

February 18, 1939

SHIFT SINCE 1929 TOWARD TAXES WITH REPRESSIVE EFFECTS ON CONSUMPTION

The following table shows Federal receipts from taxes and customs in the fiscal years 1929 and 1938. In 1929 consumption taxes of a little over a billion dollars were collected with the national income running close to \$80,000,000,000 a year; in 1938 with the national income running well under \$70,000,000,000 a year, collections of taxes on consumption had increased to almost three and a half times their 1929 volume. Payroll taxes, non-existent in 1929, amounted to more than the whole of the individual income tax in 1938.

(Amounts in millions of dollars)

| Nature of tax | 1929 | | 1938 | |
|--|--------|------------------|--------|------------------|
| | Amount | Percent to total | Amount | Percent to total |
| Summary | | | | |
| Taxes bearing primarily on consumption | 1,068 | 30.2 | 3,481 | 51.3 |
| Other taxes | 2,472 | 69.8 | 3,304 | 48.7 |
| Total taxes and customs | 3,540 | 100.0 | 6,785 | 100.0 |
| Detail | | | | |
| Taxes on consumption: | | | | |
| Payroll taxes: | | | | |
| Direct Federal collections | - | - | 755 | 11.1 |
| Deposits by States | - | - | 748 | 11.0 |
| Total | - | - | 1,503 | 22.1 |
| Tobacco and liquor taxes | 447 | 12.6 | 1,136 | 16.7 |
| Manufacturers' excise taxes | 6 | 0.2 | 417 | 6.2 |
| Income taxes on net incomes of less than \$5,000 ^{1/} | 13 | 0.4 | 66 | 1.0 |
| Customs | 602 | 17.0 | 359 | 5.3 |
| Other taxes: | | | | |
| Corporate income tax ^{2/} | 1,236 | 34.9 | 1,337 | 19.7 |
| Income taxes on net incomes of more than \$5,000 ^{1/} | 1,083 | 30.6 | 1,220 | 18.0 |
| Estate and gift taxes | 62 | 1.7 | 417 | 6.2 |
| All other | 91 | 2.6 | 330 | 4.8 |

^{1/} Estimated

^{2/} Includes excess-profits tax

The trend of State and local taxation has been in the same direction. The States raised about \$600,000,000 from general sales taxes, liquor and tobacco taxes in 1936, sources of revenue which were of negligible importance in 1929. In addition State gasoline tax collections amounted to \$256 million more than in 1929. Collections from these various sources have, if anything, increased since 1936.