



AgEcon SEARCH
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search
<http://ageconsearch.umn.edu>
aesearch@umn.edu

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

AGRICULTURAL EXTENSION DIVISION
UNIVERSITY OF MINNESOTA

F. W. Peck, Director

MINNESOTA FARM BUSINESS NOTES

No. 101

April 20, 1931

Prepared by the Division of Agricultural Economics
University Farm, St. Paul, Minnesota

TAXES AND THE FARMER
Prepared by O.B. Jesness

Taxation occupies a very prominent place among the economic problems with which the farmer is confronted. Tax payments constitute an important part of the expenses of the land owner. The prices paid farmers for their products in recent years have been lower relatively than the average of other commodities. At the same time, the farmers' taxes have tended to increase. The reliance placed in the tax system upon the tax on general property as a source of revenue also plays a part in focusing the interest of farmers on tax questions because their invested capital is largely in real estate and personal property subject to that tax.

The Nature of Taxes

Many persons think of taxes as if they were outlays from which no return is received. A partial explanation of this may be the frequent lack of direct relationship between the payments made and the services or benefits received. There are some services which individuals cannot readily perform for themselves. There are some which are of such a nature that they are performed more satisfactorily by a public agency. Outlays for education and roads occupy a prominent place in the farmers' tax burden. The providing of educational facilities might be left to private initiative but it has been decided that it is in public interest to have public educational facilities. Likewise, it has been decided that highways should be public instead of being private. The important point here is that even tho it were feasible to have these services provided by private initiative, the expense would have to be met. Agencies to maintain law and order are in the public interest and require funds to maintain them. Protection of society frequently requires the caring for its wards at public expense. Certain public records have to be maintained. In towns and cities, fire protection, public libraries, parks and playgrounds are provided for the public from tax funds. These illustrations are suggested as reminders that tax outlays are not without return to the tax payer. In short, government might well be thought of as an association and taxes as the dues paid by members to support it.

Minnesota's Tax System

The following table is indicative of the amount and sources of tax revenue in Minnesota:

Published in furtherance of Agricultural Extension Act of May 8, 1914, F.W. Peck, Director, Agricultural Extension Division, Department of Agriculture, University of Minnesota, cooperating with U. S. Department of Agriculture.

Revenue Derived from Taxes for the Year 1929 Payable in 1930

Source of Tax	To the State	To all Minor Political Subdivisions	Total Taxes
General Property	\$12,494,130	\$111,580,410	\$124,074,540
Money and Credits	220,643	1,103,214	1,323,857
Mortgage Registry	61,616	255,145	316,761
Bushel Tax	96,385	-	96,385
Gross Earnings:			
Railroads	8,111,673	30,000	8,141,673
Telephones	845,908	-	845,908
Express	48,478	-	48,478
Sleeping Cars	60,796	-	60,796
Freight Lines	98,867	-	98,867
Inheritance Tax	1,539,636	150,953	1,690,589
Insurance	1,862,639	-	1,862,639
Telegraph	40,917	-	40,917
Vessel Tonnage	14,221	14,221	28,442
Fire Marshal	56,432	-	56,432
Motor Vehicles	10,790,885	-	10,790,885
Gasoline Tax	6,142,125	2,750,000	8,892,125
Occupation Tax	3,790,693	-	3,790,693
Royalty Tax	1,044,475	-	1,044,475
Trust Companies	2,215	19,934	22,149
	\$47,322,734	\$115,903,877	\$163,226,611

It will be noted that more than three-fourths of the total tax revenue comes from the tax on general property and that in the case of minor subdivisions* this produces over 96 per cent of the total. Other important sources of revenue include the motor license fee, the gasoline tax and the gross earnings tax.

The important place occupied by the tax on general property is of interest to the farmer because his business involves the use of considerable real and personal property. His special interest in local expenditures is suggested by the large proportion of the revenue from the general property tax which goes to minor subdivisions and by the large proportion of the revenue of the latter which it makes up.

Because of the important influence exercised by local expenditures, the tax payments vary widely in different parts of the state and even in different townships of a county or different school districts in the same township. According to figures of the Minnesota Tax Commission, the 1930 taxes on real and personal property in the townships for each \$1,000 of taxable value ranged from \$31.12 in Rock County to \$183.52 in Koochiching County, with an average of \$47.18 for the state. It may be of interest to note the distribution of the \$47.18. The state's share was \$5.70, consisting of \$2.50 general revenue, \$.36 other special tax, \$1.84 education levy and \$1.00 levy for road and bridge. The local share was \$41.48 consisting of \$16.14 levy for education; \$6.90 county and \$8.40 local levy for road and bridge; \$7.50 for county and \$2.54 for township other than road and bridge.

*County, township, city, village, school district.

A compilation prepared by the state auditor showing the direct tax statements of a representative group of taxpayers presents material for some interesting comparisons of variations in tax loads and reasons for them. For example, one farmer in a southern county had a taxable valuation in 1928 of \$6,445 on which he paid taxes of \$103.76 in 1929. Another farmer in another county had a taxable valuation of \$1,311 and paid a tax of \$227.85. The state tax of the former totalled \$34.42 and of the latter \$7.01. The share of the former's tax going for county purposes was \$40.33 and of the latter, \$69.29. The township taxes were \$6.45 and \$31.20 respectively. The school district taxes were \$22.56 and \$120.35. Comparisons such as these bring out clearly the important part played by local expenditures in the tax burden.

One is not justified, however, in charging a locality with extravagance merely because its local expenditures may be relatively higher than some other locality. The providing of certain services involves greater expense per capita under some conditions than others. For instance, the per capita cost of furnishing educational facilities is affected by the density of population. Furthermore, some localities have a heavier tax outlay because they provide more or better services than do others.

Tax Delinquency

The property tax is based on the idea that ownership of property represents ability to pay. There is an important relationship between the income obtained from property and its ability to pay taxes. If the tax burden becomes too great in relation to income, present or anticipated, the owner may be unable to pay the taxes imposed or may decide it is not worth while to do so. The consequence is tax delinquency.

Tax delinquency is a symptom of something wrong. One common interpretation of this symptom is that the tax load generally is too heavy to be borne. That may be true but it is not the only possibility. The trouble may not be solely or mainly one of too heavy a load in general. The difficulty may lie in the way in which the load is distributed as much or more than in its total weight. Some of the ability to pay may be escaping without bearing its fair share of the load. Such a situation may arise from inequalities in the system or in its application. Inequalities in assessment furnish an illustration of the latter.

According to compilations of the Tax Commission, the total uncollected taxes in the state amounted to nearly 37 million dollars in January, 1931. Of the 1929 taxes, over 10 million were uncollected in January of this year, representing 7.74 per cent of the total levied for 1929. A wide range is found when the county figures are examined, some counties having only about one per cent while one county runs up as high as 66 per cent. The amount of delinquency is relatively small in many counties in southern Minnesota. In northern Minnesota, the problem is more serious. Thus, in several counties in northern Minnesota from one-third to one-half or more of taxes levied in 1929 were delinquent in January 1931. Some of these will be paid eventually but in other cases, it means that the state will acquire title to the property.

Tax delinquency is a matter which concerns not only the delinquent tax payer. He loses his property. The taxing units lose part of their revenue. Where the amount of delinquency is considerable, this loss, particularly to the local units (school district, township and county), is a serious matter. Those

who pay taxes enter the picture too because their tax load is increased. The taxpayers outside the districts involved also are interested from the standpoint of state aid to localities and the likelihood that the state will have to play a greater part in the future in the solution of the problem.

The question of tax delinquent land is related closely to land utilization. The development of land for certain uses involves greater public outlays than if those lands are devoted to certain other uses. For instance, the settlement of a region for farming involves greater expenses for roads and schools than if that land is devoted to the growing of timber. The point of this is not that development should be restricted merely to hold down public expenditure. It is that development is not justified from the economic view unless the result will be able to sustain the increased expenditures which follow. The desirable utilization of land depends upon such things as its suitability for the intended use, the cost involved in its development and the need for it in such use. Land in the heart of a metropolitan center has a high value because of the demand for it in relation to supply. There may be land out in the open spaces better suited physically to the building of sky-scrapers but as there is no need for such development there, that land has to be devoted to uses yielding a lower return.

The need for improvement in taxation is conceded generally. It must be borne in mind, however, that the problems are both varied and complex. There is no single, universal solvent. These problems must be approached from a broader viewpoint than merely one of each individual seeking to escape as lightly as possible without consideration of the general result of such endeavor. Economy in public expenditure is one factor but true economy is more complicated than mere restriction of expenditure without regard to its consequences. Improvement involves, among other things, more equitable distribution thru changes in the tax system and thru improvements in its application (e.g. in assessment), true economy in expenditure and the adoption of an attitude more favorable to the working out of such changes.

MINNESOTA FARM PRICES FOR MARCH 1931

Prepared by D. D. Kittredge and A. E. Erickson

The index number of Minnesota farm prices for the month of March 1931 was 67.7. When the average of farm prices of the three Marches of 1924-25-26 is represented by 100, the indexes for March of each year from 1924 to date are as follows:

March 1924	-	84.0
" 1925	-	105.0
" 1926	-	111.4
" 1927	-	108.9
" 1928	-	101.2
" 1929	-	107.6
" 1930	-	97.4*
" 1931	-	67.7*

*Preliminary

The price index of 67.7 for the past month is the net result of decreases in the prices of farm products in March 1931 from the average of March 1924-25-26 weighted according to their relative importance. These decreases ranged from approximately 70 per cent to 2. The products ranked according to the size of their percentage decreases in this comparison are shown in the following list:

Principal Farm Products which Showed Price Increases and Decreases
in March 1931 when Compared with Average Prices in
March 1924-25-26
(listed in descending order of percentage change)

Decreases: Rye, wheat, barley, flax, lambs-sheep, oats, butterfat, corn,
potatoes, hogs, milk, hay, calves, eggs, chickens, cattle.

Although the Minnesota index for March 1931 does not measure price changes from February 1931, a comparison of month to month changes in price has been made. The increases range from 33 per cent to 3, and the decreases from 15 per cent to 1. The products ranked according to the size of their percentage increases or decreases in March 1931 over February 1931 are shown in the following list:

Principal Farm Products which Showed Price Increases and Decreases
in March 1931 when Compared with February 1931
(listed in descending order of percentage change)

Increases: Eggs, chickens, butterfat, flax.

Decreases: Calves, hay, potatoes, oats, corn, rye, barley, lambs-sheep.

No Change: Wheat, hogs, cattle, milk.
