The national totals are a summary of unpublished State estimates. Periodically, the U.S. Bureau of the Census obtains information on the amount of personal property taxes paid by farmers. These data are used by USDA to adjust the annual series. The first adjustment was made in 1956. 1/

Although published national estimates are useful in depicting property tax costs for all farmers, their usefulness in depicting costs for farmers who are operating certain types of enterprises has recently diminished. More and more States are exempting all or additional classes of farm personalty from taxation. As a result, State estimates are needed to adequately measure these changes. Also, where data permit, the components of the tax base need to be identified.

1/ For a more detailed discussion of history and methodology see Ronald Bird, Taxes Levied on Farm Property in the United States and Methods of Estimating Them, U.S. Dept. Agr., Statis. Bul. 189, 1956. Out of print, but available in major libraries.

To meet these needs, this report shows (1) revised national estimates of personal property taxes for 1950 to 1960 that have been adjusted to 1960 census data, (2) State estimates for each year from 1960 to 1967, and (3) estimates of allocation of personal property taxes among the various classes of personalty taxed for the most recent year in each State.

NATURE OF THE TAX

For many years, the general property tax was a major source of revenue for both State and local governments. Currently, most State governments have substituted other taxes for the property tax, but almost all local governments depend mainly upon the property tax for their tax revenue. The State legislatures usually designate the classes of property that may be taxed and sometimes they have imposed rate ceilings for local jurisdictions. Administration for the most part is left to the local government. In practice, the county or town government usually classifies and assesses the various classes of property. The local taxing jurisdictions determine the amount of money they need and the tax rates necessary to obtain that amount. Therefore, funds raised from taxing local personal property are spent for local services.

In the United States, the property tax has gradually become a tax upon wealth, both tangible and intangible, that has exchange value. As various forms of property became more common they have been included in the tax base. Two broad classes of property, real and personal, have been established for tax purposes. In general, immovable property has been classified as real, whereas movable property has been classified as personal.

Personal property taxation has become almost universally a tax on property that can be easily located. Livestock, farm machinery, and motor vehicles are easy to locate and have become the major classes of farm personalty taxed. Personal property that is difficult to locate, such as intangibles (money, stocks, bonds, etc.) and personal effects (jewelry, clothing, etc.), has been made exempt in most States.

When personal property is taxed, it bears part of the property tax burden that would otherwise be borne only by real estate. More property and hence more taxpayers are affected. This is especially true of tenants, most of whom are more heavily taxed under a personal property tax than under a real estate tax.

REVISED NATIONAL ESTIMATES

National estimates of personal property taxes had to be increased about 13 percent to agree with the 1960 census tax data. After this adjustment, it was found that personal property taxes increased at about the same rate as real estate taxes from 1950 to 1960. This occurred despite the fact that some States during this time did not tax personal property and other States exempted some classes of personalty from property taxation. Apparently, in those States where personalty was taxed, its assessed values increased more rapidly than the assessed values of real estate.

The revised estimates for the 8 years 1960-67 show that personal property taxes increased about 5 percent a year (table 1). This annual rate of increase was about one-fifth larger than the rate of increase that occurred during the previous 8 years. It was slightly less than that shown for real estate. By 1967, personal property taxes levied on farmers totaled about \$382.5 million or more than one-third larger than they were in 1960. The 1967 figure was about 14 percent larger than we had previously estimated it.

Personal property taxes represented 17.1 percent of the total property tax bill (personal property plus real estate) in 1967 (table 2). This percentage was down from the peak of 22.0 percent in 1952. One of the reasons for this reduction was the recent exemption of personal property from property taxation in two States (Michigan and Minnesota in 1967) and partial exemption in one State (New Jersey in 1965). Personal property taxes represented a slightly smaller proportion of the total property tax bill paid by farmers during the 1960's (about 18 percent) than during the 1950's (about 20 percent). The ratio was considerably larger during the 1960's than during the three decades before 1950. The 1952 ratio probably represents the high watermark, as more and more States are exempting personal property.

STATE ESTIMATES

The amount of personal property taxes levied varied considerably among the States (table 3). In 1967, six States levied over \$164 million--over 40 percent of the total. Three of the six States levied over \$30 million and three \$20 to \$30 million. Six other States levied \$10 to \$20 million. The majority of the States (32) levied less than \$10 million each; another six States did not tax farm personal property. ^{2/}

Some of this variation reflects differences in the value of farm personal property within the State. However, most of the variation is due to differences in tax policy among States. In the last 10 years, many States have exempted some classes of farm personalty from taxation.

Farm personal property levies increased more rapidly in the Southern States than in any other region from 1960 to 1967. One major reason is that more of the Southern States tax motor vehicles under a property tax law than do States in other regions. In States where motor vehicles are taxed, the assessed values of motor vehicles have risen more rapidly than the assessed values of other classes of farm personalty. This probably occurs because this class of personalty is more easily identified and more easily assessed in comparison with its market value than other classes of personalty.

^{2/} Since 1967, three more States have passed laws exempting all classes of farm personalty from property taxation. In 1968, North Dakota adopted complete exemption and New Jersey changed from partial to complete exemption, and Ohio is scheduled to exempt all farm personalty beginning in 1972.

CLASSES OF PERSONALTY TAXED

The types of farm personalty taxed have a marked effect on the cost of operating different types of farming enterprises. This is especially true if there are several different types of farming enterprises operating within a given taxing district. Depending on the classes of personalty taxed, the property tax may affect one class of owner more than another. For example, in some States, farmers having a larger proportion of their assets in farm machinery may pay a higher tax than farmers who own only livestock. The reverse may be true in other States. Thus, to properly evaluate the economic effects of the personal property tax, the taxing procedures in each State have to be studied.

One of the best indications of taxing practices relating to the personal property tax is shown by the assessed values used in computing the tax. To see what the most recent taxing practice may be, the assessed values of each class of farm personalty were obtained from State reports for 1967. Although some States do not provide a detailed breakdown of personal property assessments, there are 28 States that do. In these States, livestock assessments represented about 55 percent of the total assessed value of farm personalty, and farm machinery represented about 27 percent (table 4). Motor vehicles represented 14 percent and the remaining 4 percent was represented by household furniture.

Assuming these same ratios held for nonreporting States, the total personal property tax bill in 1967 was estimated to have been apportioned among the classes of personalty as follows: Farmers owning livestock paid about \$210 million, those owning farm machinery, about \$105 million; owners of motor vehicles, about \$54 million; and owners of household furniture, about \$15 million.

Table 1.--Taxes on farm personal property, United States, 1924-67

Year	Taxes	Year	Taxes	Year	Taxes
	\$1,000		\$1,000		\$1,000
1924.....	71,995	1939.....	49,129	1954.....	1/215,972
1925.....	71,663	1940.....	50,200	1955.....	1/222,957
1926.....	72,965	1941.....	56,117	1956.....	1/219,380
1927.....	74,831	1942.....	66,629	1957.....	1/228,189
1928.....	79,609	1943.....	76,795	1958.....	1/247,913
1929.....	83,874	1944.....	80,393	1959.....	1/274,032
1930.....	81,311	1945.....	91,539	1960.....	1/286,049
1931.....	62,546	1946.....	98,512	1961.....	1/297,873
1932.....	48,935	1947.....	127,727	1962.....	1/304,377
1933.....	39,324	1948.....	150,139	1963.....	1/319,892
1934.....	40,204	1949.....	166,479	1964.....	1/330,925
1935.....	42,047	1950.....	1/176,875	1965.....	1/337,948
1936.....	45,626	1951.....	1/208,765	1966.....	1/368,274
1937.....	47,132	1952.....	1/228,550	1967.....	1/382,490
1938.....	48,167	1953.....	1/221,367		

1/ Revised.

Table 2.--Taxes on farm personal property as a percentage of total farm property taxes, United States, 1924-67

Year	Percent	Year	Percent	Year	Percent
1924.....	13.4	1939.....	10.8	1954.....	19.7
1925.....	12.2	1940.....	11.1	1955.....	19.6
1926.....	12.2	1941.....	12.1	1956.....	18.4
1927.....	12.1	1942.....	14.3	1957.....	18.1
1928.....	12.5	1943.....	16.1	1958.....	18.7
1929.....	12.9	1944.....	16.1	1959.....	19.2
1930.....	12.6	1945.....	17.9	1960.....	18.7
1931.....	10.6	1946.....	16.0	1961.....	18.5
1932.....	9.6	1947.....	17.4	1962.....	18.1
1933.....	9.0	1948.....	18.6	1963.....	18.3
1934.....	9.5	1949.....	19.1	1964.....	18.2
1935.....	9.7	1950.....	19.2	1965.....	17.6
1936.....	10.4	1951.....	21.2	1966.....	17.7
1937.....	10.4	1952.....	22.0	1967.....	17.1
1938.....	10.7	1953.....	20.7		

Table 3.--Farm personal property taxes, by State and region, 1960-67

State and region	1960	1961	1962	1963	1964	1965	1966	1967
	-----Thousand dollars-----							
Maine.....	1,053	1,101	1,150	1,183	1,216	1,300	1,383	1,592
New Hampshire.....	315	304	290	274	158	152	159	163
Vermont.....	1,719	1,731	1,794	1,762	1,721	1,983	1,954	2,107
Massachusetts.....	1,332	1,526	1,587	1,668	1,591	1,580	1,557	1,582
Rhode Island.....	68	68	68	77	79	86	99	107
Connecticut.....	685	659	650	720	720	764	805	885
New York.....	<u>1/</u>	<u>1/</u>	<u>1/</u>	<u>1/</u>	<u>1/</u>	<u>1/</u>	<u>1/</u>	<u>1/</u>
New Jersey.....	1,096	984	918	1,054	993	437	394	366
Pennsylvania.....	<u>1/</u>	<u>1/</u>	<u>1/</u>	<u>1/</u>	<u>1/</u>	<u>1/</u>	<u>1/</u>	<u>1/</u>
Delaware.....	<u>1/</u>	<u>1/</u>	<u>1/</u>	<u>1/</u>	<u>1/</u>	<u>1/</u>	<u>1/</u>	<u>1/</u>
Maryland.....	1,798	1,781	1,841	1,902	1,966	2,077	1,915	1,940
Northeast.....	8,066	8,154	8,298	8,640	8,444	8,379	8,266	8,742
Michigan.....	4,867	4,627	4,388	4,148	3,908	3,668	4,460	<u>1/</u>
Wisconsin.....	14,509	15,004	15,641	15,374	15,906	16,262	18,000	21,064
Minnesota.....	12,107	15,627	15,761	15,976	17,503	17,365	19,096	<u>1/</u>
Lake States.....	31,483	35,258	35,790	35,498	37,317	37,295	41,556	21,064
Ohio.....	11,147	12,133	12,531	13,208	13,690	14,403	15,948	19,083
Indiana.....	21,291	21,569	18,534	19,166	21,294	24,312	25,839	31,284
Illinois.....	20,848	21,357	23,547	23,603	23,218	23,073	26,105	27,447
Iowa.....	21,671	22,629	23,520	25,404	26,051	23,903	28,093	30,264
Missouri.....	11,232	11,477	12,176	12,526	12,840	14,119	14,899	16,184
Corn Belt.....	86,189	89,165	90,308	93,907	97,093	99,810	110,884	124,262
North Dakota.....	9,038	9,170	9,469	9,653	10,740	9,625	10,682	10,885
South Dakota.....	10,949	12,274	11,989	13,414	13,786	13,826	16,140	16,560
Nebraska.....	17,894	17,551	18,933	21,104	22,015	22,784	26,562	29,282
Kansas.....	13,185	13,085	13,946	14,559	14,879	14,187	14,798	17,303
Northern Plains....	51,066	52,080	54,337	58,730	61,420	60,422	68,182	74,030
Virginia.....	3,987	4,115	4,466	4,873	5,470	6,163	5,065	5,161
West Virginia.....	860	860	846	831	855	877	943	927
North Carolina.....	4,366	4,720	4,627	4,799	5,161	5,481	5,898	7,051
Kentucky.....	1,673	1,844	1,752	1,818	1,835	1,821	1,241	1,417
Tennessee.....	2,452	2,810	2,971	3,069	3,222	3,528	3,751	4,313
Appalachian.....	13,338	14,349	14,662	15,390	16,543	17,870	16,898	18,869

See footnotes at end of table.

--Continued

Table 3.--Farm personal property taxes, by State and region, 1960-67--Continued

State and region	1960	1961	1962	1963	1964	1965	1966	1967
	Thousand dollars							
South Carolina.....	1,507	1,500	1,505	1,586	1,700	1,819	1,845	1,993
Georgia.....	3,241	3,267	3,377	3,353	3,504	3,701	3,737	4,062
Florida.....	3,467	3,792	4,238	4,767	5,175	6,213	6,703	7,921
Alabama.....	1,171	1,234	1,329	1,359	1,406	1,455	1,572	1,685
Southeast.....	9,386	9,793	10,449	11,065	11,785	13,188	13,857	15,661
Mississippi.....	2,181	1,987	1,954	2,032	2,141	2,216	2,525	2,625
Arkansas.....	3,741	3,939	4,222	4,549	4,829	5,270	5,787	6,318
Louisiana.....	1/	1/	1/	1/	1/	1/	1/	1/
Delta States.....	5,922	5,926	6,176	6,581	6,970	7,486	8,312	8,943
Oklahoma.....	6,834	7,043	7,329	7,622	7,767	8,033	9,414	9,736
Texas.....	16,813	16,749	16,794	17,637	17,918	18,507	19,193	21,178
Southern Plains...	23,647	23,792	24,123	25,259	25,685	26,540	28,607	30,914
10 Montana.....	8,186	8,143	8,059	9,193	9,037	9,311	9,618	12,025
Idaho.....	4,490	5,486	4,794	5,255	5,686	5,429	5,303	5,888
Wyoming.....	2,466	2,326	2,376	2,581	2,742	2,626	2,794	3,231
Colorado.....	6,080	6,170	6,577	7,620	7,022	6,726	7,669	8,343
New Mexico.....	873	934	975	1,002	963	913	814	817
Arizona.....	2,573	3,148	3,263	3,334	3,127	3,657	3,486	4,226
Utah.....	1,670	1,772	1,724	1,922	1,982	2,064	2,069	2,067
Nevada.....	719	750	773	731	761	741	701	712
Mountain.....	27,057	28,729	28,541	31,638	31,320	31,467	32,454	37,309
Washington.....	4,161	4,222	4,145	4,435	4,767	4,698	5,210	5,977
Oregon.....	3,971	4,020	4,314	4,399	4,691	4,313	4,830	5,290
California.....	21,739	22,347	23,196	24,310	24,850	26,438	29,177	31,381
Alaska.....	24	38	38	40	40	42	41	48
Hawaii.....	1/	1/	1/	1/	1/	1/	1/	1/
Pacific.....	29,895	30,627	31,693	33,184	34,348	35,491	39,258	42,696
United States.....	286,049	297,873	304,377	319,892	330,925	337,948	368,274	382,490

1/ Personal property exempt.

Table 4.--Assessed value of major classes of farm personal property, by State and region, 1967

State and region	Livestock	Motor vehicles	Farm machinery	Household goods	Total farm assessments
-----Million dollars-----					
Maine.....	1/	2/	1/	2/	41.7
New Hampshire.....	3.7	2/	1/	1/	3.7
Vermont.....	1/	2/	2/	1/	33.6
Massachusetts.....	1/	2/	1/	1/	28.4
Rhode Island.....	2/	2.7	2/	2/	2.7
Connecticut.....	2.4	14.6	4.4	2/	21.5
New York.....	3/	3/	3/	3/	3/
New Jersey.....	1.4	2/	6.1	2/	7.5
Pennsylvania.....	3/	3/	3/	3/	3/
Delaware.....	3/	3/	3/	3/	3/
Maryland.....	2/	1/	1/	2/	79.2
Northeast.....	7.5	17.3	10.5	--	218.3
Michigan.....	3/	3/	3/	3/	3/
Wisconsin.....	727.4	2/	2/	2/	727.4
Minnesota.....	3/	3/	3/	3/	3/
Lake States.....	727.4	--	--	--	727.4
Ohio.....	1/	2/	1/	1/	491.8
Indiana.....	1/	1/	1/	1/	390.0
Illinois.....	261.4	89.0	192.3	45.0	587.7
Iowa.....	193.7	2/	217.7	2/	411.3
Missouri.....	126.7	98.1	60.1	20.2	305.1
Corn Belt.....	581.8	187.1	470.1	65.2	2,185.9
North Dakota.....	30.6	2/	40.0	5.7	76.3
South Dakota.....	231.2	2/	129.1	21.2	381.4
Nebraska.....	233.7	65.7	127.9	13.9	441.3
Kansas.....	1/	1/	1/	2/	308.9
Northern Plains.....	495.5	65.7	297.0	40.8	1,207.9
Virginia.....	2/	1/	2/	2/	147.4
West Virginia.....	27.1	21.1	15.6	6.7	70.5
North Carolina.....	1/	1/	1/	1/	507.3
Kentucky.....	8.7	145.4	1/	2/	154.0
Tennessee.....	1/	1/	1/	1/	93.9
Appalachian.....	35.8	166.5	15.6	6.7	973.1
South Carolina.....	3.0	12.0	5.6	2/	20.5
Georgia.....	57.4	62.0	.1	8.7	128.2
Florida.....	1/	2/	1/	2/	545.6
Alabama.....	2/	39.4	1/	1/	67.4
Southeast.....	60.4	113.4	5.7	8.7	761.7

See footnotes at end of table.

--Continued

OFFICIAL BUSINESS

PENALTY FOR PRIVATE USE, \$300



Table 4.--Assessed value of major classes of farm personal property, by State and region, 1967--Continued

State and region	Livestock	Motor vehicles	Farm machinery	Household goods	Total farm assessments
-----Million dollars-----					
Mississippi.....	2/	44.4	2/	2/	44.4
Arkansas.....	1/	1/	1/	1/	109.3
Louisiana.....	3/	3/	3/	3/	3/
Delta States.....	--	44.4	--	--	153.7
Oklahoma.....	77.0	2/	59.4	31.0	167.4
Texas.....	137.7	25.8	113.6	2/	277.1
Southern Plains..	214.7	25.8	173.0	31.0	444.5
Montana.....	48.9	11.0	20.0	4.5	84.4
Idaho.....	32.3	2/	39.4	2/	71.7
Wyoming.....	48.6	2/	11.0	2.3	62.0
Colorado.....	75.0	2/	43.0	2/	118.0
New Mexico.....	23.0	2/	.9	1/	24.0
Arizona.....	15.0	2/	28.0	2.4	45.0
Utah.....	12.0	8.2	5.1	2/	25.3
Nevada.....	18.2	2/	13.3	2/	31.5
Mountain.....	273.0	19.2	160.7	9.2	461.9
Washington.....	38.1	2/	48.1	2/	86.1
Oregon.....	37.6	2/	32.8	2/	70.4
California.....	1/	2/	1/	1/	352.6
Alaska.....	1/	1/	1/	1/	1.4
Hawaii.....	3/	3/	3/	3/	3/
Pacific.....	75.7	--	80.9	--	510.5
United States.....	2,471.8	639.4	1,213.5	161.6	7,644.9

- 1/ Taxable but unable to allocate.
- 2/ Exempt.
- 3/ No personal property tax or almost completely exempt.

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END