

CITIZENS LEAGUE REPORT

No. 58

**State & local taxation in Minneapolis  
vs  
comparable cities throughout the US**

**May 4, 1956**

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Citizens League  
601 Syndicate Building  
Minneapolis 2, Minnesota

TO: Board of Directors

FROM: Sub Committee on Comparative Tax Burdens, Robert Sapp, chairman  
Taxation and Finance Committee, Harold Dow, acting chairman

SUBJECT: Report on Comparative Tax Burdens

### Objective and scope

The Sub Committee on Comparative Tax Burdens was set up by the Taxation and Finance Committee to do research on this question:

"How does the burden of state and local taxation in Minneapolis compare with the burden in comparable cities throughout the country?"

The Taxation and Finance Committee's 1954 report on Taxation and Borrowing Policy for Minneapolis contained some information on intercity comparisons, but the report acknowledged the defects in these data, principally due to the failure to take into account all the local governments that provide services within the area of cities, and the fact that state and local governments have differing arrangements for the performance of specific functions, such as welfare and highways. It was felt that more intensive research was necessary, taking into account these factors.

In addition it was felt that a considerable amount of confusion, misunderstanding and misinformation exists over tax burden generally.

The sub committee decided at the outset to compare all 41 cities over 250,000 population because of the availability of data on these cities.

### Methods, sources, references, limitations

The general theory and approach is similar to that used by Professor Arthur M. Borak of the University of Minnesota in his study, "Comparison of Taxes and Costs of Government in Minnesota and Ten Other States," published in Business News Notes, University of Minnesota, June 1953. The sub committee reviewed its preliminary findings and method with Mr. Borak but the responsibility for the work and findings and conclusions is of course the sub committee's.

In Borak's study, he says: "Interstate comparisons of tax or cost burdens of course, require adjustments for differences in population and income. The burden of total tax collections is affected by the number of people paying taxes. Essentially, the burden of taxation is determined by what proportion it takes of a person's income."

It is recognized that comparisons of tax levels between different communities may not necessarily measure differences in the economic advantages or disadvantages faced by individuals or business concerns in these communities. A community is at an economic disadvantage if it pays a higher cost for needed services, or if it has to do without them altogether. The concept of "tax burden" as used in this report is not necessarily related to any economic disadvantage, but refers to "tax level."

The sub committee's aim was to determine total tax collections and their relation to personal income in the cities compared.

No doubt the most accurate and complete way to gather such information would be to visit the cities to be compared or to circulate comprehensive questionnaires to them. The sub committee ruled out these approaches because of the sub committee's limitations and the likelihood that they would not yield significantly greater results than might otherwise be possible by use of already published compilations.

Data used were for 1953, the latest year for which information was available. Appendix 1 gives more detail on method and sources.

How does Minneapolis compare in total tax burden?

Table 1, following page 6, shows the 41 cities ranked according to (1) total state and local taxes per capita, (2) income per capita, (3) state and local taxes per capita as a percent of income per capita.

In rankings of state and local taxes per capita, Minneapolis was tied for 11th out of the 41 cities. In income per capita Minneapolis was 21st. In state and local taxes per capita as percent of income per capita, Minneapolis was 10th.

State and local taxes per capita range from a high of \$203 (New York City) to a low of \$89 (Dallas), with an average of \$147.70 and a median of \$148.00. Minneapolis ranked approximately at the 75th percentile with \$171.00, New York, Boston, Chicago, Los Angeles, San Francisco, Oakland, Detroit, Newark, Milwaukee, and Jersey City ranked higher and Buffalo ranked as high as Minneapolis.

Income per capita ranged from \$2,727 (San Francisco) to \$1,510 (San Antonio). Minneapolis was at the median with \$2,078.

The last column is the most significant for measuring relative tax load. It shows that Minneapolis ranked 10th in percentage of income per capita taken by state and local taxes per capita. The high was 11.58% (Boston), the low 3.85% (Dallas) and the median 7.23% (Portland).

Factors in tax structure which condition ranking in total tax burden

The tax load figures shown in the third column of Table 1 reflect the total taxes paid in the 41 cities. These figures therefore include taxes paid by both residents and non-residents. Since citizens of these communities consider their tax burdens to be only the taxes paid by them and not by non-residents, it is helpful to analyze the tax structures of the 41 cities and try to determine to what extent the cities and states draw revenue from a source which reaches non-residents. Data in Appendix 2 shed light on this problem.

They show that five cities that stand higher than Minneapolis in terms of taxes per capita related to income per capita have one or more consumption taxes that bear on non-residents. Buffalo has a county sales tax, New York has a sales tax, a cigarette tax and a hotel room tax, New Orleans has amusement, alcoholic beverage and sales tax, Los Angeles has a sales tax, and Baltimore has a number of miscellaneous consumption taxes. The effect of these taxes would be to make the position of the Minneapolis taxpayer less favorable than is shown in column 3 of Table 1, since Minneapolis does not have such non-resident tax sources.

On the other hand, as shown on page 4 of Appendix 2, Minnesota is one of six states which draws a significant portion of its revenue from a special tax. This would tend to reduce the Minneapolis taxpayer's contribution as reflected in column 3, Table 1.

Distribution of tax burden within the city

A much more exhaustive analysis than we have been able to undertake would be necessary to arrive at firm conclusions with respect to the distribution of tax burden among taxpaying groups within the 41 cities. However, some points are clear, and on others our analysis of tax structures indicates tendencies.

1. Property tax vs. non-property taxes

a. Minneapolis ranked 6th in property taxes per capita, and 5th in property tax per capita as a percentage of income per capita. Clearly, the property owner in Minneapolis bears one of the highest shares of state and local taxes in large U.S. cities.

b. Minneapolis ranked 17th in the non-property tax field. It ranked above the median in use of non-property tax sources, even though it did not use some of the broad non-property taxes, namely a state and local sales or local income tax. However, this may be due to a factor in the state picture mentioned above, namely, the effect of the iron ore taxes.

2. Direct impact on business vs. direct impact on consumer

Drawing firm conclusions here is not possible without more intensive study. However, the data in Appendix 2 indicate these tendencies:

a. Factors making for lesser impact on business in Minneapolis compared with other cities:

1. Lack of city gross receipts tax, as found in nine cities listed in Appendix 2, pp 2-3.
2. Lack of state corporation license tax or franchise tax as found in four other states, Appendix 2, page 4. These are based on business capital and apply only to business, as distinguished from some corporation franchise taxes, as in Minnesota, which are actually part of an income tax system applying also to individuals.

b. Factors making for greater impact on business in Minneapolis compared with other cities.

1. Minnesota cities are the only ones in which property classifications in determining assessed values are unfavorable to business. Urban real estate is assessed at 40% of true and full value as compared with 33 1/3% for rural real estate, 25% for the first \$4,000 of urban homesteads and 20% for the first \$4,000 of rural homesteads. Personal property on the other hand, including inventories and equipment, is assessed at 33 1/3%, whereas household goods are assessed at 25%, livestock at 20% and farm machinery at 10%.

In four other states classifications are favorable to business (Massachusetts, Kentucky, Ohio, Pennsylvania).

2. Minneapolis is the only city above the median in either total taxes or property taxes per capita which allows homestead exemption. This heightens the relative impact of the property tax on non-homestead property in Minneapolis

### 3. Additional study on impact of property tax on business

An additional effort was made to determine by questionnaire whether the burden of real property taxes in Minneapolis is greater on business property than residential property by determining the relative proportions of total assessed valuation represented by the two classes of property. The results, reported in more detail in Appendix 3, were too limited to be of any help.

#### Comparing Minneapolis with St. Paul

Because of special interest in neighboring St. Paul, the sub committee tabulated the following information, which indicates the relative standing in comparative tax load and the explanation, at least as far as the revenue side of the ledger is concerned.

	<u>Minneapolis</u>		<u>St. Paul</u>	
	<u>Rank</u>	<u>Amount</u>	<u>Rank</u>	<u>Amount</u>
State & local taxes per capita	11	\$171	19	\$149
Income per capita	21	2,078	26	1,977
State & local taxes per capita, as percent of income per capita	10	8.22%	19	7.54%
Assessed value per capita (1953)	-	646	-	636
City tax rate (1953)	-	144 mills	-	118 mills

St. Paul's overall taxes were lower basically because the property tax was lower than Minneapolis' in 1953.

In 1953 St. Paul voters approved increases in per capita limitations from \$40 to \$52. As a result, the St. Paul rate in 1956 is 138.80 mills, compared with Minneapolis' 156.70.

#### The expenditure side

The fact that taxes are higher or lower in a community is not necessarily good nor bad. "Governmental services are received in return and indeed the demand for these services in general creates the demand for the additional taxes," the Taxation and Finance Committee said in its December Report. The greater the proportion of total income spent for taxes, the more important it is to make certain that these expenditures provide the greatest possible service per dollar.

It would be helpful to compare the expenditures of the 41 cities to try to throw light on the different loads of state and local taxes, but the data available did not permit deducting federal aids. Such aids would have introduced an irrelevant factor, so a comparison is not presented.

#### Summary

##### General

1. Minneapolis in 1953 stood in the upper one-fourth of the 41 largest cities in terms of overall state and local tax burden.

2. For Minneapolis residents Minneapolis' tax position tends to be more unfavorable than the ranking of taxes to income indicates, because the city does not have tax sources tapping non-residents to the same extent as cities which stand higher in the overall ranking.

3. On the other hand, Minnesota taps a large special tax source in iron ore taxes and most other states do not have such special sources.

Property tax

1. Minneapolis stood in the top one-seventh of the 41 cities in its reliance on property tax.
2. Minneapolis was fifth in total property taxes per capita as a percentage of income per capita.

Distribution of burden

1. Property owners in Minneapolis carried one of the largest per capita loads of any of the 41 cities.
2. The characteristics of the Minnesota property tax system and the greater prevalence of state and local sales taxes and local income taxes in other cities tend to increase the impact of state and local taxes on business in Minneapolis compared to other cities.
3. On the other hand, the impact on business in Minneapolis is lessened by lack of city gross receipts taxes and the lack of state corporation license or franchise taxes based on capital.

Conclusions

The limitations of a study of this kind are evident from a consideration of Appendix 1. Yet in spite of these limitations and the inaccuracies which may consequently develop, it is felt that the general picture which these figures and rankings give is correct and reliable.

The sub committee comes to three general conclusions:

1. Consideration of all overlapping governmental jurisdictions, state and local, results in the same general conclusion that has come from previous studies limited to city governments or to all governments within the state, namely, that Minneapolis ranks in the top group in state and local tax level.
2. Because of the high relative position of Minneapolis in total state and local tax level, the city and the state must proceed with more than average care in undertaking additional expenditures.
3. The tax levels reached in Minneapolis make it imperative to re-examine the tax structure and to try to eliminate or reduce taxes which raise costs and retard business development. Additional or substitute revenues should come from sources which do not raise costs and which allow adequate incentives for business development.

SUB COMMITTEE ON COMPARATIVE TAX BURDENS

Ray Bender	Lehan Hamlin
Don Bice	James Pratt
E. S. Conover	Robert Sapp, chairman
John Curry	

TABLE I

## STATE AND LOCAL TAXES PER CAPITA AND INCOME PER CAPITA

1953

41 largest U. S. cities

State and local taxes per capita		Income per capita		State and local taxes per capita as percent of income per capita			
1.	New York	\$203	San Francisco	\$2727	Boston	11.58	1.
2.	Boston	202	Seattle	2371	Buffalo	9.65	2.
3.	Chicago	200	Chicago	2368	New York	9.40	3.
4.	Los Angeles	197	Toledo	2361	New Orleans	9.17	4.
5.	San Francisco	191	Long Beach	2356	Jersey City	9.15	5.
6.	Oakland	184	Dallas	2310	Los Angeles	9.07	6.
7.	Detroit	179	Portland	2309	Newark	8.74	7.
8.	Newark	176	Oakland	2266	Baltimore	8.42	8.
9.	Milwaukee	175	Indianapolis	2241	Detroit	8.33	9.
10.	Jersey City	172	Washington DC	2198	MINNEAPOLIS	8.22	10.
11.							
11.	MINNEAPOLIS	171	Cleveland	2187	Milwaukee	8.17	11.
12.	Buffalo	171	Los Angeles	2172	Oakland	8.12	12.
13.	Long Beach	170	Columbus	2171	Rochester	7.78	13.
14.	Portland	167	Kansas City	2167	Pittsburgh	7.76	14.
15.	Denver	164	Denver	2166	Philadelphia	7.63	15.
16.	San Diego	163	New York City	2159	Atlanta	7.62	16.
17.	New Orleans	156	San Diego	2152	Denver	7.57	17.
18.	Rochester	152	Detroit	2148	San Diego	7.57	18.
19.	St. Paul	149	Milwaukee	2142	St. Paul	7.54	19.
20.	Indianapolis	148	Houston	2108	Cincinnati	7.45	20.
21.	Cincinnati	148	MINNEAPOLIS	2078	Portland	7.23	21.
22.	Philadelphia	145	Akron	2038	Long Beach	7.22	22.
23.	Cleveland	143	Newark	2013	San Francisco	7.00	23.
24.	Pittsburgh	142	Cincinnati	1987	Ind'pls	6.60	24.
25.	Baltimore	139	Omaha	1984	Cleveland	6.54	25.
26.	Atlanta	139	St. Paul	1977	Chicago	6.33	26.
27.	Toledo	137	Rochester	1952	Louisville	6.31	27.
28.	Seattle	137	Ft. Worth	1931	St. Louis	6.24	28.
29.	Kansas City	127	St. Louis	1924	Akron	6.23	29.
30.	Akron	127	Philadelphia	1901	San Antonio	6.09	30.
31.	Washington DC	125	Jersey City	1880	Birmingham	6.04	31.
32.	St. Louis	120	Pittsburgh	1830	Memphis	5.98	32.
33.	Houston	118	Atlanta	1824	Kansas City	5.86	33.
34.	Omaha	115	Louisville	1822	Omaha	5.80	34.
35.	Louisville	115	Buffalo	1772	Toledo	5.80	35.
36.	Columbus	110	Boston	1745	Washington	5.69	36.
37.	Fort Worth	103	Memphis	1720	Seattle	5.65	37.
38.	Memphis	103	New Orleans	1702	Houston	5.60	38.
39.	San Antonio	92	Baltimore	1650	Fort Worth	5.33	39.
40.	Birmingham	92	Birmingham	1524	Columbus	5.07	40.
41.	Dallas	89	San Antonio	1510	Dallas	3.85	41.



TABLE II

## STATE AND LOCAL PROPERTY AND NON-PROPERTY TAXES PER CAPITA 1953

in 41 largest U.S. cities

State and local property taxes per capita		State and local non-property taxes per capita		State and local property taxes per capita as % of income per capita	
1. Jersey City	\$159	1. New York	\$122	1. Jersey City	8.46%
2. Boston	131	Chicago	121	Boston	7.51
3. Newark	123	New Orleans	114	Newark	6.11
4. Milwaukee	103	Oakland	104	Milwaukee	4.81
5. Detroit	97	Los Angeles	102	MINNEAPOLIS	4.62
6. MINNEAPOLIS	96	San Diego	99	Detroit	4.52
7. Los Angeles	95	San Francisco	98	Cincinnati	4.38
8. San Francisco	93	Buffalo	95	Los Angeles	4.37
9. Cincinnati	87	Long Beach	94	Buffalo	4.29
10. Cleveland	84	Philadelphia	92	Pittsburgh	4.10
11. Indianapolis	82	Portland	87	Baltimore	4.06
12. Oakland	80	Seattle	87	Rochester	3.94
13. New York	81	Denver	86	Omaha	3.88
14. Portland	80	Toledo	86	Cleveland	3.84
15. Chicago	79	Detroit	82	New York	3.75
16. Denver	78	St. Paul	76	St. Paul	3.69
17. Omaha	77	MINNEAPOLIS	75	Atlanta	3.67
18. Rochester	77	Rochester	75	Indianapolis	3.66
19. Buffalo	76	Milwaukee	72	Denver	3.60
20. Long Beach	76	Baltimore	72	Oakland	3.53
21. Pittsburgh	75	Atlanta	72	Portland	3.46
22. St. Paul	73	St. Louis	72	San Francisco	3.41
23. Akron	68	Boston	71	Akron	3.34
24. Atlanta	67	Columbus	70	Chicago	3.34
25. Baltimore	67	Washington DC	69	Long Beach	3.23
26. San Diego	64	Kansas City	68	Houston	2.99
27. Houston	63	Pittsburgh	67	San Diego	2.97
28. Kansas City	59	Indianapolis	66	Louisville	2.85
29. Washington DC	56	Memphis	65	Philadelphia	2.79
30. Philadelphia	53	Louisville	63	Kansas City	2.72
31. Louisville	52	Birmingham	62	Fort Worth	2.64
32. Fort Worth	51	Cincinnati	61	San Antonio	2.58
33. Toledo	51	Cleveland	59	Washington DC	2.55
34. Seattle	50	Akron	59	St. Louis	2.49
35. St. Louis	48	Dallas	56	New Orleans	2.47
36. New Orleans	42	Houston	55	Memphis	2.21
37. Columbus	40	Newark	53	Toledo	2.16
38. San Antonio	39	San Antonio	53	Seattle	2.11
39. Memphis	38	Fort Worth	52	Birmingham	1.97
40. Dallas	33	Omaha	38	Columbus	1.84
41. Birmingham	30	Jersey City	13	Dallas	1.43

APPENDIX I

Methods and sources

The basic source for much of the sub committee's information was a Bureau of the Census publication, Local Government Finances in 1953. In this publication the Census Bureau compiled for the first time data on expenditures and revenues for all the local governments which serve the 41 largest cities in the country. Prior to this time there had been no compilation, for example, of financial data on special districts, which made inter-city comparisons incomplete.

The financial data were converted to a per capita basis by using population estimates for 1953 found in Sales Management.

Financial data for the states in which the 41 largest cities are located were taken from the Census Bureau's publication, Compendium of State Government Finances in 1953. State taxes were allocated to cities according to the cities' share of the states' total population. Per capita conversions were made by using population estimates in that report.

Income per capita figures were based on "net effective buying income" for the 41 cities, found in the May 10, 1954 edition of Sales Management. "Net effective buying income" figures were adjusted according to a formula supplied by Sales Management's research director in order to arrive at total per capita income before taxes.

APPENDIX II

State Income Taxes, State Sales Taxes and Property Taxes

41 Largest U.S. Cities 1953

State	State Income Tax		State Sales Taxes	Property Taxes	
	Individual	Corporation		Real	Personal
Alabama	X	X	X	X (1)	X
California	X	X	X	X	X
Colorado	X	X	X	X	X
District of Col.	X (2)	X	X	X (1)	X
Georgia	X	X	X	X (1)	X
Illinois	-	-	X	X	X
Indiana	(3)	(3)	(3)	X	X
Kentucky	X	X	X	X	X(4)
Louisiana	X	X	X	X	X
Maryland	X	X	X	X	X
Massachusetts	X	X	X	X	X(3)
Michigan	(6)	(6)	X	X	X
Minnesota	X	X	-	X(1) (7)	X(7)
Missouri	X	X	X	X	X
Nebraska	-	-	-	X	X
New Jersey	-	-	-	X	X
New York	X (2)	X	-	X	-
Ohio	-	-	X	X	X (8)
Oregon	X	X(9)	X	X	X (9)
Pennsylvania	-	X	X (10)	X (11)	X (12)
Tennessee	(13)	X	X	X	X
Texas	-	-	-	X (1)	X
Washington	(14)	(14)	X	X	X
Wisconsin	X	X	-	X	X

NOTES:

- (1) Homestead exemption on real estate: Ala. \$2,000; Ga. \$2,000; Minn.\$4,000 Texas \$3,000
- (2) Also tax on unincorporated businesses.
- (3) Gross income tax on individuals and corporations, lower rate for wholesaler and retailers.
- (4) Lower tax rate on machinery and inventory of manufacturer.
- (5) Personal property of corporations exempt (except machinery).
- (6) Business receipts tax based on "value added" effective 7-1-53.
- (7) Assessed values according to class of property, homesteads classified at lower rate than other property.
- (8) Personal property used in manufacturing assessed at lower rate than other personal property.
- (9) Corporations may offset personal property tax against up to 50% of income tax.
- (10) Effective 9-1-53.
- (11) Machinery of manufactures not taxable in Philadelphia or Pittsburgh.
- (12) Intangibles only -no tax on tangible personal property.
- (13) No individual income tax except on dividends and interest.
- (14) Gross income tax on businesses.

SOURCE: Commerce Clearing House State Tax Reporter

Local Non-Property Taxes of Significance  
41 Largest U.S. Cities 1953

<p>Baltimore</p> <ul style="list-style-type: none"> <li>Tobacco tax</li> <li>Alcoholic beverages tax</li> <li>Sales tax on fuels, electricity and telephone messages</li> <li>Tax on coin operated amusement devices</li> </ul>	<p>New Orleans</p> <ul style="list-style-type: none"> <li>Amusement tax</li> <li>Alcoholic beverages tax</li> <li>Occupation tax on business based on gross receipts</li> <li>Sales tax</li> </ul>
<p>Birmingham</p> <ul style="list-style-type: none"> <li>License tax based on business property, inventories, and gross receipts</li> </ul>	<p>New York</p> <ul style="list-style-type: none"> <li>Gross receipts tax</li> <li>Motor vehicle tax</li> <li>Sales tax</li> <li>Cigarette tax</li> <li>Hotel room tax</li> <li>Utilities tax</li> </ul>
<p>Buffalo</p> <ul style="list-style-type: none"> <li>County sales tax</li> </ul>	
<p>Chicago</p> <ul style="list-style-type: none"> <li>Amusement tax</li> <li>Cigarette tax</li> </ul>	<p>Oakland</p> <ul style="list-style-type: none"> <li>Sales tax</li> </ul>
<p>Cincinnati</p> <ul style="list-style-type: none"> <li>Admissions tax</li> </ul>	<p>Philadelphia</p> <ul style="list-style-type: none"> <li>Income tax on individuals</li> <li>Gross receipts tax on businesses</li> <li>Amusement tax</li> </ul>
<p>Cleveland</p> <ul style="list-style-type: none"> <li>Admissions tax</li> </ul>	
<p>Columbus</p> <ul style="list-style-type: none"> <li>Admissions tax</li> <li>Income tax on individuals, corporations and unincorporated businesses</li> </ul>	<p>Pittsburgh</p> <ul style="list-style-type: none"> <li>Gross receipts tax on businesses (manufacturer exempt)</li> <li>Amusement tax</li> <li>School district per capita taxes</li> </ul>
<p>Denver</p> <ul style="list-style-type: none"> <li>Sales tax</li> <li>Cigarette tax</li> </ul>	<p>Portland</p> <ul style="list-style-type: none"> <li>Chain store tax on either gross receipts or net income</li> <li>Business license taxes based on either gross receipts or net income</li> <li>Utilities tax</li> </ul>
<p>Kansas City</p> <ul style="list-style-type: none"> <li>License tax based on gross receipts of merchants &amp; manufacturers</li> <li>Motor fuel tax</li> <li>Cigarette tax</li> </ul>	
<p>Los Angeles</p> <ul style="list-style-type: none"> <li>Sales tax</li> <li>Business gross receipts tax</li> </ul>	<p>Rochester</p> <ul style="list-style-type: none"> <li>County sales tax</li> </ul>
<p>Louisville</p> <ul style="list-style-type: none"> <li>Income tax on individuals, corporations &amp; unincorporated businesses</li> </ul>	<p>St. Louis</p> <ul style="list-style-type: none"> <li>Income tax on individuals, corporations &amp; unincorporated businesses</li> <li>License tax based on gross receipts of merchants-manufacturers</li> <li>Motor fuel tax</li> <li>Cigarette tax</li> </ul>

St. Paul

Gross receipts tax on sale of gas,  
electricity, and steam

San Diego

Sales tax

San Francisco

Sales tax

Seattle

Gross receipts taxes  
Admission tax

Toledo

Income tax on individuals, cor-  
porations & unincorporated businesses.

SOURCE: Commerce Clearing House State Tax Reporter

SPECIAL STATE TAXES

Minnesota is one of the few states in which special taxes furnish a significant portion of state revenue. However, the importance of these taxes may easily be exaggerated. The following are the figures for the fiscal year 1954-55 on special state taxes for cities which are a part of this study:

In Louisiana the Gas Gathering Tax provided \$12,000,000.00 of 4% of the total state revenue, the Severance Tax provided \$67,000,000.00 or 22% of total state revenue.

In Michigan the Corporation License Tax provided \$42,000,000.00 or 7% of total state revenue.

In Minnesota the Iron Ore Occupation Tax and royalties provided \$19,000,000.00 or 8% of total state revenue.

In New Jersey the Corporation Franchise Tax provided \$21,000,000.00 or 9% of total state revenue.

In Pennsylvania the Capital Stock Tax provided \$40,000,000.00 or 6% of total state revenue.

In Texas the Corporation Franchise Tax provided \$30,000,000.00 or 6% total state revenue, the Natural Gas Tax provided \$39,000,000.00 or 7%, and the Petroleum Tax provided \$128,000,000.00 or 24%.

COMMENTS ON THE 1953 TAX STRUCTURES OF THE 41 LARGEST U.S. CITIES

1. Minnesota cities are the only ones in which property classifications in determining assessed values are unfavorable to business. In four other states classifications are favorable to business (Massachusetts, Kentucky, Ohio, Pennsylvania).

2. Minneapolis is the only city above the median in either total taxes or property taxes per capita which allows homestead exemption.

3. Minneapolis is fifth in total property taxes per capita as a percentage of income per capita. Over one percentage point is above the median.

4. There does not appear to be any significant relationships between the weight of the tax burdens in the various cities, and the types of taxes imposed. We may use as an example the 10 cities ranking above Minneapolis in total tax burdens:

In 6 of the cities there are state income taxes,  
In none is there a local income tax,  
In 5 there are state sales taxes,  
In 4 there are local sales taxes,  
In 5 there are significant local non-property taxes

5. It might be interesting to determine the number of cities in which income and sales taxes are present:

- a. 16 cities have both a state income tax and a state sales tax. In addition 6 of the cities have a local sales tax and 2 of them have a local income tax. Of the 16, 7 are above the median in total tax burden and 9 are below the median.
- b. 9 cities have a state income tax but no state sales tax. 3 of these cities, however, have a local sales tax and 1 has a local income tax. Of these 9, 8 are above the median in total tax burden and 1 is below the median.
- c. 8 cities have a state sales tax but no state income tax. 2 of these cities have a local income tax, none has a local sales tax. Of these 8, 2 are above the median in total tax burden, 5 are below the median, and 1 is a median city.
- d. 8 cities have neither a state income tax or a state sales tax. 2 of these are above the median of total tax burden, 5 are below the median, and 1 is a median city. There are no local income or sales taxes in these cities.

Minneapolis is in Category b. It is one of 6 cities which has an income tax, but no state or local sales tax. The others are Portland, St. Paul, Milwaukee, Boston, and Louisville.

27 cities have some type of income tax.

27 cities have some type of sales tax.

21 of the cities having an income tax also have a sales tax.

21 of the cities having a sales tax also have an income tax.

Of the cities having greater non-property tax burdens than Minneapolis, only two (Portland and St. Paul) do not have a local sales tax.

APPENDIX III

Citizens League  
601 Syndicate Building  
Minneapolis 2, Minnesota

TO: Sub Committee on Comparative Tax Burdens

FROM: Al Richter

SUBJECT: Distribution of assessed values among types of property in 41 largest cities.

Background and purpose

In the sub committee's progress report to the main committee last year, it was noted that Minneapolis' high relative tax burden was due mainly to its high relative property tax. The main committee suggested that in order to discover how much this reflected a higher relative burden on business property in Minneapolis, it would be well to try to determine the relative proportion of property taxes paid by business in the 41 cities under comparison. It was suggested that the sub committee find this out by determining the relative proportions of the assessed values represented by the several classes of real property in the 41 cities.

Method

The sub committee first tried to find central compilations of the information but was unsuccessful. Following the suggestion of the executive director of the Federation of Tax Administrators, the sub committee then wrote to state tax or assessment offices in states where equalization studies have been recently made, asking for the valuation breakdown for appropriate cities. It also sent a questionnaire directly to the cities.

Results

Cities queried;	41
Cities replying:	
Data not available	17
Data not submitted	18
	35

Minneapolis and St. Paul replied but said no data was available.

Of the 18 cities on which data were submitted, no comparisons can be drawn either because of differences in classification or incompleteness. Data from the seven cities submitting the most complete data are tabulated below for informational purposes. This should indicate the character of the answers received.

Conclusions:

The data received do not permit any conclusions. We do not believe further investigation by this sub committee would yield much better results.



Percentage of total assessed valuation by class of property

<u>City</u>	<u>Resi- dential</u>	<u>Multi- dwel- ling</u>	<u>Comm- ercial</u>	<u>Indus- trial</u>	<u>Public utility</u>	<u>Other</u>	<u>Other</u>	<u>Total</u>
New York	19.5	32.5	20.6	9.1	13.6	2.1 <sup>(1)</sup>	1.8 <sup>(2)</sup>	100.0
Cleveland	27.3 <sup>(3)</sup>	-	27.2 <sup>(4)</sup>	9.9	9.5	-	26.1 <sup>(5)</sup>	100.0
Milwaukee	----47.7-----		18.0	14.2	(by state)	0.7 <sup>(6)</sup>	20.7 <sup>(7)</sup>	100.0
Buffalo	----48.3-----		26.9	11.7	11.7	1.2 <sup>(8)</sup>	-	100.0
Newark	----28.4---(9)-		----67.7-----		2.0 <sup>(10)</sup>	2.0 <sup>(11)</sup>	-	100.0
Columbus	55.3	--29.6-----		5.3	9.9	-	-	100.0
Rochester	37.5	17.0	17.8	15.6	9.6	3.6	-	100.0

Footnotes

(1) miscellaneous building. (2) vacant lands. (3) includes one, two and three family homes. (4) includes apartment houses. (5) tangible personality used in business, industry and agriculture. (6) agricultural. (7) personal property, mostly business. (8) vacant. (9) four family or less. (10) 2nd class railroad. (11) vacant land.