

## A BALANCED REVENUE SYSTEM

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The multiplicity of political units, of which there are some 16,000 in Illinois, complicates the problem of public revenues and expenditures. The present revenue system of Illinois, for both state and local purposes continues to be built around the general property tax in contrast to that found in many other states.

In the last few years we have heard great condemnation of our tremendous tax burden. Yet in 1929, Illinois had the lowest per capita expenditure of any state for operation and maintenance of its general departments while but 5.97 per cent of the social income was taken in taxes for state and local purposes. In comparison with other states this was very low. As among the different classes the tax burden has been very unequally distributed. Investigations have shown that agriculture has been burdened excessively while the tax upon corporations has been lower than the average for the United States as a whole.

The evidence shows that our revenue system is out of balance. Nor will the enforcement of the present laws, as some advocate, bring it into balance. Even if it were possible to assess stocks, bonds, and mortgages, there would be no justice in so doing since they are in reality not property but mere evidences of contract or claims to property. In the past it has been difficult to abandon such taxes because it would mean that jurisdictions of residence might thereby relinquish the possibility of tax collection from many individuals. The development of income taxes, however, alleviates such a difficulty. The income tax has taken the form of taxes upon personal incomes, corporation incomes, and at present there seems to be some tendency to include all business incomes. Since Wisconsin adopted the income tax in 1911 about one-half of the states have included it in their system of taxation.

The inherent justice in income as a tax base is evident—whatever the base upon which a tax is levied, it can only continue to be paid from income. Whether individual or business, a tax upon income suggests the fairest method of levy. Business, however, counters that to do such would crush it or drive it from the state. Evidence from the state of Wisconsin indicates that the adoption of a tax upon business income has been no deterrent to business and one wonders to what state Illinois business would migrate since taxes in neighboring states are considerably higher. The fact is, that by leaving with the farmer and small income group funds which would have been taken in taxes, business has been stimulated and incomes have accrued out of which taxes can be paid.

It is the intention that the adoption of an income tax will relieve other overburdened sources of revenue, especially property. It may do this by the state giving up property as a source of revenue or may go further and take over some of the functions formerly performed by smaller units. The latter is desirable only if the state can perform them as efficiently and economically. The state, moreover, may allocate a part of the collected receipts to localities. Here care must be used to choose a satisfactory basis of distribution. The plan used in New York, assessed valuation of real

estate, has much to commend it. In the consideration of an income tax, moreover, care should be given to the real consequences which may come from any offset provisions.

A balanced revenue system will attempt to secure the funds necessary to perform the functions properly allocated to government so that they will come from those who are able to pay, from sources the administrative obstacles of which are not insurmountable, and that will produce a reasonably steady revenue at moderate cost. A system built around income taxes best meets these criteria. It does not, however, exclude other tax bases. Real estate may still be taxed locally; death duties fit the criteria of justice and productivity; and as a source for construction and maintenance of highways no more justifiable base can be found than the gasoline tax.

Suggestions for possible new sources of revenue come from the stock transfer tax of New York and the grain futures tax of the Federal government. The latter, especially, could be made very productive with a comparatively low rate.

The total tax burden in Illinois is not heavy, either as a per capita charge or as a percentage of social income. The difficulty has been that the revenue system has not been balanced among the groups that are most able to pay. It is to this problem that attention needs to be given.