

Public Revenue in Ohio with Especial Reference to Rural Taxation

H. R. Moore and J. I. Falconer



OHIO
AGRICULTURAL EXPERIMENT STATION
Wooster, Ohio

The Ohio State University



3 6267 01222191 0

This page intentionally blank.

CONTENTS

Introduction	3
Federal Revenue	3
Revenue Collected by the State of Ohio and Its Subdivisions	6
Sources of State and Local Revenue	7
Funds Collected by the State Government	14
Funds Collected by the Local Units of Government	15
Services Supplied Through the Expenditure of Public Funds	30
General Property Taxes	33
Delinquent Taxes	38
Trends in Farm Taxes	39
Summary	43

This page intentionally blank.

PUBLIC REVENUE IN OHIO WITH ESPECIAL REFERENCE TO RURAL TAXATION¹

H. R. MOORE AND J. I. FALCONER

INTRODUCTION

Taxation is of interest to farmers, since taxes represent one of the major items of farm expense, since funds thus derived provide services desired by farmers and others, and since as citizens farmers are called upon to help determine policies of taxation. It was with this in mind that the material in this bulletin was assembled.

Events in the fiscal affairs of our governments have moved rapidly since the first bulletin dealing with taxation was published by the Ohio Experiment Station in 1928. These changes have made it desirable to bring the data related to the revenue system up-to-date in order to present a better picture of governmental finances. Some of the developments of the past few years affecting fiscal affairs are: The adoption of a classified personal property tax, the further breakdown of real estate taxation as demonstrated by the serious growth of tax delinquency, the adoption of some new tax sources, the need for further extension of financial aid to local governments, and the apparent necessity for recourse to public borrowing for emergency purposes. Governmental affairs in the past few years have been largely dominated by poorly adjusted economic conditions that have placed some special strains on the public purse. Also, this period has further demonstrated some of the inequitable features of the taxing system and has probably hastened changes. The foregoing factors are mentioned because they contain the forces which in the recent past have influenced the trends in taxation illustrated by the data in this bulletin.

In the pages that follow, the revenue system has been considered insofar as possible from the standpoint of the funds involved over a period of years. By so doing the relative importance of the various sources of revenue and the expenditures is better established. Thereby, some of the changes in the tax system can be judged as to their relative importance, excepting a few newly adopted taxes which have not been in operation long enough to be measured accurately.

It is hoped the information contained herein will aid in a clearer conception of the volume of taxation, the source of the revenue, the administration of the funds and their ultimate uses.

FEDERAL REVENUE

All divisions of government—federal, state, county, and subdivisions within the county—collect and use public revenue. Taxation by each of these must be discussed to some extent in order to present a reasonably complete picture of governmental finances.

Federal taxation is mentioned primarily to give a conception of the internal revenue collections in Ohio and the Federal aid given back to the State, the volume of which in recent years has assumed large proportions.

¹Revision of Bulletin 425.

Internal revenue represents the main portion of the ordinary receipts of the Federal government which normally are depended upon to meet all ordinary expenditures. In the fiscal year ending June 30, 1934, the total revenue receipts (exclusive of postal receipts) amounted to \$3,106,000,000, of which sum 10 per cent came from customs duties, 85 per cent from internal revenue collections, and 5 per cent from miscellaneous sources, including interest, sales of goods, and service fees, fines, etc. Of the total revenue collections of the Federal government tobacco taxes produced 14 per cent; the income tax on individuals, 11 per cent; the income tax on corporations, 10 per cent; back taxes on incomes, 5 per cent (or a total for all income taxes of 26 per cent); processing taxes on farm products, 11 per cent; liquor taxes, 8 per cent; and inheritance and gift taxes, 4 per cent.

It is misleading to associate collections of Federal revenue in a particular locality with the amount of tax burden having final incidence on the residents of that locality—customs duties are collected at posts of entry; taxes on manufacturers are reported as coming from the centers of an industry; and, likewise, the income tax on corporations and individuals is concentrated in certain geographical points, although the economic base supporting the businesses and incomes is national and even international in scope. However, in order that the presence of Federal taxation may be more fully appreciated, a statement is made below on the collections of internal revenue in Ohio.

The volume of internal revenue collections in Ohio over a period of years is shown by the figures in Table 1. War-time expansion was followed by a period of contraction ending in 1932, when the collections per capita averaged only \$9.06, or less than one-seventh as much as the \$64.89 collected in 1920. The upward trend in collections starting in 1933 can be associated partly with a measure of business revival and partly with the imposition of new taxes to offset the growing demands on the national treasury. Income tax rates have been revised upward, but, more important from the standpoint of revenue receipts, has been the imposition of excise taxes on goods and services.

TABLE 1.—Collections of Federal Internal Revenue in Ohio—1913-1934

Year*	Total	Per capita
	<i>Dol.</i>	<i>Dol.</i>
1913.....	25,169,597	4.99
1914.....	25,031,262	4.86
1915.....	27,418,293	5.22
1916.....	33,743,476	6.31
1917.....	51,340,223	9.42
1918.....	300,816,780	54.15
1919.....	260,005,895	45.96
1920.....	373,746,485	64.89
1921.....	285,658,533	48.54
1922.....	192,301,680	32.13
1923.....	148,486,487	24.27
1924.....	153,524,833	24.48
1925.....	142,497,084	22.29
1926.....	155,755,622	23.87
1927.....	147,430,942	23.11
1928.....	139,686,999	21.59
1929.....	142,497,218	21.73
1930.....	145,629,774	21.91
1931.....	112,931,179	16.77
1932.....	61,814,400	9.06
1933.....	69,477,801†	10.05
1934.....	124,681,238‡	17.81

*Fiscal year ending June 30. Taken from the annual reports of the Secretary of the Treasury of the United States.

†Income taxes \$30,285,464.88. Miscellaneous taxes \$39,192,336.54.

‡Includes \$12,871,065 Agricultural Adjustment taxes.

A very decided shift to consumption taxes has been forced by the depression. To illustrate this trend, 70 per cent of the internal revenue collections in Ohio in 1926 came from income taxation, 77 per cent in 1932, and only 30 per cent in 1934. The extent of this change can be appreciated also by the actual amounts collected in Ohio in these 3 years:

	1926	1932	1934
Federal income tax.....	\$109,070,914	\$47,531,972	\$37,895,472
Miscellaneous internal revenue	46,684,708	14,282,429	73,914,431
Agricultural Adjustment taxes			12,871,065
Total.....	155,755,622	61,814,401	124,681,238

Federal aid has played an important part in the support of several State administered functions for years; and, as time goes on, the tendency is for the amount of such aid to increase. Attention is directed to the items listed in Table 2 which are explanatory of the various uses made of Federal aid funds in Ohio in 1932, 1933, and 1934. The large sums going for relief in the latter year are, of course, presumed to be temporary and not indicative of the permanent scale of Federal funds granted to the State.

TABLE 2.—Expenditures Made by the Federal Government as Direct Payments to the State of Ohio Under Cooperative Arrangements—1932, 1933, and 1934*

	1932	1933	1934
	<i>Dol.</i>	<i>Dol.</i>	<i>Dol.</i>
Agricultural Experiment Station.....	90,000	90,000	90,000
Agricultural Extension work.....	296,332	296,328	296,328
Forest fire protection.....	7,491	5,903	5,643
Distribution of forest planting stock	3,290	2,384	1,500
Construction of rural post roads.....	4,238,551	4,869,738	931,300
Federal aid highway system advances for emergency construction.....	2,389,217	2,079,240	2,281,142
National Industrial Recovery highway funds			5,251,475
Ohio State University	50,000	50,000	50,000
Education of blind	4,415	3,598	3,325
National Guard	1,485,759	1,475,553	1,054,993
Vocational education	483,224	440,926	374,004
Homes for disabled soldiers and sailors	87,203	87,896	32,270
United States employment service.....			60,934
Civil Works Administration (advances).....			57,890,000
Federal Emergency Relief Administration (grants) ..			38,081,154
Federal Emergency Administration of Public Works.....			197,139
Total.....	9,135,482	9,401,566	106,601,207

*Taken from the annual reports of the Secretary of the Treasury of the United States. These are fiscal years ending June 30 and do not conform with the State accounting period which is on a calendar year basis.

The growing volume of Federal aid is indicative of how responsibility for certain services is becoming centralized, for some administrative control must follow the grants of money, tending to standardize the subsidized activity according to some national plan.

REVENUE COLLECTED BY THE STATE OF OHIO AND ITS SUBDIVISIONS

Table 3 has been constructed to give some quantitative measurement of both the total and per capita collections of revenue by Ohio and its subdivisions over a period of 20 years. Attention is particularly directed to the last column in this table which is intended to measure roughly the increase in burden of government to the individual since 1913.

TABLE 3.—Total and Per Capita Revenue Collected for Support of Ohio Governments with Relative Increase in Collections—1913-1933

Year	Total collections*		Per capita collections	
	Dollars	Relative change (1913=100)	Dollars	Relative change (1913=100)
1913.....	96,952,000	100	19.14	100
1914.....	107,009,000	110	20.72	108
1915.....	105,058,000	108	19.96	104
1916.....	121,348,000	125	22.63	118
1917.....	133,558,000	138	24.45	128
1918.....	147,458,000	152	26.52	139
1919.....	160,428,000	165	28.34	148
1920.....	187,516,000	193	32.56	170
1921.....	246,324,000	254	42.12	220
1922.....	280,495,000	289	47.25	247
1923.....	285,533,000	295	47.39	248
1924.....	309,814,000	320	50.67	265
1925.....	321,079,000	331	51.76	270
1926.....	349,164,000	360	55.50	290
1927.....	394,858,000	407	61.89	323
1928.....	435,429,000	449	67.31	352
1929.....	450,879,000	465	68.75	359
1930.....	462,563,000	477	69.59	364
1931.....	454,967,000	469	67.55	353
1932.....	378,834,000	391	55.51	290
1933.....	336,849,000	347	48.72	265

*Municipal public service enterprises not included. These businesses collected approximately \$36,236,000 in 1932 according to data assembled by the Ohio Institute and \$28,941,000 in 1933 according to records of the Auditor of State.

Taken from the annual reports and from comparative statistics of counties, cities, and villages of Ohio published by the Auditor of the State of Ohio. Miscellaneous revenues of townships in 1933 estimated from 1932.

Why should the revenues collected by Ohio and its subdivisions increase from less than 100 million dollars in 1913 to more than 450 million dollars in less than 20 years? Part of the answer is the growth in population from less than 5 million to 7 million people. Part is due to the higher price level continuing after the war. However, the greater part must be associated with the expansion of public service, a force operating even in the depression years when the drive for economy in public affairs was strongest.

Much of the expansion in cost of government the past two decades can be associated with the public school system and with the building and maintenance of highways suitable for motor traffic; but, other departments of government have exhibited the same tendency. Rather, it is a group of influences pointing in the same direction, for the application of inventions and science to modern life and a growing consciousness of social responsibility for the individual are basic to this increased cost of government. Other states and other nations

have had the same experience, for universally the people tend to purchase collectively through the agency of government services formerly supplied either by private enterprise or not at all.

This expansion of governmental activity, although most pronounced in the last quarter of a century, has been going on for a much longer period and in some degree measures the rapidity of economic and social change which can be associated with industrialization. In other words, a complex specialized social organization, on the one hand, requires a good bit of government in way of regulation and, on the other hand, being more productive creates the extra wealth and income to support more governmental activity and service. An ever present difficulty is that the system of public finance does not keep in adjustment with our changing economic organization and thus exacts too great a contribution from some individuals and too little from others. The cost of government is burdensome quite as much because of a poorly devised tax system as because of the two to three hundred per cent increase in the past 20 years.

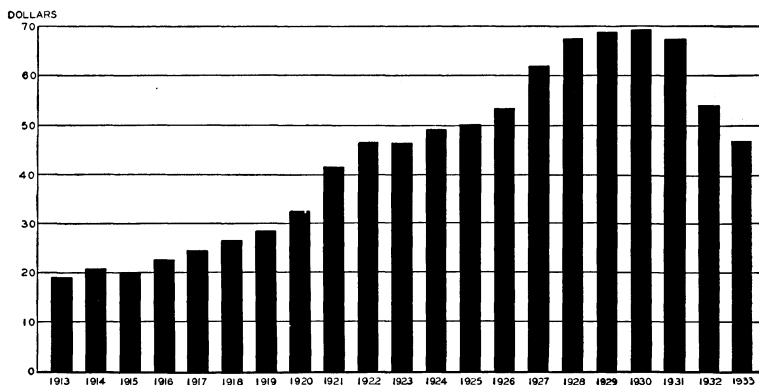


Fig. 1.—Amount of revenue per capita collected to support State and local government in Ohio, 1913-1933

SOURCES OF STATE AND LOCAL REVENUE

A fairly distinct division can be made between Federal and State revenues, but we have already seen how some Federal money flows back to support functions administered by State departments. The same is even more true between State and local government. Where does one leave off and the other begin? Financial organization is interlocking to a degree just as is official administration. At a later point in this bulletin a division is made between State and local finances, but it is desirable first to consider all as one system.

The revenue system of Ohio was established on the theory that property ownership is the just basis of taxation. For over a century the general property tax, or what closely approximated a general property tax, has been the backbone of the revenue system of local governments and for two-thirds of this period of the State government as well. It was originally assumed by some that the amount of benefit a person receives from the government was measured by the value of property rights he enjoys under the government. Others argued that the value of property owned by a person is a measure of his ability

to pay taxes. In a simple stage of economic development with a relatively uniform distribution of property ownership such a system had a much better justification than is true today. As a matter of history, the already existing system of property taxes was recodified into what was termed the uniform property tax and placed in the State Constitution in 1851. It so remained with practically no change until the adoption of the classified property tax in 1930. However, as more services were demanded from time to time, new taxes have been developed to help meet the cost. The most important of these are the franchise and excise taxes on corporations (particularly public utilities and insurance companies), the inheritance tax, the motor fuel excise tax, and various fee and license taxes intended to be partly regulatory and partly producers of revenue. Since 1930 several special sales taxes have been adopted as temporary measures and finally a general sales tax was put in operation in 1935.

These taxes and other sources of revenue are listed in Table 4 so as to show their relative fiscal importance. Following is a brief explanation of each. It is regretted that the yield of the retail sales and liquor taxes for 1935 cannot be included in this table.

The general property tax.—The taxation of all property at uniform rates was discarded and a classified property tax put into operation in 1932. "The classified property tax is the ad valorem taxation of property by its segregation into groups or types and the application to these various classes of different effective rates."² The classification scheme adopted in Ohio varies both the taxable valuation of certain classes of property and the tax rates applying to the property. It also includes an income tax on productive investments. This is a sharp break with the tradition of the old general property tax which attempted to tax real estate and all personal property rights at uniform rates and on the full valuation.

Under the new property tax law, real estate and public utility property are taxed under the same rules of valuation and tax rates as existed under the old general property tax. Tangible personal property is taxed at the same rates as real estate in the same taxing district but at a designated fraction of its true value. The percentage of full value at which various types of property are assessed is as follows: Manufacturers' materials and finished products located at the point of manufacture or in the same county, 50 per cent; manufacturing equipment, 50 per cent; equipment for the generation or distribution of electricity for sale, 100 per cent; implements and equipment used in agriculture, 50 per cent; livestock used in agriculture, 50 per cent with an additional \$200 exemption from the taxable valuation; merchandise, office fixtures, and other taxable tangible personal property when not otherwise classified, 65 per cent. Two important exemptions were allowed under the classification law—household goods and motor vehicles. A higher license tax was adopted to replace the property tax on motor vehicles but household goods were entirely exempted unless used in business.

Intangible personal property is taxed at its full value but at low rates: bank deposits at 2 mills on each dollar; money, 3 mills; credits, 3 mills; deposits in financial institutions, 2 mills; shares of capital in financial institutions, 2

²Leland, Simeon E. *The Classified Property Tax in the United States*. P. 41. Houghton Mifflin Company, 1928.

TABLE 4.—Revenue Received for State and Local* Government in Ohio, by Source—1916-1933

Year	Total	Derived from											
		General property tax	Special assessment on property	State inheritance tax	Corporation franchise tax	Public utility excise tax	Insurance company fees, assessments	Motor vehicle license tax	Gasoline tax	Cigarette tax	Liquor and beverage taxes	Miscellaneous taxes, fees, fines, receipts—State, local	Federal aid
	<i>Dol.</i>	<i>Pct.</i>	<i>Pct.</i>	<i>Pct.</i>	<i>Pct.</i>	<i>Pct.</i>	<i>Pct.</i>	<i>Pct.</i>	<i>Pct.</i>	<i>Pct.</i>	<i>Pct.</i>	<i>Pct.</i>	<i>Pct.</i>
1916.....	121,348,000	74.65	7.10	0.31	2.22	2.64	1.30	1.81	.....	0.10	5.09	4.56	0.22
1917.....	133,558,000	74.97	7.42	0.50	2.08	2.82	1.29	1.31	.....	0.11	4.02	5.28	0.20
1918.....	147,458,000	75.24	6.95	0.39	2.13	2.93	1.27	1.46	.....	0.12	3.99	4.85	0.67
1919.....	160,428,000	76.21	6.61	0.46	2.30	3.05	1.38	1.52	.....	0.12	3.20	4.48	0.67
1920.....	187,516,000	76.98	6.15	0.47	2.15	3.00	1.32	2.69	.....	0.39	0.12	5.71	1.02
1921.....	246,324,000	77.00	5.33	1.16	1.97	2.58	1.19	3.39	.....	0.32	.....	5.21	1.85
1922.....	280,495,000	78.74	5.61	1.06	2.09	2.92	1.27	2.63	.....	0.28	.....	4.05	1.35
1923.....	285,533,000	76.44	6.31	0.93	2.13	2.18	1.25	2.75	.....	0.28	.....	6.49	1.24
1924.....	309,814,000	75.70	6.74	0.93	2.10	2.38	1.21	4.38	.....	0.26	.....	4.87	1.43
1925.....	321,079,000	75.24	7.73	1.23	1.75	2.30	1.37	3.73	1.10	0.27	.....	4.22	1.06
1926.....	349,164,000	73.25	8.30	1.14	1.31	1.99	1.31	3.00	3.63	0.25	.....	4.88	0.94
1927.....	394,858,000	67.83	7.92	1.57	1.38	1.82	1.27	2.77	3.51	0.26	.....	10.81	0.86
1928.....	435,429,000	66.20	7.71	1.45	1.77	1.48	1.36	2.79	5.82	0.25	.....	10.20	0.97
1929.....	450,879,000	63.72	7.83	1.65	1.58	1.67	1.83	2.93	7.43	0.24	.....	10.25	0.87
1930.....	462,563,000	63.50	7.72	1.62	1.49	1.41	1.43	2.99	8.38	0.23	.....	10.06	1.17
1931.....	454,997,000	61.85	6.59	2.08	1.22	1.73	1.46	2.88	9.16	0.55†	.....	10.26	2.22
1932.....	378,834,000	60.12	5.57	1.19	1.14	1.54	1.75	4.78	9.62	1.18†	.....	11.31	1.80
1933.....	336,849,000‡	56.03	4.35	1.09	1.12	1.80	1.82	5.09	10.08	1.38†	0.69	14.63‡	1.94§

*County, township, school district, and municipality.

†Cigarette stamp tax included.

‡Miscellaneous receipts of townships estimated at \$1,500,000 on basis of 1932 receipts.

§Emergency relief funds not included.

Taken from annual reports and from comparative statistics of counties, cities, and villages of Ohio published by the Auditor of the State of Ohio.

mills; shares of capital of dealers in intangibles, 5 mills; capital of domestic insurance companies, 5 mills; unproductive investments, 2 mills; and productive investments, 5 per cent of the income.³

Special assessments.—Special assessments are in the nature of a fee, but their use has given them a special significance which distinguishes them from other fees. Seligman has defined a special assessment as “a compulsory contribution paid once and for all to defray the cost of a specific improvement to property undertaken in the public interest and levied by the government in proportion to the special benefits accruing to the property owner”.

An extensive use has been made of special assessments in Ohio. The earlier use was in defraying the cost of urban improvements, but the construction of improved highways introduced special assessments to wider rural use. Although the special assessment is, in theory, limited to the actual benefit accruing to the property, a difficulty arises in measuring this benefit. Heavy special assessments have been a cause contributing to the financial failure of numerous Ohio farmers. The financial burden to land owners arising from outstanding special assessments on State roads was removed by a law effective June 6, 1935, which decreed that 10 per cent of the State's share of motor vehicle licenses be used to retire outstanding bond issues and to refund prepaid special assessments.

The inheritance tax.—An inheritance tax on collateral heirs has been levied in Ohio since 1895, and direct heirs were taxed in 1894, 1895, and again in 1904 to 1908, inclusive. The present tax on direct heirs was established in 1919. In 1927 the State inheritance tax was broadened by the addition of an estate tax to utilize the provision of the Federal estate tax which allows 80 per cent of the proceeds to be retained by the State.

Revenue from the inheritance tax is divided one-half to the State and one-half to the municipality or township which was the residence of the deceased, or, in case of real property inheritance, the municipality or township in which the property is located receives the local share. Because most rural communities contain few wealthy estates, the tax yield directly enjoyed by such communities is usually small; however, since the tax is potentially a source of State aid funds for local services, its significance to rural areas is increased.

Corporation franchise tax.—This is an annual tax on the right to do business under corporate form, introduced in Ohio in 1902. All the revenue produced goes to the State general revenue fund. The present annual rate is one-tenth of one per cent of the corporate assets. Fees are charged also for the privilege of incorporation.

Public utility excise tax.—Excises are indirect taxes levied on goods or services produced or consumed within certain territorial limits. Such taxes are called indirect because the tax payer is not presumed to be the tax bearer; that is, the person who pays the tax is able to reimburse himself by passing the cost on to some one else—the consumer of the product or service. In Table 6 may be seen the various types of businesses classed as public utilities.

In view of the greatly increased demands for poor relief in 1932, the legislature placed another excise tax on certain public utilities for the period of 1932 to 1937, inclusive.⁴ The rate is one per cent of the gross income and is to be used for relief purposes only or to liquidate bonds issued by cities or

³Changed to 6 per cent for the one year, 1935.

⁴The permanent rate was also increased one per cent on most public utilities in 1935. Until 1943 this last one per cent is diverted to the county poor relief excise tax fund.

counties for relief purposes. The funds are administered through the State Relief Commission, a new agency of the State created to correlate and systematize local with State and national relief work.

Insurance company taxes and fees.—Foreign insurance companies are required to pay an annual tax, now 2.5 per cent, on the gross premiums collected on risks within the State. Fire insurance companies pay an additional tax of 0.5 per cent on gross premiums for maintenance of the office of State fire marshal. An annual franchise tax of two-tenths of one per cent is imposed on gross premiums paid to domestic insurance companies. Additional fees are collected from all insurance companies to cover the cost of State supervision. Collections, above the cost of supervision, accrue to the general revenue fund of the State.

Motor fuel excise tax.—This tax was introduced in Ohio in 1925. At first it was a 2-cent tax but was increased to 3 cents in 1927 and to 4 cents in 1929. The motor fuel tax law of Ohio has been subjected to several amendments during the past few years to provide for the diversion of revenue for purposes of poor relief and schools. The provisions of the 1933 laws are briefly as follows: 1.5 cents per gallon are levied for maintenance and widening of State roads, maintenance of county roads, and maintenance and construction of streets within municipalities. A like amount is levied for construction and maintenance by the State, counties, townships, and municipalities. At the same time, one cent per gallon was levied for school purposes on liquid fuels; originally the tax was to continue only to the end of 1934. Provision was made that proceeds of the motor fuel tax allocated to counties and cities could be diverted to relief purposes up to March 1, 1935, with the approval of the State Relief Commission.

Motor vehicle license tax.—This tax was originally introduced in 1908 as a small tax to cover the cost of licensing motor vehicles for purposes of regulation. It has developed into an important source of revenue. Prior to the adoption of the classified property tax, motor vehicles were taxable as property but at that time were exempted from property taxation and the license charge increased. Under the act of 1931, revenues derived from these licenses are divided as follows: 25 per cent for highway maintenance or repair in the county or municipal corporation in which the vehicle is registered; 5 per cent equally divided among all counties; 47 per cent distributed to the counties according to motor vehicle registration⁵ (the two latter portions being available either for maintenance or construction); and 23 per cent to the State for highway maintenance or repair.

Temporary provision was made after the classified property tax was adopted for diversion of money out of the county's share to certain county and township funds previously supported by property taxation.

Cigarette license tax.—The cigarette dealers' license tax wholesale (\$100) and retail (\$25) has been yielding a little less than a million dollars yearly. The revenues under the act of 1931 are divided one-half to the State, one-fourth to the county, and one-fourth to the township or municipality where the business is located.

Cigarette excise tax.—Effective September 1931, a stamp tax of one cent was imposed for each 10 cigarettes or fraction thereof in a package. The

⁵Reduced to 37 per cent for 1936 and thereafter, the 10 per cent going into the State treasury for retiring certain county, township, and municipal road bonds and for refunding certain special assessments.

present law, expiring at the end of 1935, authorizes the revenue to be used for the State educational equalization fund. The annual yield has been between 4 and 5 million dollars.

Cosmetics excise tax.—This tax became effective August 1933 and was to continue until December 1935 but was suspended when the retail sales tax was adopted. It was a 10 per cent tax collected through stamps. The funds were authorized to be used for emergency poor relief, being paid into the State treasury from whence the general assembly made specific appropriations.

Admission tax.—Effective for the period July 1933 to September 1935, a tax on the amount paid for admission to places of amusement was levied for the benefit of the State emergency poor relief fund. Different rates of tax apply to different types of amusement but the more usual amount is 10 per cent with a minimum exemption for tickets costing 41 cents or less.⁶

Horse racing tax.—In June 1933 the general assembly created the State Racing Commission to supervise a legalized system of wagering on horse races. The management of a racing course is permitted to withhold 10 per cent of all monies wagered by patrons under a pari-mutual system. The following scale of taxes is imposed on the 10 per cent share withheld by the management: Of the first \$1000, 10 per cent; of the next \$4000, 15 per cent; of the next \$5000, 20 per cent; of the next \$5000, 22.5 per cent; of the next \$5000, 25 per cent; of all money over \$20,000, 30 per cent. All money collected by the State Racing Commission in excess of expense is transferred to the general revenue fund of the State.

Liquor taxes.—Previous to 1920 between 5 and 6 million dollars revenue were yielded annually by liquor licenses. During the years of prohibition, 1920-1933, the income from this source was practically nil. Then in 1933 the attempt was made not only to legalize and control the liquor traffic but also to secure as much revenue as the traffic would bear. To accomplish this purpose a system of taxes was imposed on the manufacture and sale of beer, wine, and spiritous liquor. The entire system of taxes can be described at this point only in general terms as follows: A system of license fees was established covering the business of manufacture, transportation, and sale of alcoholic beverages. These fees were graduated according to the type and volume of business, the fees ranging from \$1000 down to \$5 with provisions for a sliding scale if the volume of business exceeds a certain minimum. The revenue from these fees is distributed by the State treasurer to the municipalities and townships wherein the licensed businesses are located. In addition to the license fees, an "excess gross profits" tax of 25 per cent above certain allowable exemptions is imposed on the manufacture and sale of spiritous liquor. This tax is for State purposes.

A stamp tax of 10 per cent was placed on retail sales of wine, the revenue going to the State for general purposes. Two taxes on beer were enacted. The first is \$1.50 per barrel of 31 gallons to be paid by the manufacturer or distributor. This tax is for general State purposes. The second is a stamp or crown tax of one-half cent on each 6 ounces of beer or other beverage retailed in sealed bottles, milk, cream, and proprietary medicines excepted. Beverages (other than beer) selling for 5 cents or less are exempted.⁷ This

⁶With the enactment of the retail sales tax the admissions tax was amended for the year 1935 to 3 per cent of the gross receipts.

⁷This tax on beverages (other than beer) was suspended for the duration of the retail sales tax.

second tax on beer and other bottled beverages is for the benefit of the emergency poor relief fund. A tax of 10 cents per gallon on brewers' wort and 3 cents per pound on malt was levied for the same purpose.

As a further measure of control the distribution and sale of spirituous liquor were declared State monopolies with the expectation that some business profits may accrue to the public purse. At the time this was written the system had not been established long enough to indicate the probable yield of public revenue from alcoholic beverages, although it can be expected to exceed the pre-prohibition yield of State liquor licenses.

The retail sales tax.—An innovation in Ohio's tax system was the adoption temporarily of a 3 per cent tax on retail sales of tangible personal property becoming effective in January 1935 and intended to operate for one year. The reasons given in the enabling act for the imposition of this tax were to supply funds for poor relief, the public schools, and to replace revenues lost to local governments through the constitutional tax rate limitation of 10 mills which became effective in 1934.

At the level of prices and volume of retail sales existing in 1935 the tax will yield approximately 50 million dollars revenue in a year, because, excepting the general property tax, it has the broadest base of any measure in the revenue system.

A long list of exemptions from the tax was made, some for the reason that the articles were used in production and were not for consumption. Two exemptions, milk and bread, are in meager recognition of the onerous nature of a tax levied on food of the poor. Exemption of farm produce sold at the farm where grown is favorable to the development of farmer-consumer sales.

Purely from the self-interest viewpoint of farmers two objections can be raised to the sales tax as established in Ohio. First, the tax will take more money out of the farmers' pockets, at least in the first year of operation, than the portion of the property tax it replaced, for farm operators and their families will pay approximately \$2,700,000 tax on their retail purchases, as compared with \$1,700,000 tax relief realized under the 10-mill property tax limitation.

The second objection is that a sales tax lessens the purchasing power of those who consume the products of the farm, thereby tending to diminish the volume or the price of farm products which can be marketed. In view of these objections it is in the interest of agriculture to limit the use of the sales tax in Ohio to as short a period as possible.

Sales tax revenues were authorized to be used as follows: Four million dollars in the year 1935 were given to the county poor relief excise fund; next, an amount sufficient to defray the cost of administration was appropriated to the State general revenue fund; 60 per cent of the remainder to the State public school fund; and the remaining 40 per cent to the local government fund for the use of counties, municipal corporations, park districts, and townships. The method of allocation of the local government fund is favorable to the larger counties, for the share going to a county and its subdivisions is determined by the ratio of the real, public utility, and tangible personal property tax duplicates of municipal corporations in the county to the total of such property in municipal corporations in the State.

The tendency is for the residents of counties containing the larger trade centers to feel that the less populous outlying counties are being subsidized because the bulk of sales tax revenues are collected in the large trade centers. The weakness of this contention is obvious because a trade center is dependent on an area embracing several counties.

Liquor law fines.—Fines for violation of the prohibition laws in part replaced saloon licenses during the years of prohibition. Although the primary intent of such fines was to suppress violation of the law, the amount of revenue so raised averaged more than 2 million dollars annually for several years and then rapidly diminished. The revenue was divided one-half to the State and one-half to local government. Under the law of 1933, money from fines and forfeits and bonds collected under the penal laws of the State related to the manufacture, transportation, or sale of beer or intoxicating liquor is paid one-half to the State and one-half to the county where the prosecution is held.

Miscellaneous fees, fines, and receipts—State and local.—State and local units have numerous comparatively small items of income, which, however, in the aggregate are quite important. These are analyzed in some detail when State and local revenues are discussed separately.

Federal grants.—Subventions and grants are revenues contributed by one civil division to another to aid in the support of specified functions. Subventions and grants from the Federal government have been mainly for "Federal aid" roads in the State road system, education, agriculture, health, and, more recently, relief of the unemployed. Aid for road construction has been normally the largest item.

In order to enable the reader to judge their relative fiscal importance in the revenue system of the State and local civil units considered as a whole, the more important sources of revenue are listed in Table 4. Some of the recently enacted taxes have been described but were not effective within the period covered by the statistical data available when these figures were assembled. In Figure 2 the revenue derived from various sources from 1916 to 1932 is presented graphically.

In the period since 1913 the State government collected approximately 16 per cent and the local governments 84 per cent of the total revenue. Trends in tax legislation in recent years will cause the State's share of revenue collections to increase, although this was not apparent up to 1932.

FUNDS COLLECTED BY THE STATE GOVERNMENT

The sources of public funds are described above with no definite distinction between State and local revenue, the purpose being to disclose the fiscal importance of the various revenue measures. Revenues of the State government now will be considered separately.

Difficulties in equitable distribution of the general property tax burden have encouraged the policy of leaving that tax entirely for local financing. The last State levy was for the World War compensation bonds, all retired in 1932, but the State continues to receive a small sum annually from delinquent taxes.

State revenue classified by source.—The receipts can be classified as revenue and non-revenue, the former representing funds which increase the net resources of the State government and the latter funds which may increase the resources but which also increase the liabilities. These are itemized to some extent in Table 5.

More than 76 per cent of the revenue income of the State government in 1933 came from taxes, 10 per cent was Federal aid, 4 per cent was collected from local governments as reimbursements or payments for some service, 8 per cent was earned by departments through fees, licenses, permits, and other charges for service.

**TABLE 5.—Sources of Revenue and Non-revenue Receipts
of the State Government—1933***

	Amount	Amount	Per cent
	<i>Dol.</i>	<i>Dol.</i>	
Revenue receipts:			
Taxes (for use of State departments).....		50,475,669	76.6
Fees.....		3,192,228	4.8
Licenses and permits.....		823,368	1.2
Other departmental earnings.....		1,347,942	2.0
Rents and leases.....		234,020	0.4
Interest.....		378,887	0.6
Donations (from individuals).....		68,354	0.1
Collections from local units of government.....		2,775,338	4.2
Federal aid†.....		6,528,176	10.0
Fines.....		65,626	0.1
Total revenue receipts.....		65,889,628	100.0
Non-revenue receipts:			
Taxes returned to local units of government.....		32,802,589	
Sale of bonds.....		750,000	
Sale of capital assets.....		7,573	
Refunds.....		35,258	
Rotary funds.....		2,177,573	
Trust funds:			
Miscellaneous trusts.....		6,053	
Industrial insurance:			
Premiums collected.....	8,476,019		
Interest on bonds.....	1,582,458		
Interest on accounts.....	15,237		
Sub-total.....		10,073,714	
Teachers' retirement fund:			
From boards of education and teachers.....	5,036,015		
Interest on bonds.....	2,749,346		
Interest on accounts.....	36,440		
Sub-total.....		7,821,801	
Total non-revenue receipts.....		53,676,261	
Grand total receipts.....		119,564,889	

*Assembled from the annual reports of the Auditor and Treasurer of the State of Ohio, 1933.

†Emergency relief not included. See Table 2.

The first and largest item listed as non-revenue in Table 5 is 32 million dollars in taxes collected by the State for use of local units of government. (From the standpoint of local governments this is revenue.) Rotary funds represent the working capital of various State institutions, and receipts paid into these funds are not considered revenue. The State manages two large trusts—one the industrial insurance and the other the teachers' retirement funds. Receipts to these funds are not ordinarily considered as part of the State's finances because they are trusts.

Taxes for State use.—An enumeration of State taxes and their yield in 1933 is given in Table 6. Some of these are shared with local units of government and the amounts given represent the State's share only.

FUNDS COLLECTED BY THE LOCAL UNITS OF GOVERNMENT

Property taxation is the main source of revenue for county, township, school district, and municipal corporation governments. However, the relative share contributed through property taxes has shown some tendency to decline,

being 89 per cent of the total revenue in the early 1920's and less than 69 per cent in 1933. Special assessments on property show the same tendency as taxes. Nevertheless, the fact that property still contributes about three-fourths of all revenues for local purposes indicates how definitely the problem of local finance is concerned with the taxation of property. It may be added that part of the decline in property tax collections is caused by the increase in tax delinquency.

TABLE 6.—Sources of Tax Revenue Collected for State Use in 1933

Tax source	Amount	Amount	Per cent
	<i>Dol.</i>	<i>Dol.</i>	
Property tax		197,295	0.4
Inheritance tax		1,750,767	3.5
Corporation franchise tax		3,761,258	7.5
Public utility excise tax:			
Gas companies	959,830		
Heating and cooling companies	1,443		
Pipe line companies	37,020		
Water works	35,959		
Water transportation companies	4,218		
Electric light companies	2,541,598		
Messenger and signal companies	11,446		
Union depot companies	6,142		
Express companies	11,773		
Telephone companies	1,105,704		
Telegraph companies	14,828		
Electric and interurban railroads	276,683		
Steam railroads	934,971		
Sleeping car and freight line companies	108,351		
Excise taxes collected by the attorney general	8,774	6,058,740	12.0
Insurance company fees and assessments		6,139,214	12.2
Motor vehicle licenses		3,866,781	7.7
Motor fuel excise tax		22,180,604	43.9
Cigarette licenses and excise tax		4,463,815	8.7
Liquor and beverage taxes		583,093	1.2
Cosmetics excise tax		502,060	1.0
Admissions tax		867,902	1.7
Horse racing tax		104,140	0.2
Total		50,475,669	100.0

Assembled from the annual report of the Auditor of the State of Ohio, 1933.

In Table 7 are presented the property taxes, assessments, and miscellaneous revenue collected by the local units of government from 1913 to 1933, given in percentage of the total revenue reported. Since some items of income were not assembled in State records in years past, a satisfactory account of some miscellaneous local revenue is not available for the period. However, the data presented are sufficiently complete to give a fairly good picture of the magnitude and trend of local finance.

In Table 8 are listed some of the items designated as miscellaneous local revenue. The combined income from these miscellaneous sources increased six-fold between 1913 and 1933, but the percentage change was from 9.35 per cent of the total local revenue accounted for in 1913 to 25.72 per cent in 1933. Thus, the movement away from the property tax has been going on gradually. If data for 1935 were available, the acceleration in change due to the sales tax would be particularly noticeable. These miscellaneous revenues include some taxes, fees, fines, commercial receipts, and donations. They are also disclosed in more detail in the tables devoted to county, township, and school district

TABLE 7.—Revenue Collected by the Local Units* of Government in Ohio—1913-1933

Year	Total	Derived from property taxes by					Derived from special assessments by				Miscellaneous revenue by all local governments
		County	Township	School district	Municipality	All local governments	County	Township	Municipality	All local governments	
1913.....	<i>Dol.</i> 81,374,000	<i>Pct.</i> 20.14	<i>Pct.</i> 5.61	<i>Pct.</i> 29.30	<i>Pct.</i> 27.14	<i>Pct.</i> 82.19				8.46	<i>Pct.</i> 9.35
1914.....	86,464,000	21.43	5.74	30.05	27.65	84.86				8.43	6.71
1915.....	93,515,000	21.16	6.75	31.14	28.75	87.81				8.14	4.05
1916.....	102,171,000	21.51	6.57	31.00	26.40	85.48				8.44	6.08
1917.....	112,648,000	21.62	7.45	30.69	26.16	85.92				8.80	5.28
1918.....	123,765,000	21.46	7.30	31.93	26.00	86.70				8.28	5.02
1919.....	134,952,000	21.15	7.31	32.65	26.61	87.72	1.79	0.25	5.83	7.87	4.41
1920.....	155,924,000	21.46	7.24	35.91	24.64	89.25	1.77	0.49	5.14	7.40	3.35
1921.....	195,931,000	21.65	6.35	35.49	25.66	89.15	1.48	0.36	4.86	6.70	4.15
1922.....	227,858,000	18.78	5.63	39.64	25.37	89.42	1.68	0.33	4.90	6.91	3.67
1923.....	232,380,000	17.79	5.61	40.01	24.79	88.19	1.93	0.36	5.47	7.76	4.05
1924.....	258,669,000	17.72	5.20	40.06	23.96	86.95	2.17	0.29	6.61	8.07	4.98
1925.....	276,750,000	17.16	5.10	39.89	24.00	86.15	2.45	0.25	6.27	8.97	4.88
1926.....	300,393,000	17.19	4.56	38.28	24.09	84.12	2.63	0.23	6.79	9.65	6.23
1927.....	350,714,000	15.28	4.00	34.50	21.66	75.44	2.50	0.19	6.23	8.92	15.64
1928.....	378,347,000	15.24	3.67	33.54	20.86	73.31	2.56	0.20	6.11	8.87	17.82
1929.....	382,498,000	15.07	3.68	35.03	20.35	74.13	2.74	0.20	6.29	9.23	16.64
1930.....	383,358,000	15.75	3.48	35.52	20.34	75.09	2.93	0.18	6.21	9.32	15.59
1931.....	368,717,000	15.48	3.35	35.62	20.50	74.95	2.53	0.15	5.46	8.14	16.91
1932.....	315,520,000	15.16	2.77	34.29	19.32	71.54	2.02	0.15	4.52	6.69	21.77
1933.....	273,735,000	12.95	2.68	33.92	18.86	68.91	1.55	0.13	3.69	5.37	25.72

*County, township, school district, and municipality.
Derived from the annual reports of the Auditor of the State of Ohio.

TABLE 8.—Local Revenue From Some Miscellaneous Sources—1913-1933

Year	Cigarette license tax	Inheritance tax	Liquor law fines	Liquor license tax	Automobile license	Show license fees	Gasoline tax	Dog and kennel tax	Total
	<i>Dol.</i>	<i>Dol.</i>	<i>Dol.</i>	<i>Dol.</i>	<i>Dol.</i>	<i>Dol.</i>	<i>Dol.</i>	<i>Dol.</i>	<i>Dol.</i>
1913.....				5,852,448				294,803	6,147,251
1914.....	57,694	112,754		3,824,457		1,682		294,020	4,290,607
1915.....	33,750	123,216		2,088,401				280,766	2,526,133
1916.....	62,262	186,445		4,323,267		1,632		262,657	4,836,263
1917.....	74,024	331,698		3,756,460		2,042		309,527	4,473,751
1918.....	88,380	287,549		4,115,174		1,917		330,744	4,823,764
1919.....	93,813	367,222		3,589,271		1,332		310,333	4,361,971
1920.....	39,049	456,268		156,871	2,340,558	1,110		339,978	3,333,834
1921.....	184,487	1,429,897	170,790	168	4,174,136	1,310		345,746	6,306,534
1922.....	194,962	1,492,735	599,326	5,096	3,637,372	1,260		379,818	6,310,569
1923.....	193,079	1,331,088	1,195,634	3,185	3,932,436	1,522		414,632	7,071,576
1924.....	201,891	1,466,953	1,495,614	18,571	6,786,426	1,917		484,892	10,456,264
1925.....	203,158	1,971,510	1,126,107	3,498	5,490,924	1,662		503,458	9,300,317
1926.....	220,358	1,984,097	923,654	5,342	5,230,579	1,825	6,054,299	615,421	15,035,575
1927.....	252,613	3,005,458	811,615	5,151	5,466,093	1,855	7,676,043	571,353	17,790,181
1928.....	276,267	2,522,277	386,218	62,871	6,076,757	1,918	9,081,432	886,545	19,294,285
1929.....	275,556	2,969,462	568,068	823	6,618,017	1,042	11,934,623	706,913	21,074,504
1930.....	268,709	2,999,065	338,577	1,692	6,923,426	1,497	14,135,522	639,452	25,307,940
1931.....	256,780	3,832,641	186,469	28,259	6,559,970	1,128	15,034,206	631,495	26,530,948
1932.....	306,954	2,288,072	67,821	449	12,769,082	963	17,088,902	563,403	33,085,646
1933.....	265,489	1,835,462	34,432	1,756,994	15,853,730	1,053	15,371,393	528,287	35,646,840

Distribution—

Cigarette tax: Prior to 1931— $\frac{1}{4}$ retained locally, $\frac{1}{8}$ to county, $\frac{1}{8}$ to township or municipality. In 1931 and 1932, $\frac{1}{2}$ retained locally, $\frac{1}{4}$ to county, $\frac{1}{4}$ to township or municipality.

Inheritance tax: $\frac{1}{2}$ to township or municipality.

Liquor law fines: $\frac{1}{2}$ to county, township, or municipality.

Liquor license tax: $\frac{3}{10}$ to State, $\frac{2}{10}$ to county, and $\frac{5}{10}$ to municipality or township.

Automobile license: In 1908-1920, all to State. In 1920-1931— $\frac{1}{2}$ to county and municipality, $\frac{1}{2}$ to State. In 1932—23% to State, 52% to counties, 25% to municipalities.

Show license fees: $\frac{1}{2}$ to State, $\frac{1}{2}$ to county.

Gasoline tax: Since April 17, 1925, 2¢ tax—25% to counties, 30% to municipalities, and 45% to State. In May 25, 1927, additional 1¢ tax—40% to counties, 60% to State. April 17, 1929, last 1¢ raised to 2¢—80% to State, 5% to counties, 5% to municipalities, 10% to townships. In Sept. 1, 1931, distribution of last 2¢—67½% to State, 7½% to counties, 7½% to municipalities, 17½% to townships. In 1932 the composite distribution of the total 4¢ tax was 56.25% to State, 18.75% to municipalities, 16.25% to counties, and 8.75% to townships. In 1933, 1¢ of the tax was diverted to the State public school fund for the period ending December 31, 1934, but this diversion was extended through 1935.

Taken from the annual reports of the Auditor of the State of Ohio.

income. In the current search for additional funds it may be anticipated that relatively more money will be raised from these miscellaneous taxes, fees, and licenses and less from property taxation.

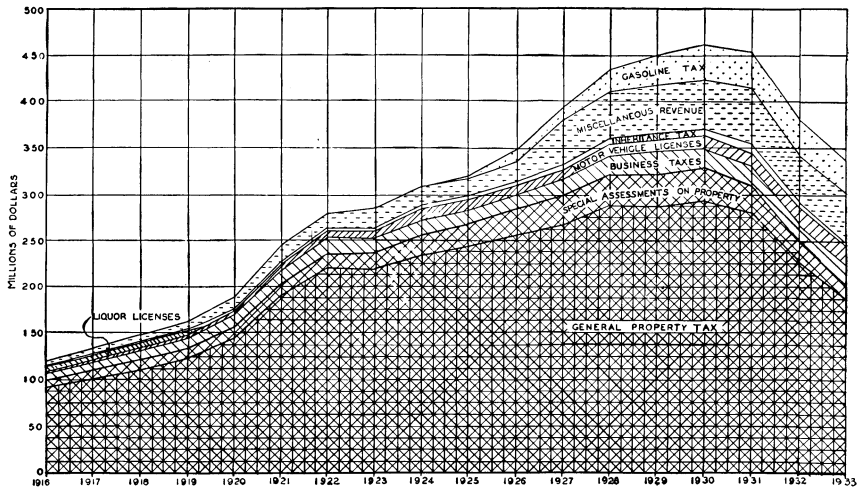


Fig. 2.—Revenue collected from the various sources for support of State and local government in Ohio from 1916 to 1933

Revenue of local governments compared.—In rural areas the county is preeminently the most important administrative unit of local government. City governments have broad functions, but even in urban centers the county is important from an administrative standpoint because property taxes are levied, collected, and distributed through the agencies of the county auditor and treasurer. Furthermore, county governments contain the agencies through which the State government makes most of its local contacts.

Approximately 25 per cent of all local revenue in Ohio is spent by the counties as compared with between 3 and 4 per cent by townships, 37 per cent by school districts, and 34 per cent by incorporated cities and villages. These percentages have varied over the period of the past several years, the above being the approximate distribution in 1931 and 1932. Figure 3 illustrates the trend in revenue collections by the various units of government since 1913.

A condensed picture of county income over a period of years is given in Table 9 and a more detailed picture for 1932 and 1933 in Table 10. Motor vehicle licenses and the motor fuel tax are playing an important role in county finances, although in total dollars collected the general property tax and special assessments yielded twice the sum even in 1932 of all other revenues.

In order that county outgo can be compared with county income, the data in Table 11 have been assembled to show the net expenditures for various purposes in selected years, and in Table 12 the same are given in more detail for 1932. The outstanding items of county expense are roads and bridges, which combined accounted for 38 per cent of the total county expenditures in 1916, 51 per cent in 1926, and 30 per cent in 1932. It may be added that although taxes on motor traffic have become increasingly important sources of funds for road purposes, in 1932 counties spent \$22,530,873 on highways and bridges for

maintenance, repair, and construction and received \$15,007,462 from motor vehicle licenses and the motor fuel tax (or 66.6 per cent of the expenditure for highway purposes). This is exclusive of the debt payments by counties which are principally for highway expenditures in past years. In 1933 some counties made no property tax levies for road purposes and in the State as a whole current expenditures for county roads were about equal to the county revenues derived from motor vehicle licenses and the motor fuel tax.

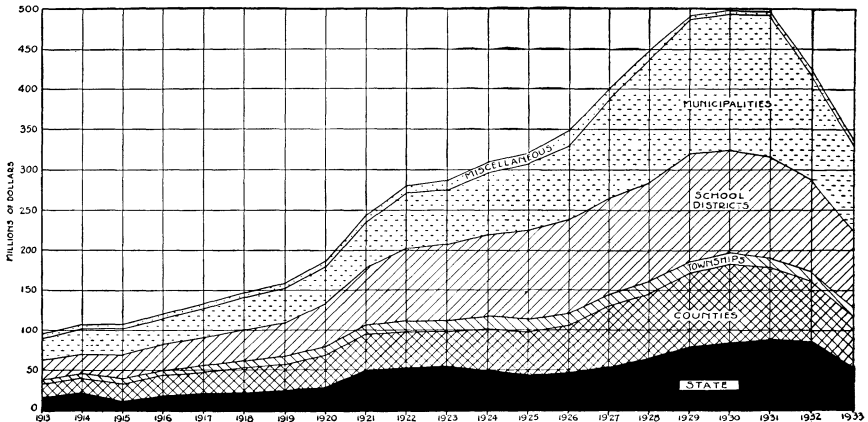


Fig. 3.—Revenue collected by the various units of government in Ohio, 1913-1933

Township taxes are comparatively small, for the functions are limited in number and in financial cost. Some tendency exists for townships in populous areas to perform some of the services ordinarily supplied by incorporated villages and cities, such as fire and police protection, but an even more pronounced tendency has been to centralize in the county government functions formerly performed by the townships—a tendency carried farther in some counties than in others. The accounting in Table 13 shows where the townships of Ohio received their income in 1931 and 1932 and how the money was spent. No comparable data are available over a longer period of years.

TABLE 9.—Revenue for County Purposes in Selected Years

Revenue source	1916*		1926*		1931†		1932†		1933*	
	Dol. (ooo o- mitted)	Pct.	Dol. (ooo o- mitted)	Pct.	Dol. (ooo o- mitted)	Pct.	Dol. (ooo o- mitted)	Pct.	Dol. (ooo o- mitted)	Pct.
General property tax	22,204	85	51,644	70	60,241	67	44,495	58	35,444	46
Special assessments.....	2,959	11	8,777	12	10,330	11	7,152	9	4,770	6
Miscellaneous.....	936	4	13,294	18	19,580	22	25,801	33	37,409‡	48
Total.....	26,099	100	73,715	100	90,151	100	77,448	100	77,922	100

*Source: Ohio comparative statistics, Auditor of the State of Ohio.

†Source: Compiled from the financial records of the various counties as submitted to the Auditor of the State of Ohio.

‡Includes \$15,232,762 emergency relief funds from the State and Federal governments.

TABLE 10.—Sources and Amount of Revenue Receipts in the 88 Ohio Counties—1932 and 1933*

Source of funds	1932		1933	
	<i>Dol.</i>	<i>Pct.</i>	<i>Dol.</i>	<i>Pct.</i>
General and classified property tax.....	42,288,474	54.60		
Township road taxes withheld.....	2,206,328	2.84		
Total property tax.....	44,494,802	57.44	35,444,096	45.49
Road assessments.....	4,188,179	5.41		
Ditch assessments.....	532,255	0.69		
Other assessments.....	2,431,866	3.14		
Total assessments.....	7,152,300	9.24	4,769,546	6.12
Public utility tax.....			95,638	0.12
Motor vehicle licenses.....	9,346,478	12.07	9,475,940	12.16
Gasoline tax.....	5,660,984	7.31	4,905,645	6.30
Cigarette dealers' tax.....	154,190	0.20	132,895	0.17
Dog and kennel licenses.....	549,943	0.71	528,287	0.68
Other licenses and permits.....	8,982	0.01	28,103	0.04
Fines, costs, and forfeitures.....	245,512	0.32	185,035	0.24
Fees:				
Auditor.....	1,253,091	1.62		
Treasurer.....	1,121,600	1.45		
Miscellaneous executive fees.....	32,893	0.04		
Recorder.....	515,714	0.67		
Surveyor.....	22,978	0.03		
Probate judge.....	792,284	1.02		
Clerk of courts.....	1,027,714	1.33		
Sheriff.....	514,531	0.66		
Elections, candidates' fees.....	58,674	0.07		
Elections, expense withheld from other sub- divisions.....	670,924	0.87		
Total fees.....	6,010,403	7.76	5,121,083	6.57
Commercial receipts:				
Ditches and sewers.....	9,616	0.01	9,199	0.01
Road materials sold.....	35,564	0.04		
Road funds, township and municipality.....	361,611	0.47	205,348	0.26
County and children's home.....	613,007	0.79	422,258†	0.54
County correction.....	60,228	0.07		
Jail receipts, board.....	92,223	0.12		
Rents.....	73,820	0.10	57,340	0.07
Interest.....	1,533,395	1.98	823,024	1.06
Gifts and donations.....	771		15,232,762‡	19.55
Schools.....	27,386	0.04		
Libraries.....	30,724	0.04	350	
Health district and hospitals.....	196,745	0.25	141,907	0.18
Agriculture.....	12,660	0.02	17,080	0.02
Public service enterprises.....	93,954	0.12	76,165	0.10
Miscellaneous.....	659,856	1.11	250,987	0.32
Total commercial receipts.....	3,801,570	4.94	17,236,420	22.11
Total revenue receipts.....	77,425,164	100.00	77,922,689	100.00

*Data for 1932 taken from the financial records of the various counties. Data for 1933 taken from comparative statistics, published by the Auditor of the State of Ohio.

†County home, children's home, county correction, and jail receipts.

‡Emergency relief funds from the State and Federal governments.

TABLE 11.—Net Expenditures by the 88 Counties in Selected Years*

Object of expenditure	1916		1926		1931		1932		1933†	
	<i>Dol.</i> (<i>ooo o-</i> <i>mitted</i>)	<i>Pct.</i>	<i>Dol.</i> (<i>ooo o-</i> <i>mitted</i>)	<i>Pct.</i>	<i>Dol.</i> (<i>ooo o-</i> <i>mitted</i>)	<i>Pct.</i>	<i>Dol.</i> (<i>ooo o-</i> <i>mitted</i>)	<i>Pct.</i>	<i>Dol.</i> (<i>ooo o-</i> <i>mitted</i>)	<i>Pct.</i>
General government.....	7,611	27	13,640	17	17,620	20	15,005	20	13,460	18
Protection to persons and property.....	652	2	1,600	2	3,853	5	3,442	5	3,041	4
Charity and correction....	5,328	19	10,751	13	14,011	17	20,723	27	31,267	42
Health and hospitals.....					3,755	4	3,316	4	2,567	3
Sanitation and drainage.....	769	3	6,226	8	2,163	2	1,345	2	1,087	1
Highways and bridges.....	11,103	38	40,213	51	33,110	39	22,531	30	13,996	19
Agriculture.....			584		807	1	574	1	579	1
Schools and libraries.....					653	1	421	1	37	‡
Miscellaneous.....	1,179	4	790	1	1,848	2	985	1	971	1
Interest.....	2,004	7	5,716	7	7,712	9	7,035	9	7,153	10
Total.....	28,646	100	79,520	100	85,532	100	75,377	100	74,158	100

*Comparative statistics, Auditor of the State of Ohio.

†The classification of expenditures used in Table 11 is not exactly comparable with that used in Table 19 which also covers county expenditures. The chief difference is the inclusion of interest in Table 11; but some other services have been grouped together as they are in Table 11 in order to use comparable data over a period of years.

‡0.05 per cent.

School costs have increased faster than the costs of the other units of local government. The expansion in the past two or three decades of the services which are a part of the system of education is well enough known to require little special comment. Lengthened school terms, better school buildings and equipment, better trained teachers, enlarged school curricula, and extra or new services, such as, for example, transportation of pupils, teachers' retirement funds, playgrounds, and promotion of health, all have had a part in increasing the expense. The financial statistics of school districts given in Tables 14 to 17 supply some measurement of this expansion. The fact that extensive borrowing existed over the period covered in these tables partly accounts for the critical school situation prevailing at the time this is written. School finance has not been on a permanently satisfactory basis for years. The State support extended to all schools in 1934 represents what appears to be the accepted solution of the problem. Although this is simply a part of the larger problem of general public finance for which no solution has been adopted, the fact that between 35 and 40 per cent of all local expenditures (approximately 50 per cent in rural territory) has been for education naturally concentrates attention on the school problem.

Taxes for municipal purposes amounted to 31 per cent of the revenue collected by local governments in 1926 and 34 per cent in 1932. These city and village taxes have little direct relationship to farm dwellers, excepting that some are shifted to the rural users of urban-produced goods and services. They are mentioned primarily as a matter of comparison. However, it is of additional interest that on a per capita basis urban dwellers, even with the additional cost of municipal services, pay only approximately 10 dollars more taxes per person in recent years than rural dwellers. Municipalities usually have some public service enterprises that are self-supporting; the finances of these are not included in the above comparison.

TABLE 12.—County Expenditures*—1932

Function	State total	Average per county	Per cent
	<i>Dol.</i>	<i>Dol.</i>	
General government:			
County commissioners	694,789	7,895	0.92
Auditor	2,340,939	26,602	3.11
Treasurer	1,299,886	14,772	1.72
Other financial administration	285,918	3,249	0.38
Prosecuting attorney and legal service	782,143	8,888	1.04
Courts	5,151,776	58,543	6.83
Elections	2,405,875	27,339	3.19
General office expense	306,269	3,480	0.41
Buildings and lands	1,737,706	19,747	2.31
Total general government	15,005,301	170,515	19.91
Protection:			
Recorder	720,234	8,184	0.96
Sheriff	2,158,141	24,524	2.86
Miscellaneous	563,374	6,402	0.75
Total protection	3,441,749	39,110	4.57
Health and hospitals.	3,316,192	37,684	4.40
Bovine T. B. eradication	36,476	415	0.05
Sanitation and drainage	1,345,465	15,289	1.78
Highways and bridges	22,530,873	256,033	29.89
Charities and correction:			
County Home	2,798,321	31,799	3.71
Children's Home	2,286,185	25,979	3.03
Blind relief	807,823	9,180	1.07
Mothers' pensions	2,050,328	23,299	2.72
Soldiers' relief	1,558,825	17,714	2.07
Inmates State institutions	1,646,655	18,712	2.18
Other charities	8,625,558	98,018	11.44
Correction	949,180	10,786	1.26
Total (C. and C.)	20,722,875	235,487	27.49
Education:			
Agricultural Extension	175,688	1,996	0.23
Fairs and institutes	359,102	4,081	0.48
Experiment Farm	38,748	440	0.05
School and libraries	421,275	4,787	0.56
Total education	994,813	11,304	1.32
Public service enterprises	193,289	2,197	0.26
Miscellaneous	755,451	8,585	1.00
Interest	7,034,981	79,943	9.33
Grand total	75,377,465	856,562	100.00
Gross debt as of Dec. 31, 1930	170,320,651	1,935,462	.....
Gross debt as of Dec. 31, 1931	155,584,932	1,768,010	.....
Gross debt as of Dec. 31, 1932	152,492,778	1,732,872	.....
Gross debt as of Dec. 31, 1933	145,661,101	1,655,240	.....

*Total operation, maintenance, and outlay expenses related to each function.
From the financial records of the various counties.

TABLE 13.—Receipts and Expenditures by Township Governments in Ohio—1931 and 1932

	1931			1932		
	State total	Average per township	Per cent	State total	Average per township	Per cent
Population under township government†	3,613,947	2,703	.....	3,236,945	2,421	.....
Number of townships.....	1,337	.....	.....	1,337	.....	.....
Revenue receipts						
Property tax.....	\$8,248,300	\$6,169	70.4	\$5,335,055	\$3,991	49.4
Special assessments.....	352,031	263	3.0	159,162	119	1.5
Gasoline tax.....	2,250,271	1,683	19.2	2,995,410	2,240	27.7
Cigarette tax.....	14,603	11	0.1	17,254	13	0.2
Inheritance tax.....	265,021	198	2.2	95,186	71	0.9
Motor vehicle licenses.....	.....	.....	.....	660,878	494	6.1
Cemetery lots, etc.....	137,244	103	1.2	125,875	94	1.2
Road receipts and refunds.....	126,234	94	1.1	227,541	170	2.1
Interest.....	187,806	141	1.6	142,495	107	1.3
Miscellaneous.....	137,655	103	1.2	1,033,645	773	9.6
Total.....	11,719,165	8,765	100.0	10,792,501	8,072	100.0
Funds borrowed (bonds, notes).....	.....	.....	.....	114,064	85	.....
Expenditures						
General government:						
Trustees and clerk.....	993,923	744	8.8	1,033,356	773	9.8
Township hall.....	135,346	101	1.2	106,770	80	1.0
General supplies.....	118,172	88	1.0	100,081	75	0.9
Other.....	40,374	30	0.4	8,068	6	0.1
Total.....	1,287,815	963	11.4	1,248,275	934	11.8
Protection:						
Fire.....	165,325	124	1.5	82,657	62	0.8
Hawk bounties.....	35,439	26	0.3	34,364	26	0.3
Total.....	200,764	150	1.8	117,021	88	1.1
Charities and hospitals:						
Poor relief.....	998,342	747	8.8	1,695,838	1,269	16.1
Memorial Day expense.....	8,850	6	0.1	8,499	6	0.1
Hospitals.....	21,439	16	0.2	190,895	143	1.8
Total.....	1,028,631	769	9.1	1,895,232	1,418	18.0
Cemeteries.....	484,182	362	4.3	366,519	274	3.5
Highways.....	8,058,652	6,028	71.4	6,531,727	4,885	62.0
Libraries and parks.....	58,613	44	0.5	54,059	40	0.5
Interest.....	163,904	123	1.5	2,706*	2	.....
Miscellaneous.....	.....	.....	.....	320,123†	239	3.1
Total operation, outlay, and interest..	11,282,561	8,439	100.0	10,535,698	7,880	100.0
Debt as of Dec. 31, 1930.....	\$5,355,076	\$4,005	.....	.....	.....	.....
Debt as of Dec. 31, 1931.....	4,442,872	3,323	.....	.....	.....	.....
Debt as of Dec. 31, 1932.....	3,689,639	2,760	.....	.....	.....	.....
Debt as of Dec. 31, 1933.....	3,000,712	2,244	.....	.....	.....	.....

*Interest on short-time notes.

†Includes interest on bonds.

‡Population based on 1930 Census. Difference between the years 1931 and 1932 is result of extending corporation limits of cities.

Taken from the financial records of the various townships as submitted to the Auditor of the State of Ohio.

TABLE 14.—Income of School Districts in Selected Years*

Source of income	1916		1926		1931		1932		1933		1934	
	<i>Dol.</i> <i>(ooo</i> <i>omitted)</i>	<i>Pct.</i>	<i>Dol.</i> <i>(ooo</i> <i>omitted)</i>	<i>Pct.</i>	<i>Dol.</i> <i>(ooo</i> <i>omitted)</i>	<i>Pct.</i>	<i>Dol.</i> <i>(ooo</i> <i>omitted)</i>	<i>Pct.</i>	<i>Dol.</i> <i>(ooo</i> <i>omitted)</i>	<i>Pct.</i>	<i>Dol.</i> <i>(ooo</i> <i>omitted)</i>	<i>Pct.</i>
Revenue:												
General property tax.....	30,211	86.0	106,120	93.8	128,128	92.9	106,189	92.0	87,624	85.5	86,407	82.6
Intangible property tax.....									7,866	7.7	3,694	3.5
Total property tax.....	30,211	86.0	106,120	93.8	128,128	92.9	106,189	92.0	95,490	93.2	90,101	86.1
Liquid fuel tax.....											5,662	5.4
State and Federal aid:												
Equalization fund.....	2,512	7.0	2,589	2.3	4,010	2.9	4,954	4.3	3,962	3.9	5,529	5.3
Vocational education.....	54	0.2	673	0.6	1,217	0.9	996	0.9	811	0.8	1,380	1.3
Total aid.....	2,566	7.2	3,262	2.9	5,227	3.8	5,950	5.2	4,773	4.7	6,909	6.6
Miscellaneous:												
Interest, irreducible debt.....	250	0.7	219	0.2	247	0.2	305	0.3	206	0.2	250	0.2
Interest, depository.....	421	1.2	1,683	1.5	1,720	1.3	1,191	1.0	716	0.7	649	0.7
Rent—land and property.....			194	0.2	191	0.1	109	0.1	84	0.1	96	0.1
Tuition from individuals.....	775	2.2	190	0.2	302	0.2	226	0.2	255	0.2	216	0.2
Other miscellaneous.....	920	2.6	1,403	1.2	2,039	1.5	1,398	1.2	907	0.9	739	0.7
Total miscellaneous.....	2,365	6.7	3,689	3.3	4,499	3.3	3,328	2.8	2,168	2.1	1,950	1.9
Total revenue.....	35,143	100.0	113,071	100.0	137,854	100.0	115,367	100.0	102,431	100.0	104,622	100.0
Non-revenue:												
Sale of bonds.....	9,216	74.0	9,207	60.2	13,435	59.7	3,302	32.2	3,027	25.9	5,830	36.6
Temporary loans.....	2,761	22.0	4,415	28.8	3,164	14.1	4,124	40.2	6,227	53.4	5,625	35.3
Premiums and accrued interest.....					3,538	15.7	61	0.6	93	0.8	195	1.3
Other.....	469	3.8	1,675	11.0	2,370	10.5	2,767	27.0	2,321	19.9	4,267	26.8
Total non-revenue.....	12,446	100.0	15,297	100.0	22,507	100.0	10,254	100.0	11,668	100.0	15,917	100.0
Total income.....	47,589		128,368		160,361		125,621		114,099		120,539	

*Taken from reports and unpublished records of the State Department of Education. These are fiscal years ending June 30 in the year stated.

TABLE 15.—Income of City, Exempted Village, and County School Districts for Year Ending June 30, 1932

Source of income	City		Exempted village		County	
	<i>Dol.</i>	<i>Pct.</i>	<i>Dol.</i>	<i>Pct.</i>	<i>Dol.</i>	<i>Pct.</i>
Revenue:						
Property taxes	38,166,466	51.00	1,672,827	45.01	16,953,068	46.04
Property taxes, bond, interest, and sinking fund	14,523,558	19.41	838,101	22.55	6,282,389	17.07
Property taxes, 2.65 levy	18,856,493	25.20	722,397	19.44	8,173,386	22.20
Total property tax	71,546,517	95.61	3,233,325	87.00	31,408,843	85.31
State and Federal aid:						
Equalization fund	287,635	0.38	362,757	9.76	4,303,506	11.69
Vocational education	687,905	0.92	46,423	1.25	262,208	0.71
Total aid	975,540	1.30	409,180	11.01	4,565,714	12.40
Miscellaneous:						
Interest, irreducible debt	60,706	0.09	9,564	0.26	234,531	0.64
Interest depository	871,692	1.16	26,319	0.71	293,172	0.80
Rent—land and property	51,285	0.06	5,788	0.16	51,654	0.14
Tuition from individuals	165,218	0.22	8,365	0.22	51,999	0.14
Other	1,162,360	1.56	23,829	0.64	211,388	0.57
Total miscellaneous	2,311,261	3.09	73,865	1.99	842,744	2.29
Total revenue	74,833,318	100.00	3,716,370	100.00	36,817,300	100.00
Non-revenue:						
Sale of bonds	2,576,377	34.28	42,161	15.69	683,195	27.66
Temporary loans	2,718,198	36.17	155,059	57.80	1,251,034	50.65
Premiums and accrued interest	32,485	0.43	966	0.26	27,558	1.12
Other	2,188,707	29.12	70,536	26.25	508,077	20.57
Total non-revenue	7,515,766	100.00	268,712	100.00	2,469,865	100.00
Total income	82,349,084	.....	3,985,092	.....	39,287,165	.....

Data supplied by the State Department of Education.

Debt, a cause of high taxes.—A discussion of local finances would not be complete without mention of debt. Ordinarily local public debt is incurred for unusual expenditures, mainly capital improvements of some permanency. The existing debt laws are intended to prevent borrowing for current purposes, although exceptions must be made to cover emergencies. An improvement is legally defined as “permanent” when it has an “estimated life or usefulness of 5 years or more.” In the Ohio law exceptions to the above rule are (1) that bonds may be issued to pay a final judgment, (2) notes may be issued in anticipation of the collection of current revenues, (3) notes may be issued for a public emergency, such as an epidemic or destruction of public property by fire or flood, (4) and, finally, bonds may be issued in anticipation of collection of special assessments.

TABLE 16.—Expenses of School Districts in Selected Years*

Expense	1916		1926		1931		1932		1933		1934	
	<i>Dol.</i> <i>(ooo</i> <i>omitted)</i>	<i>Pct.</i>	<i>Dol.</i> <i>(ooo</i> <i>omitted)</i>	<i>Pct.</i>	<i>Dol.</i> <i>(ooo</i> <i>omitted)</i>	<i>Pct.</i>	<i>Dol.</i> <i>(ooo</i> <i>omitted)</i>	<i>Pct.</i>	<i>Dol.</i> <i>(ooo</i> <i>omitted)</i>	<i>Pct.</i>	<i>Dol.</i> <i>(ooo</i> <i>omitted)</i>	<i>Pct.</i>
Current operation and maintenance	29,734	65.47	91,822	65.50	112,980	65.85	100,923	70.64	82,179	71.26	84,867	73.07
Capital outlay	8,972	19.77	24,212	17.27	23,397	13.64	11,737	8.22	3,328	2.89	1,933	1.66
Total	38,706	85.24	116,034	82.77	136,377	79.49	112,660	78.86	85,507	74.15	86,800	74.73
Debt retirement and interest	6,705	14.76	24,144	17.23	35,196	20.51	30,201	21.14	29,807	25.85	29,348	25.27
Grand total	45,411	100.00	140,178	100.00	171,573	100.00	142,861	100.00	115,314	100.00	116,148	100.00

*Fiscal years ending June 30.

Data supplied by the State Department of Education.

TABLE 17.—Expenses of City, Exempted Village, and County School Districts for Year Ending June 30, 1932

Expense*	City		Exempted village		County		State total	
	<i>Dol.</i>	<i>Pct.</i>	<i>Dol.</i>	<i>Pct.</i>	<i>Dol.</i>	<i>Pct.</i>	<i>Dol.</i>	<i>Pct.</i>
Administration	2,210,401	2.70	225,724	5.89	647,142	1.76	3,083,267	2.52
Instruction	50,474,038	61.63	2,143,921	55.97	20,032,328	54.38	72,650,287	59.27
Operation	6,963,267	8.50	368,721	10.16	3,218,109	8.73	10,570,097	8.62
Maintenance	1,687,352	2.06	114,320	2.98	803,200	2.18	2,604,872	2.13
Health	510,165	0.62	8,819	0.23	15,164	0.04	534,148	0.44
Transportation	373,099	0.46	145,933	3.81	4,620,579	12.55	5,139,611	4.19
Enforcement of compulsory education	228,422	0.28	4,638	0.12	1,120	0.00	234,180	0.19
School lunches	120,446	0.15	4,739	0.12	42,032	0.11	167,217	0.14
Playgrounds	141,375	0.17	944	0.02	16,401	0.04	158,720	0.13
Community center	32,320	0.04	.....	.....	7,687	0.02	40,007	0.03
School gardens	38,616	0.05	.....	.....	426	0.00	39,042	0.03
Clothing and aids to needy	192,973	0.24	409	0.01	15,757	0.04	209,139	0.17
Public library	24,636	0.03	5,021	0.13	4,286	0.01	33,943	0.02
Other auxiliary activities	89,269	0.11	1,519	0.04	19,786	0.05	110,574	0.09
Teachers' retirement fund	1,328,709	1.62	67,127	1.76	575,542	1.56	1,971,378	1.61
Other fixed charges	1,034,610	1.26	37,130	0.97	358,461	0.97	1,430,201	1.17
Interest	8,419,952	10.28	421,956	11.01	3,012,658	8.18	11,854,566	9.67
Total current expense	73,869,650	90.20	3,570,921	93.22	33,390,678	90.62	110,831,249	90.42
Capital outlay	8,022,869	9.80	259,394	6.78	3,454,627	9.38	11,736,890	9.58
Total	81,892,519	100.00	3,830,315	100.00	36,845,305	100.00	122,568,139	100.00
Debt retirement	12,296,598	.....	723,012	.....	5,327,365	.....	18,346,975	.....
Grand total	94,189,117	.....	4,553,327	.....	42,172,670	.....	140,915,114	.....

*Transfers of funds from other districts not included: Tuition, \$1,935,278; payments because of boundary changes, \$37,828; paid to other districts for transportation of pupils, \$18,465.

It is a matter of some importance that legislation relative to the issuance of bonds has become so frequent in recent years because the tendency is to weaken the laws intended to prevent an over-burden of debt. The following is an enumeration of some of this legislation. The uniform bond act has been amended due to circumstances growing out of the depression of 1930 and later years. In 1931 the law was amended to permit subdivisions to issue bonds in 1931 and 1932 to supply deficiencies in revenue caused by non-payment of at least one-third of the current taxes. At the same time the provisions relating to refunding bonds were liberalized. In 1933 school districts were given authority to convert "floating indebtedness" into bonds. Legislative acts in 1931 and 1932 provided for issuance of bonds by counties for poor relief purposes up to the end of 1934. Trends in public debt have been affected by the general economic situation and the attending emergency borrowing, but the following figures indicate that the total indebtedness of local governments was materially reduced in the 3 years following the high point in 1929. The total of the funded and unfunded debt of local governments in various years is reported in Table 18.

TABLE 18.—Outstanding Debt of Local Governments in Selected Years*

	1910	1920	1929	1930	1931	1932	1933
	<i>Dol.</i> (000 omitted)	<i>Dol.</i> (000 omitted)	<i>Dol.</i> (000 omitted)	<i>Dol.</i> (000 omitted)	<i>Dol.</i> (000 omitted)	<i>Dol.</i> (000 omitted)	<i>Dol.</i> (000 omitted)
Counties.....	26,979	77,098	169,566	170,321	155,521	152,493	145,661
Townships.....	2,671	12,191	5,477	5,355	5,477	3,690	3,001
School districts..	17,261	100,132	233,876	238,601	232,737	220,848	216,497
Cities.....	150,367	288,980	491,015	482,681	501,503	480,138	456,728
Villages.....	14,113	31,856	81,216	80,381	46,538	41,431	39,265
Total.....	211,391	510,257	981,150	977,339	941,776	898,600	861,152

*Annual reports of the Auditor of the State of Ohio.

The figures in Table 18 illustrate how governments are inclined to borrow heavily when prices are high and money is cheap and to reduce debt when prices are low and money is dear. This policy has a very decided tendency to increase the burden of debt.

A factor encouraging growth of debt was the stringent tax limitation law adopted in 1910, the so-called "one per cent law" which resulted in financing current expenditures through borrowing during the following decade. Issuance of deficiency bonds became common. Laws passed since 1920 have largely corrected this misuse of credit, but the difficulties in financing governmental services, particularly since 1930, have resulted in again loosening the debt restrictions, at least temporarily, as mentioned above. The tax rate limitation of one per cent adopted in 1933 is an added incentive to public borrowing and may result in a situation similar to that existing in the decade following 1910 unless property taxes are permanently replaced by other revenue.

Due principally to a decline in property tax collections in recent years, the share of revenues so derived which must be used to meet debt payments remains high. Average figures do not illustrate very well the conditions in individual areas because of the wide variation in the amount of outstanding debt existing in the different units of government: for example, out of the 83 counties for which reports are available 16 county governments made no prop-

erty tax collection in 1933 for sinking fund and bond retirement purposes, five had a levy for debt but collected less than \$10,000, eight from \$10,000 to \$20,000, 17 from \$20,000 to \$50,000, 19 from \$50,000 to \$100,000, and 18 collected more than \$100,000. Cuyahoga County collected \$2,329,000 in property taxes in 1933 for county debt purposes, or approximately 24 per cent of the State total. Taking the State as a whole, the following average percentages represent the portion of county, school district, and city general property taxes used for debt in certain years:

	1916	1926	1932
	<i>Pct.</i>	<i>Pct.</i>	<i>Pct.</i>
Counties.....	25.2	22.9	30.9
School districts.....	22.2	22.8	21.1
Cities.....	44.3	44.7	38.1

SERVICES SUPPLIED THROUGH THE EXPENDITURE OF PUBLIC FUNDS^s

Up to this point the actual services rendered through the expenditure of public funds have been considered in details incidental to the functioning of the various units of government but not in such fashion as to give a complete concept of how the public funds in the aggregate are returned to the people in forms of service. Such a summary division will now be made. The many activities performed by the State and local governments make it desirable for the sake of brevity to group activities in some sort of classification not too long and cumbersome. Such a classification is made in Table 19. Admittedly, any short classification may be a trifle arbitrary or general in its terms.

^s*General government.*—The division designated "general government" covers the expenses connected with the general administration of the laws and includes the legislative, executive, judicial, and election expenses.

Protection to person and property.—This includes police protection, militia, fish and game protection, supervision of insurance and financial institutions, regulation of certain professions, regulation of sale of feed, fertilizer, etc.

Development and conservation of natural resources.—Includes expenditures for the Experiment Station, development of forestry, fish and game conservation, and geological survey. Some of the expenditures under this head may just as logically be considered for education, for they do overlap.

Conservation of health and sanitation.—Includes the prevention and treatment of communicable diseases, child welfare, food inspection, regulation of occupations dealing with health, and expenditures for sanitary projects such as sewage disposal and drainage.

Highways.—In the sense used herein highways include all thoroughfares of travel—roads, streets, sidewalks, bridges, and waterways.

Charities, hospitals, and corrections.—The terminology is largely self-explanatory of the service performed. The State conducts eight hospitals for the insane, one for epileptics, three feeble-minded institutions, one tuberculosis hospital, two homes for soldiers and sailors, one juvenile home, two industrial schools, one penitentiary with a prison farm and two brick plants as adjuncts. Local institutions include the county infirmaries, children's homes, county hospitals, similar institutions conducted by some of the larger municipalities, mothers' pensions, blind relief, and outdoor poor relief.

Education.—Expenditures for education include payments for all State institutions of higher learning and State aid to local school districts. Payments for local public schools are all included in school district expenditures. County and municipal governments spend comparatively small sums for education.

Recreation.—The State maintains a number of parks and forests that furnish recreational facilities to the public. Parks are almost a necessity in urban life and the expenditures for parks and other recreational facilities by cities are comparatively large. Expenditures of this nature by counties and townships are almost negligible.

Miscellaneous expenditures.—Some expenditures cannot be distributed either because the necessary accounting information is lacking or because payments cannot be properly assigned to any of the designated services.

TABLE 19.—Expenditures for Various Services Performed by the State and Local Governments in Ohio, 1933*

Service	Total		State		Counties		Townships†		School districts		Municipalities‡	
	<i>Dol.</i> <i>(ooo omitted)</i>	<i>Pct.</i>	<i>Dol.</i> <i>(ooo omitted)</i>	<i>Pct.</i>	<i>Dol.</i> <i>(ooo omitted)</i>	<i>Pct.</i>	<i>Dol.</i> <i>(ooo omitted)</i>	<i>Pct.</i>	<i>Dol.</i> <i>(ooo omitted)</i>	<i>Pct.</i>	<i>Dol.</i> <i>(ooo omitted)</i>	<i>Pct.</i>
General government.....	27,881	8.5	6,472	12.5	13,460	20.1	1,248	14.7	.....	.....	6,701	7.9
Protection to person and property.....	23,951	7.3	1,473	2.8	3,041	4.5	117	1.4	.....	.....	19,320	22.7
Highways and streets.....	58,296	17.7	26,106	50.3	13,996	20.9	4,000	46.9	.....	.....	14,194	16.7
Education.....	127,281	38.8	8,293	16.0	158	0.2	.....	.....	115,867	99.8	2,963	3.5
Development and conservation of natural resources.....	719	0.2	682	1.3	37	0.1	.....	.....	.....	.....	.....	.....
Health and sanitation.....	11,840	3.6	359	0.7	1,338	2.0	.....	.....	.....	.....	10,143	11.9
Charities, hospitals, and corrections.....	64,059	19.5	8,351	16.1	33,582	50.1	2,500	29.3	165	0.1	19,461	22.9
Recreation.....	3,442	1.0	167	0.3	421	0.6	62	0.7	116	0.1	2,676	3.2
Miscellaneous.....	11,077	3.4	.....	.....	960	1.5	600	7.0	.....	.....	9,517	11.2
Total.....	328,546	100.0	51,903	100.0	66,993	100.0	8,527	100.0	116,148	100.0	84,975	100.0

*Sources of information: Annual report of the Auditor of the State of Ohio, comparative statistics of counties, and comparative statistics of cities and villages, 1933, published by the Bureau of Inspection and Supervision, office of the Auditor of the State of Ohio. Data on school districts supplied by the State Department of Education.

†Estimated from the township records for the year 1932 and partially complete data, 1933.

‡Municipal public service enterprises (usually self-supporting) not included. During 1933 municipally owned public utilities yielded \$28,941,000 in revenue and expended \$22,168,000 for operation, maintenance, and outlay.

In Table 19 are shown the expenditures by the different civil divisions for each service and the percentage such amount is of the total revenue spent.

Excepting school districts, each of the various units of government performs a number of general services. Figure 4 indicates graphically the total expenditure within the State for each type of service.

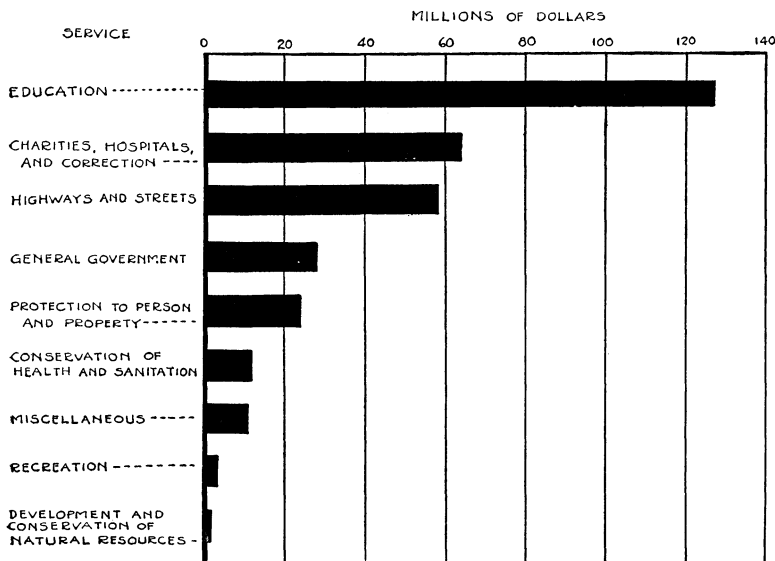


Fig. 4.—Revenue expenditures of Ohio governments in 1933, classified by service

Comparison of costs.—Two items combined, highways and education, normally account for more than half the total expenditures by the State and its subdivisions. For example, highway expenditures represented 26 per cent of the total in 1925, 24 per cent in 1931, and 18 per cent in 1933; schools took 39 per cent, 37 per cent, and 39 per cent, respectively, in the same years. Since 1930, expenditures for charity, hospitals, and corrections—i. e., public welfare activities—have increased, being 7 per cent of all expenditures in 1925, 9 per cent in 1931, and nearly 20 per cent in 1933. No other service as classified took as much as 8 per cent of the total expenditures within the State. The total expenditures for all purposes, excluding interest, debt payments, and municipal utilities expanded from 320 million dollars in 1925 to 470 million in 1931 and contracted to 329 million in 1933, a year which probably marks a low point in costs due to the general economic conditions then existing.

Since 1930 a vigorous drive for economy has cut expenditures at least in some instances at the high cost of efficiency in service, for the tendency has been to apply flat slashes to the budgets of all departments. This method of economizing is temporary because of the almost immediate demand for the restoration of curtailed services. Lasting economy to be satisfactory must come through a reorganization of the departments of government in order to increase the efficiency in methods of operation.

GENERAL PROPERTY TAXES

Rural and urban taxes compared.—A division of general property tax levies has been made in Table 20 to separate tax levies on property in municipal corporations from levies in unincorporated territory. For brevity the former are referred to as urban and the latter as rural.

TABLE 20.—Total Uniform Rate Property Taxes Levied in Ohio and in Rural and Incorporated Territory—1913-1933

Year	State total		Rural territory		Incorporated territory	
	<i>Dol.</i>		<i>Dol.</i>	<i>Pct.</i>	<i>Dol.</i>	<i>Pct.</i>
1913.....	86,825,000		27,519,000	31.7	59,306,000	68.3
1914.....	91,576,000		30,538,000	33.4	61,038,000	66.6
1915.....	99,819,000		30,742,000	30.8	69,077,000	69.2
1916.....	112,509,000		31,841,000	28.3	80,668,000	71.7
1917.....	125,085,000		34,515,000	27.6	90,570,000	72.4
1918.....	135,078,000		36,286,000	26.9	98,792,000	73.1
1919.....	159,926,000		41,869,000	26.2	118,057,000	73.8
1920.....	205,387,000		55,129,000	26.8	150,258,000	73.2
1921.....	220,012,000		57,684,000	26.2	162,328,000	73.8
1922.....	224,131,000		59,236,000	26.4	164,895,000	73.6
1923.....	232,816,000		58,053,000	24.9	174,763,000	75.1
1924.....	245,059,000		60,142,000	24.5	184,917,000	75.5
1925.....	261,445,000		60,196,000	23.0	201,249,000	77.0
1926.....	275,616,000		62,498,000	22.7	213,118,000	77.3
1927.....	294,397,000		65,768,000	22.3	228,629,000	77.7
1928.....	291,575,000		64,762,000	22.2	226,813,000	77.8
1929.....	303,230,000		64,794,000	21.4	238,436,000	78.6
1930.....	301,856,000		61,889,000	20.5	239,967,000	79.5
1931*.....	222,270,000		45,343,000	20.4	176,927,000	79.6
1932.....	201,345,000		38,658,000	19.2	162,688,000	80.8
1933.....	180,943,000		37,479,000	20.7	143,463,000	79.3

*Data in 1931, 1932, and 1933 do not include the tax on tangible and intangible personal property.

Taken from the annual reports of the Ohio Tax Commission.

Rural tax levies declined from 31.7 per cent of the State total in 1913 to 19.2 per cent in 1932. In this same period rural population remained approximately constant and urban increased 50 per cent. When considered on a per capita basis, property taxes are higher in urban territory because of levies for municipal services amounting to \$6.98 in 1913 and \$12.48 in 1932. If municipal levies are subtracted the remaining property tax per person is less in urban than in rural territory. This point is well illustrated by the property tax for county purposes which is levied at the same rates in both rural and urban territory (Table 21). Rural tax valuations average more per capita than urban, being \$1555 and \$1462, respectively, in 1931. However, public utility property represented \$450 of this rural valuation, as compared with \$171 of the urban valuation. Tax per person is slightly lower in 88 extremely rural townships than the average for all rural Ohio because they contain very little public utility property. On the other hand, tax rates in these rural townships for school and township purposes average higher than for all rural Ohio, indicating that the pressure for the usual amount of public service is sufficiently great to result in higher tax rates as an offset to the lower tax valuations.

TABLE 21.—Property Taxes per Capita in Urban and Rural Territory—1913-1933

Year	Tax for county purposes		Total property tax				
	Urban territory	Rural territory	Urban territory			Rural territory	88 rural townships
			For municipal purposes	For all other purposes	Total		
	<i>Dol.</i>	<i>Dol.</i>	<i>Dol.</i>	<i>Dol.</i>	<i>Dol.</i>	<i>Dol.</i>	<i>Dol.</i>
1913.....	2.96	3.80	6.98	10.32	17.30	16.80	12.59
1914.....	3.20	4.43	7.61	9.68	17.29	18.69	12.87
1915.....	3.38	4.61	7.45	11.56	19.01	18.87	16.78
1916.....	3.65	5.13	8.03	13.56	21.59	19.59	16.69
1917.....	4.12	5.25	8.66	14.92	23.58	21.28	17.02
1918.....	4.38	5.74	9.23	15.82	25.05	22.43	18.68
1919.....	4.66	6.01	9.62	19.55	29.17	25.95	22.53
1920.....	5.48	6.66	12.66	23.54	36.20	34.25	26.45
1921.....	6.82	8.40	14.00	24.33	38.33	35.72	30.85
1922.....	6.74	8.46	13.57	24.62	38.19	36.60	30.06
1923.....	6.58	7.64	14.33	25.37	39.70	35.76	31.23
1924.....	7.35	7.89	14.86	26.36	41.22	36.95	31.83
1925.....	7.58	7.86	16.19	27.85	44.04	36.88	33.53
1926.....	8.10	8.52	16.76	29.02	45.78	38.18	34.47
1927.....	9.15	9.50	16.90	31.35	48.25	40.08	35.50
1928.....	8.95	9.42	16.37	30.65	47.02	39.34	34.74
1929.....	9.47	9.79	16.35	32.24	48.59	39.24	34.59
1930.....	9.16	9.27	16.31	31.77	48.08	37.39	33.11
1931*.....	6.56	6.97	12.37	22.35	34.72	27.13	25.34
1932*.....	6.27	6.56	12.48	21.95	34.43	27.61	.....
1933*.....	5.61	6.13	11.04	19.14	30.18	23.53	.....

*Data for 1931, 1932, and 1933 do not include the tax on intangibles estimated to average \$3.02 per capita in urban territory and \$1.26 in rural territory in the year 1932. Taken from the annual reports of the Ohio Tax Commission.

No valid conclusion can be drawn as to the relative burden of rural and urban taxes from the size of the average tax because of the variations in the possibility of shifting taxes. It is often assumed that farm taxes are more burdensome than urban property taxes—an assumption supported by the fact that the steady growth of urban communities, created by the demand for the products of urban industry, has enabled urban property owners to shift a portion of their taxes to the consumers of the goods and services produced by the property. The inability to shift taxes consistently in the past few years has been a cause contributing to the growth of urban tax delinquency.

Tax rates and valuations.—The amount of tax assessed on a given piece of property depends on two items: (1) The tax rate and (2) the valuation fixed for taxation. If a given sum is needed to defray the cost of the usual amount of service in a taxing district, the tax rate tends to be set at a figure which will yield the needed revenue when applied to the valuation of the property in the taxing district, but a limiting factor on tax rates in Ohio is the tax rate limit law, first adopted in 1910.⁹ Rate limitations have served as a check on

⁹*Tax rate limitations.*—In the period from 1919 to 1927, the general assembly enacted some important legislation bearing on tax limitation and debt limitation. Prior to 1927 the tax rate limits were: county purposes, 3 mills; corporation purposes, 5 mills; township purposes, 1.5 mills; local school purposes, 3 mills, in addition to the 2.65 mill school levy which is uniform throughout the State. The eighty-seventh general assembly removed these rate limits on the different subdivisions leaving 15 mills as the outside limit. The apportionment of the funds to the various taxing districts was placed largely in the hands of the county budget commission composed of the county auditor, county treasurer, and prosecuting attorney. The 15-mill limit could be exceeded by vote of the electors or by official action guarded by legal provisions intended to meet given circumstances. These exceptions are too numerous to be considered in this brief discussion.

Some levies were permitted outside the 15-mill limit without vote of the electors to meet certain circumstances stated in the law. The intention and spirit of the rate limit is to restrain any increase in the levy unless popular approval is obtained. In general, the same rules relative to outside levies are retained under the 10-mill limitation adopted in 1933. However, legal opinions differed regarding the status of outside levies existing at the time the new law was adopted.

TABLE 22.—Population of Ohio: Annual Estimates*—1910 to 1934

Year	Population				Indexes of population (1913=100)			
	State total	In municipalities	Outside municipalities	In 88 rural townships	State total	In municipalities	Outside municipalities	In 88 rural townships
1910.....	4,767,121	3,117,173	1,649,948	89,386	94.12	90.96	100.74	102.56
1911.....	4,866,348	3,220,444	1,645,904	88,643	96.08	93.97	100.49	101.71
1912.....	4,965,576	3,323,718	1,641,859	87,899	98.04	96.99	100.25	100.85
1913.....	5,064,803	3,426,988	1,637,815	87,156	100.00	100.00	100.00	100.00
1914.....	5,164,030	3,530,260	1,633,770	86,413	101.96	103.01	99.75	99.15
1915.....	5,263,258	3,633,532	1,629,726	85,670	103.92	106.03	99.51	98.30
1916.....	5,362,485	3,736,803	1,625,682	84,926	105.88	109.04	99.26	97.44
1917.....	5,461,712	3,840,075	1,621,637	84,183	107.84	112.05	99.01	96.59
1918.....	5,560,940	3,943,347	1,617,593	83,440	109.80	115.07	98.77	95.74
1919.....	5,660,167	4,046,619	1,613,548	82,696	111.76	118.08	98.52	94.88
1920.....	5,759,394	4,149,890	1,609,504	81,953	113.72	121.09	98.27	94.03
1921.....	5,848,124	4,234,052	1,614,072	81,706	115.46	123.55	98.55	93.75
1922.....	5,936,854	4,318,214	1,618,640	81,460	117.22	126.01	98.83	93.46
1923.....	6,025,584	4,402,377	1,623,207	81,213	118.97	128.46	99.11	93.18
1924.....	6,114,314	4,486,539	1,627,775	80,966	120.72	130.92	99.39	92.90
1925.....	6,203,044	4,570,701	1,632,343	80,720	122.47	133.37	99.67	92.62
1926.....	6,291,774	4,654,863	1,636,911	80,473	124.23	135.83	99.94	92.33
1927.....	6,380,504	4,739,025	1,641,479	80,226	125.98	138.29	100.22	92.05
1928.....	6,469,234	4,823,188	1,646,046	79,979	127.73	140.74	100.50	91.77
1929.....	6,557,964	4,907,350	1,650,614	79,733	129.48	143.20	100.78	91.48
1930.....	6,646,697	4,991,515	1,655,182	79,486	131.23	145.65	101.06	91.20
1931.....	6,735,424	5,075,674	1,659,750	79,239	132.99	148.11	101.34	90.92
1932.....	6,824,154	5,159,836	1,664,318	78,993	134.74	150.56	101.62	90.63
1933.....	6,912,884	5,243,998	1,668,886	78,747	136.49	153.01	101.90	90.34
1934.....	7,001,614	5,328,160	1,673,454	78,601	138.24	155.48	102.18	90.05

*Annual estimates between census dates are based on the arithmetic rate of increase or decrease.

public officials who can increase the tax rate above a certain maximum only by a vote of the people. Whether the net result has been much different is difficult to say. At least most taxing districts had a total tax rate considerably in excess of the 15-mill limitation when that law was in force. The average tax rates in rural territory, villages, cities, and the entire State are given in Table 23.

TABLE 23.—Tax Rates in Ohio, Levied on Each Dollar of Valuation—1922 to 1933

Year	Entire state	Rural territory	City and village	City alone	Village alone
	<i>Mills</i>	<i>Mills</i>	<i>Mills</i>	<i>Mills</i>	<i>Mills</i>
1922.....	21.537	17.843	23.506	23.546	21.538
1923.....	20.322	17.478	23.017	23.288	21.321
1924.....	20.004	17.421	21.017	21.208	19.852
1925.....	20.619	17.464	21.797	22.029	20.409
1926.....	20.645	17.314	21.879	22.100	20.587
1927.....	21.820	18.429	23.031	23.364	21.255
1928.....	21.526	18.089	22.759	23.026	21.336
1929.....	22.167	18.352	23.498	23.782	21.975
1930.....	22.439	18.294	23.830	24.034	22.301
1931.....	22.218	17.453	23.740	23.940	23.339
1932*.....	21.991	17.240	23.689	23.849	22.419
1933*.....	22.420	17.322	24.288	24.518	22.504

*On tangible personal property and real estate only—other property at reduced rates specified in the classified property tax law.

Assembled from annual reports of the Ohio Tax Commission.

Under the constitutional amendment, voted in 1933 and effective on the levy of 1934, the maximum tax rate on real estate was fixed at 10 mills on each dollar of valuation. The amendment permits outside levies by vote of the people.

The classified property tax law first effective in 1932 fixes the rates applying to different types of intangible personal property. These have been previously discussed. The same tax rates apply to public utility property and tangible personal property as to real estate in the same taxing district.

The base for general property tax levies is the "true value in money", excepting those classes of personal property treated otherwise under the recently adopted scheme of classification. The amount of taxable personal property is declared yearly by the property owners, such declarations being subject to confirmation and adjustment by the county auditor and the State tax commission.

Valuation of real estate is determined by a different method; it is appraised by the auditor in each county with such assistance as he may require from appraisers appointed by him. However, some supervision and final approval rests with the tax commission.

Periodic State-wide reappraisal of real estate has been effected at rather wide intervals in 1910-1911, again in 1925-1926 (with some counties either wholly or partially in the intervening years), and then again in 1931. Under the present law all real estate must be reappraised every 6 years. County auditors are required to make yearly adjustments to keep property assessed at its true value in money. As a matter of fact, partial or general revisions, usually downward, have been made in various years since the 1925-1926 reappraisal in most Ohio counties. As a result, the total real

estate valuation of Ohio in 1932 was 80.92 per cent and rural real estate only 66.9 per cent as high as in 1927. The total tax valuation of real estate in Ohio with the percentage change from 1922 to 1933 is given in Table 24. These data illustrate the general effect of the economic depression on the principal part of the general property tax base.

TABLE 24.—Tax Valuation of All Real Estate in Ohio—1922-1933

Year	Valuation		Relative change
	<i>Dol.</i>	<i>Pct.</i>	
1922.....	6 486 415 212	100.00	
1923.....	6 318 995 004	105.12	
1924.....	8 063 626 005	124.31	
1925.....	8 523 272 460	131.40	
1926.....	9 160 076 100	141.21	
1927.....	9 361 388 870	144.32	
1928.....	9 414 665 235	145.14	
1929.....	9 524 729 325	146.84	
1930.....	9 376 136 025	144.55	
1931.....	8 387 701 320	129.31	
1932.....	7 575 622 300	116.79	
1933.....	6 623 185 325	102.11	

Taken from annual reports of the Ohio Tax Commission.

Some results of classification.—Fundamentally, the most decisive change in our system of taxation in a century was the replacement of the uniform property tax by a classified property tax in 1932. The effects of this change cannot be fully appraised until after a longer period of operation, particularly in view of the unsettled economic conditions. Results in the first year of operation as measured in terms of taxable valuations of property and in tax yield are summarized in Tables 25 and 26. Classification has radically reduced the taxable valuation of tangible personal property and increased that of intangibles. Changes in the price level since 1930 have affected all property values so much that the change due to classification cannot be accurately measured, but the tendency plainly is to spread the tax burden over several

TABLE 25.—Valuation of Various Types of Property in Ohio Before and After Classification

Type of property	1930		1932	
	<i>Dol.</i> (000 omitted)	<i>Pct.</i>	<i>Dol.</i> (000 omitted)	<i>Pct.</i>
Real estate.....	9 325 361*	69.32	7 575 621	42.27
Public utility property.....	1 704 350	12.67	1 580 174	8.82
Tangible personal property (other than public utility property).....	1 555 876	11.56	876 446	4.89†
Intangible personal property.....	867 360	6.45	7 887 669†	44.02
Total.....	13 452 947	100.00	17 919 910	100.00

*All real estate less \$50,775,100 public utility property not used in operation.

†The intangible tax duplicate of Ohio in 1932 was \$3,813,617,545.94, but, as calculated for taxation by the tax commission, the income of productive investments (\$214,423,742.94) is the basis of taxation and is entered on the tax duplicate instead of the supposedly true value of the property, which as estimated herein was \$4,288,474,800 (\$214,423,742.94 capitalized at 5 per cent.)

Taken from data supplied by the Ohio Tax Commission.

billion dollars of intangibles which previously remained untaxed. However, taken as a whole, the percentage of the total general property tax resting on intangibles has not been greatly changed by classification—7.73 per cent in 1932 as compared with 6.45 per cent in 1930. In the same 2 years the amount of tax levied on tangible personal property declined from 11.56 to 8.37 per cent of the total general property tax levy and the proportion paid by public utilities increased from 12.67 to 14.48 per cent.

TABLE 26.—Amount of Tax Levied on Various Types of Property in Ohio Before and After Classification

Type of property	1930		1932	
	<i>Dol.</i>	<i>Pct.</i>	<i>Dol.</i>	<i>Pct.</i>
Real estate.....	209,258,631	69.32	166,593,308	69.42
Public utility property.....	38,247,359	12.67	34,752,242	14.48
Tangible personal property (other than public utility property).....	34,896,564	11.56	20,090,949	8.37
Intangible personal property.....	19,470,834	6.45	18,537,320	7.73
Total.....	301,873,388	100.00	239,973,819	100.00

Taken from data supplied by the Ohio Tax Commission.

DELINQUENT TAXES

Evidence of a too heavy general property tax burden has existed for years in the growing percentage of income derived from property which was needed to pay taxes.¹⁰ The fact exists that our economic system has become too complex for the general property tax to reach the tax paying ability of all individuals in an equitable manner. A thorough reorganization of the system of taxation has never been accomplished and the modifications adopted from time to time have consistently lagged behind the need for change. In 1916 nearly 82 per cent of all State and local revenues was derived from the general property tax and special assessments; in 1930, 71 per cent; and in 1932, 66 per cent (Table 4). The recent decline is not due so much to changes in the fiscal system as to uncollected taxes, principally on real estate.

In Table 27 is given the accumulation of rural and urban real estate tax delinquency over a period of years.

TABLE 27.—The Accumulated Delinquent Real Estate Taxes in Ohio (Rural and Urban)—1926 to 1933

Year	Total	Rural (outside municipalities)		In municipal corporations	
		<i>Dol.</i>	<i>Pct.</i>	<i>Dol.</i>	<i>Pct.</i>
1926.....	18,768,186.34	3,610,185.47	19.24	15,158,000.87	80.76
1927.....	24,892,011.07	3,830,115.69	15.39	21,061,895.38	84.61
1928.....	31,183,722.56	4,875,289.19	15.63	26,308,433.37	84.37
1929.....	35,515,732.61	5,913,250.05	16.65	29,602,482.56	83.35
1930.....	43,204,816.34	6,764,313.63	15.66	36,440,502.71	84.34
1931.....	69,343,013.14	10,661,279.57	15.37	58,681,733.57	84.63
1932.....	112,253,505.53	13,928,448.63	12.41	98,325,056.90	87.59
1933.....	164,224,869.82	22,589,660.61	13.76	141,635,209.21	86.24

Taken from records in the Ohio Auditor's Office.

¹⁰Ratio of real estate taxes to net rent derived from farm real estate.—1900, 17 per cent; 1910, 21 per cent; 1920, 26 per cent; 1928, 38 per cent. Taken from "Taxation as Related to the Property and Income of Ohio Farmers", Ohio Agricultural Experiment Station Bulletin 459, p. 12.

As compared with urban, a smaller proportion of rural taxes has gone delinquent. Rural land holdings usually produce some annual income; whereas urban real estate developments usually pass through a speculative stage in which current income is negligible. Traditionally, farmers dread the idea of unpaid taxes and often endure a large degree of personal inconvenience to pay taxes when due; whereas it is probable that in case of the urban business man or corporation such incentive operates in less degree.

The extent of the area affected by farm tax delinquency arising over a 5-year period is indicated by the data in Table 28 which cover the delinquency of tracts of rural real estate containing 3 acres and over in 76 Ohio counties.

Significant variations exist between counties in extent of delinquency. Differences no doubt exist in the administrative policies relative to taxation and in efficiency which may cause variations though other things are equal. This may account for some variation between counties in the same general area. On a territorial basis more rural tax delinquency prevails in northeastern Ohio, followed in order by the southeastern, southwestern, and northwestern sections of the State. In northeastern Ohio the relatively large population has created the need for more public service, particularly roads and schools. General property taxes have been high in proportion to income, and frequently special assessments have been an additional burden.

In southeastern Ohio the problem of tax delinquency seems to be associated more particularly with land that would be graded as marginal or sub-marginal for agricultural use and oftentimes is lying idle. Not much difference exists in degree of tax delinquency in the southwest and northwest sections of the State. The evidence supports the opinion that delinquent taxes are a less serious problem in strictly agricultural areas of good land than in either agricultural areas of poor land or in areas approaching urbanization.

Special assessments as a cause of delinquency.—Of the total delinquent holdings in 76 counties, numbering more than 250,000¹¹ over a 5-year period, 97,000 were delinquent on special assessments. Ohio laws permit the payment of other current taxes even though the special assessments are delinquent, and, since property owners are often inclined to contest the justice of special assessments, some no doubt remain unpaid even when financial stringency does not exist.

In the period 1930-1934 several emergency laws were enacted relative to the payment of delinquent taxes. The intent of these laws was to encourage payment of delinquent taxes by the remission of penalties and by permitting payments to be made in installments.

TRENDS IN FARM TAXES

A perspective of farm taxes over a half century is given in Table 29. The steady climb in the amount of taxes paid has been only slightly modified by price cycles prior to 1930. However, not until after 1920 did farm taxes get badly out of line with the prices of things that farmers sell, as is indicated in Column 3 of Table 29. The prime reason for the growth of farm tax delinquency is illustrated by the divergent trends of taxes and prices of farm products since 1920. Either a decrease in taxes or an increase in prices will help the situation.

¹¹This is the number of delinquent properties over a 5-year period, counting each property as one in every year delinquent.

TABLE 28.—Percentage of Area by Counties Outside Municipal Corporations Which Was Tax Delinquent each Year—1928-1932*

County	Year				
	1928	1929	1930	1931	1932
	<i>Pct.</i>	<i>Pct.</i>	<i>Pct.</i>	<i>Pct.</i>	<i>Pct.</i>
Adams.....	14.90	18.11	22.40	26.58	27.49
Allen.....	8.03	6.41	10.15	18.13	18.74
Ashland.....	5.81	9.12	16.59	20.03	19.36
Ashtabula†.....	17.90	20.26	24.56	39.90	41.98
Athens.....	17.95	20.60	25.01	34.29	41.22
Auglaize.....	2.40	3.92	5.75	10.01	11.28
Belmont†.....	5.22	7.20	10.92	16.90	24.47
Brown.....	6.30	7.66	11.63	14.39	15.28
Butler.....	4.64	7.49	12.50	23.06	23.45
Carroll.....	10.90	15.30	19.90	33.40	26.60
Champaign.....	4.61	4.93	7.62	12.29	17.62
Clark.....	3.53	5.56	8.37	15.63	17.76
Clermont.....	4.88	6.64	9.12	15.02	24.47
Clinton.....	5.81	9.14	12.42	14.22	14.96
Columbiana.....	10.51	12.69	22.53	27.86	38.08
Coshocton.....	9.86	11.71	12.29	14.66	15.14
Crawford.....	3.56	4.35	8.01	11.46	14.71
Cuyahoga†.....					
Darke.....	4.03	5.22	7.33	12.08	14.35
Defiance.....	5.94	7.54	12.00	17.34	17.36
Delaware.....	8.54	9.41	16.89	12.31	23.65
Erie.....	4.89	7.41	17.24	16.27	24.63
Fairfield.....	5.53	6.09	9.82	13.85	18.88
Fayette.....	3.49	6.96	10.74	14.55	14.05
Franklin†.....					
Fulton.....	3.94	6.32	11.71	13.47	18.43
Gallia.....	11.70	14.07	18.90	23.70	29.10
Geauga†.....	11.92	18.40	26.69	38.34	54.27
Greene.....	6.01	6.87	9.57	12.15	18.51
Guernsey.....	0.84	1.35	5.35	12.23	16.32
Hamilton†.....					
Hancock.....	3.90	4.52	9.10	12.01	17.25
Hardin.....	5.93	7.31	11.40	14.44	15.26
Harrison†.....					
Henry.....	0.43	0.66	2.95	12.31	9.34
Highland.....	4.22	6.25	10.29	12.49	15.03
Hocking.....	12.51	15.94	23.79	28.02	13.39
Holmes.....	2.40	2.69	4.06	6.56	8.22
Huron†.....	3.59	4.66	7.94	10.55	12.94
Jackson.....	18.34	18.24	22.70	29.15	32.35
Jefferson.....	10.30	10.89	20.79	33.97	34.62
Knox†.....					
Lake.....	8.86	11.14	17.56	31.06	43.26
Lawrence†.....					
Licking.....	4.56	6.29	10.01	14.16	15.92
Logan.....	2.08	3.03	4.78	9.62	17.76
Lorain.....	6.56	8.88	14.59	22.98	33.80
Lucas†.....					
Madison.....	7.97	9.59	14.97	23.63	28.81
Mahoning†.....					
Marion†.....	6.50	7.39	15.27	21.22	21.52
Medina†.....	7.03	10.34	17.24	24.82	38.21
Meigs†.....	9.38	11.09	14.86	19.24	23.94
Mercer.....	3.26	4.41	6.19	9.78	12.96
Miami.....	2.73	3.66	6.18	12.10	17.59
Monroe.....	1.45	2.38	4.84	10.13	20.19
Montgomery†.....					
Morgan.....	5.97	7.64	8.80	11.34	12.74
Morrow.....	4.99	7.65	12.86	17.80	20.91
Muskingum.....	3.35	4.54	7.76	12.88	15.69

TABLE 28.—Percentage of Area by Counties Outside Municipal Corporations Which Was Tax Delinquent each Year—1928-1932*—Continued

County	Year				
	1928	1929	1930	1931	1932
	<i>Pct.</i>	<i>Pct.</i>	<i>Pct.</i>	<i>Pct.</i>	<i>Pct.</i>
Noble.....	3.65	4.49	7.37	10.87	17.77
Ottawa.....	4.40	5.05	8.50	13.02	19.53
Paulding.....	8.55	9.92	16.03	15.77	20.47
Perry†.....	11.80	13.94	19.82	15.81	15.40
Pickaway.....	6.67	8.87	14.30	21.45	25.92
Pike†.....	23.09	24.79	30.97	35.04	34.10
Portage†.....	11.52	15.27	21.03	32.50	37.79
Preble.....	5.98	7.76	9.30	14.25	16.39
Putnam.....	2.69	4.09	5.38	9.31	15.01
Richland.....	2.88	4.18	7.16	9.89	11.45
Ross.....	10.54	10.77	16.76	21.53	22.92
Sandusky.....	2.31	3.55	10.10	13.10	19.97
Scioto†.....	15.27	16.48	26.81	33.95	48.18
Seneca.....	3.82	4.08	6.03	8.54	13.08
Shelby.....	1.73	2.28	3.11	6.22	10.37
Stark‡.....					
Summit‡.....					
Trumbull†.....	11.50	15.45	24.39	35.33	41.21
Tuscarawas.....	7.21	8.61	13.98	24.82	34.61
Union.....	6.12	7.00	9.81	12.40	15.10
Van Wert.....	3.18	2.89	4.20	7.31	11.30
Vinton†.....	11.86	14.18	16.19	23.93	26.67
Warren.....	4.49	6.05	9.28	13.36	24.57
Washington.....	3.35	5.15	8.35	13.38	16.65
Wayne.....					
Williams.....	3.16	3.98	4.09	6.13	9.66
Wood.....	2.89	4.82	8.50	16.85	21.52
Wyandot.....	0.41	0.99	3.20	8.69	11.64
Average.....	6.69	8.34	12.62	18.05	22.14

Derived from county treasurers' individual records of tax delinquency. These data were derived from a study of rural tax delinquency accomplished through the cooperation of the Federal Emergency Relief Administration, the Bureau of Agricultural Economics of the United States Department of Agriculture, and the Department of Rural Economics of the Ohio Agricultural Experiment Station.

*Tracts of less than 3 acres not included.

†Partially estimated.

‡No record taken.

Up to 1934 the only important relief came from lower taxes, but even these remained relatively high. As a matter of fact, it would be necessary to reduce farm taxes to the level of the 1880's to bring them down to the level of farm commodity prices prevailing in 1932 to 1934. This could be fully accomplished only at the price of demoralized public services and wholesale repudiation of public debt. Further lowering of general property taxes could be accomplished at the cost of curtailed public service. Some economies, it is true, may be attained through changes in governmental organization, but such savings must come slowly. Another avenue of relief, widening the tax base, was taken temporarily when the general retail sales tax was adopted for the year 1935. Much of the present tax burden is associated with road and school finance. Providing other sources of revenue for these two services is the practical and essential solution to the present general property tax problem. Taxes on motor vehicle traffic are already generally accepted as a just basis of highway finance. Adequate measures for school finance are a more controversial issue because the service rendered is not turned so directly into an economic benefit

to the taxpayer. Although the general sales tax is capable of producing adequate revenues, its permanent adoption as a part of the tax system is questionable policy.

TABLE 29.—Index Numbers of Ohio Farm Taxes and Prices of Farm Products—1881 to 1934*
(1914=100)

Year	Taxes†	Prices of farm products	Taxes in terms of prices	Year	Taxes†	Prices of farm products	Taxes in terms of prices
1881.....	60	95	63	1909.....	94	93	101
1882.....	61	83	73	1910.....	95	94	101
1883.....	64	80	80	1911.....	95	86	110
1884.....	67	70	96	1912.....	87	101	86
1885.....	69	65	106	1913.....	92	100	92
1886.....	69	69	100	1914.....	100	100	100
1887.....	69	77	90	1915.....	101	101	100
1888.....	70	68	103	1916.....	131	115	114
1889.....	69	64	108	1917.....	129	173	75
1890.....	67	73	92	1918.....	131	193	68
1891.....	69	70	99	1919.....	142	208	68
1892.....	61	70	87	1920.....	170	202	84
1893.....	64	72	89	1921.....	197	126	156
1894.....	64	63	102	1922.....	216	120	180
1895.....	64	61	105	1923.....	210	128	164
1896.....	64	52	123	1924.....	217	127	171
1897.....	62	55	113	1925.....	220	151	146
1898.....	63	60	105	1926.....	232	148	157
1899.....	65	61	107	1927.....	232	140	166
1900.....	68	68	100	1928.....	234	147	159
1901.....	69	69	100	1929.....	238	144	165
1902.....	66	75	88	1930.....	236	122	193
1903.....	66	72	92	1931.....	225	85	265
1904.....	75	71	106	1932.....	171	60	285
1905.....	75	75	100	1933.....	153	66	232
1906.....	78	78	100	1934.....	135	85	159
1907.....	83	86	97	1935.....	112‡	.....	.....
1908.....	85	86	99				

*Source of tax data: Annual reports for 1880 to 1912 of the Auditor of the State of Ohio and annual reports for 1913 to 1932 of the Ohio Tax Commission. Part of these data was originally assembled by O. M. Johnson and published in the Ohio Agricultural Experiment Station Bimonthly Bulletin, November-December, 1925, under the title, "An Index Number of Farm Taxes in Ohio 1881-1924, inclusive".

Source of price data: Index numbers of Ohio farm products prices, J. I. Falconer. These are currently published in the Ohio Agricultural Experiment Station Bimonthly Bulletin on a base of 1910-1914=100. For the present use the base was converted to 1914=100 to be more comparable with the index of taxes paid in the various years.

†Amount due for collection in year designated.

‡Preliminary estimate.

SUMMARY

In view of the tax problems confronting the people of Ohio, information is needed concerning the volume, trend, and sources of public revenue and the benefits received from the expenditure of public funds.

Federal internal revenue collections in Ohio were \$4.99 per capita in 1913; \$64.89, in 1920; \$9.06, in 1932; and \$17.81, in 1934. The peak of war financing is now history. Expenses resulting from the depression have been met by borrowed funds which must be paid later out of higher Federal taxes now being developed.

Total revenue collections of Ohio's State and local governments in 1933 were 3.37 times as high as in 1913; whereas per capita collections in 1933 were 2.47 times as high. Price and population changes have their effect on governmental costs, but more important has been the demand for increased public service which requires a greater amount of public revenue. Poorly adjusted economic conditions have changed the type of public services but have not reduced the need.

The general property tax has declined in relative importance, yielding 57.78 per cent of the total State and local revenue in 1933. Special assessments on real estate add 4.49 per cent and bring the revenue derived directly from property to less than two-thirds of the total revenue in 1933, as compared with four-fifths in 1916. Growth of delinquent taxes partially accounts for the change, although the development of other revenue measures is of growing significance.

The business taxes, licenses, inheritance tax, motor fuel tax, and, more recently, various sales taxes constitute the main support of the State government.

The general property tax and special assessments are the main support of the local governments, although important aid comes from the motor fuel tax, motor vehicle licenses, and some miscellaneous sources combined. Revenue sources other than property yielded about 9 per cent of the local revenue in 1913 and 26 per cent in 1933.

In order of importance of revenue yield, in 1933, taxes and assessments on property are followed by the motor fuel tax, 10.39 per cent; motor vehicle licenses, 5.25 per cent; insurance company fees and assessments, 1.88 per cent; public utility excise tax, 1.85 per cent; State cigarette tax, 1.42 per cent; corporation franchise tax, 1.15 per cent; and State inheritance tax, 1.12 per cent. It is apparent that no one tax had been developed that would replace property taxation to a significant extent prior to the adoption of the general sales tax which became effective in 1935. It is also significant that Ohio has adopted only one tax (inheritance) which has progressive rates giving special consideration to differences in ability to pay.

Local public debt increased steadily from 1910 to 1929 and then showed some tendency to decline. Nevertheless, debt has remained the most disturbing factor in the finances of many local governments since 1929, because meeting the fixed charges takes a larger share of the diminished revenues. Part of this debt has arisen from issues of deficiency bonds and can in no sense be considered self liquidating. Local governments have inadvisedly pursued the policy of borrowing when prices were high and must pay when prices are low—a time when debt is most burdensome.

Of the State and local expenditures combined, educational costs represented about 40 per cent in 1925 and 38.8 per cent in 1933; highways, 26 per cent in 1925 and 17.7 per cent in 1933. This decline in relative costs is offset principally by increased expenditures for charities, representing 19.5 per cent of the total expenditures in 1933 as compared with 8.7 per cent in 1925. Cost of no other single service exceeds 9 per cent of the total funds.

Property taxes have increased in both rural and urban territory since the pre-war period. A 50 per cent increase of population in municipal corporations has been accompanied by approximately 100 per cent increase in property taxes per capita in urban territory. Approximately as great per capita increase has occurred in 88 distinctly rural townships, due principally to financing roads and schools.

Adoption of the classified property tax, first operative in 1932, has broadened the tax base through prevention of wholesale evasion of intangibles, but it has not materially changed the revenue yield of the general property tax.

Ohio adopted the policy of tax rate limitation in 1910. Since then, the demands for increased public service have been more insistent than the demands for lower taxes. The majority of Ohio taxing districts exceeded the 15-mill rate limitation by popular vote. The 10-mill limitation effective on the levy of 1934 is another popular demand for reduced property taxes. Adoption of this measure hastened the adoption of the general retail sales tax to prevent further demoralization of local public finance.

Extensive property tax delinquency is an indication of a partial breakdown in this part of the revenue system brought about mainly by high taxes in a period of low income. Urban areas have relatively more taxes delinquent than rural areas. The seriousness of the situation is conservatively represented by the fact that at the time of the collection of the 1928 tax levy approximately 7 per cent of the rural land area of Ohio was tax delinquent and at the time of collection of the 1932 tax levy 22 per cent was delinquent.

Farm taxes have been reduced one-half since 1929 but are still higher in terms of things farmers sell than they were in 1914. The chief difference in burden has been associated with highway and school finance, two services greatly expanded in cost since 1914. Considerable advance has been made in financing roads by taxes on motor vehicle traffic. These taxes appear adequate to meet practically all road expenses in the near future. Further reduction of farm property taxes (and urban property taxes) to a reasonable level is primarily dependent on the new system of State school finance. In this connection a graduated State personal income tax is favored to replace, at least partially, the retail sales tax for Ohio's revenue system, which is heavily weighted with taxes which do not conform to the principle of ability to pay. In some taxing districts debt payments will retard tax reductions for a period of years but eventually this handicap can be removed.

This page intentionally blank.

This page intentionally blank.