

2. If the sales tax is *not* passed, a 1% withholding tax on all wages and salaries will become effective January 1, 1948.

3. If the sales tax is *approved* on October 7, 1947, the personal *exemptions* are to be increased as follows: single person from \$750 to \$900; head of family or married person from \$1,500 to \$1,800; and for each dependent from \$300 to \$400.

It is of interest, also to learn that *regardless* of the outcome of the vote on the sales tax measure, the income tax rate on net income over \$8,000 is to be 8 per cent instead of 7 per cent, and that the present top rate of 7 per cent is to be applied to net incomes of \$4,000-8,000. Also, the standard reduction is decreased from 6 per cent to 5 per cent on gross incomes to \$5,000, and from \$350 to \$250 on incomes above \$5,000.

#### Effect on State General Funds

A summary of the total annual state revenue under the several tax set-ups under discussion is estimated to be as follows:

Present state income tax	\$16,000,000
No sales tax and new income tax	20,000,000
Proposed sales tax and income tax	34,000,000

If the sales tax is passed, of the above \$34 million about \$22 million revenue is expected from the sales tax and about \$12 million from the reduced income tax. In this case, the general fund of the State would receive about \$7 1/3 million, or one-third, from the sales tax, and about \$12 million from the income tax; making a total of about \$19 1/3 million. This appears about two-thirds of a million dollars short of expected state revenue if the sales tax is defeated and the resultant automatically increased state income tax then were in effect.

The above apparent shortage does not, however, take into account the \$3 2/3 million from sales tax credited to the state public welfare account, nor the additional credit to the state's

property tax reserve account of excess sales tax income above \$22 million a year to a total reserve of \$12,000,000.

Also, it seems apparent that defeat of the sales tax measure would deprive the counties, cities and school districts of about \$11,000,000 a year expected from sales tax revenues.

#### Estimated Cost of Sales Tax To Average Family

Based on U. S. Bureau of Labor statistics, it is estimated that a four person family (average) will be affected annually by the proposed sales tax, about as follows:

Adjusted Gross Income	Av. Expend. Sub. to Tax	Estimated 3% Sales Tax
\$ 1,000	\$ 401	\$ 12
2,000	830	25
3,000	1,073	32
4,000	1,165	35
5,000	1,638	49
7,000	2,112	63
10,000	3,115	94
50,000	5,307	159
100,000	7,500	225
500,000	22,700	681

It is interesting to note that the above named reliable sources believe that a family spends more as the family provider brings home more of the "bacon." Thus, it appears that the average family in more fortunate financial circumstances will pay more sales tax than those less amply provided with purchasing power.

#### Effect of the Alternate Plans:

Two alternatives are before the people on October 7. Stated briefly they are (1) to pass a retail sales tax of 3 per cent and reduce the state income tax, and (2) defeat the sales tax, increase the state income tax, and provide a 1 per cent withholding tax to be credited against income tax payments.

To illustrate these two alternatives, let us assume a hypothetical case of a four-person family, gross income \$3,000 a year, federal income tax \$140, and new community property law in effect,

(Continued on page 10)