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# Taxes on Michigan's Rented Farms 1919--1925

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By R. WAYNE NEWTON

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AGRICULTURAL EXPERIMENT STATION  
MICHIGAN STATE COLLEGE  
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ECONOMICS SECTION

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and  
BUREAU OF AGRICULTURAL ECONOMICS  
U. S. Department of Agriculture  
Cooperating

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East Lansing, Michigan

## Introduction

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The purpose of this bulletin is to present evidence as to the taxation on Michigan's **Rented** farms. Michigan farmers are complaining about their high taxes and are demanding relief. The present study should provide some basis for measuring the extent to which this complaint is justified. It is also believed that the study develops certain points which should be borne in mind by those who are planning measures for farm tax relief.

The investigation upon which the present report is based is one of a series of farm tax studies now being carried on by the United States Department of Agriculture in co-operation with Agricultural Experiment Stations in many parts of the country.

# TAXES ON MICHIGAN'S RENTED FARMS

## 1919--1925

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### FARM TAXES IN RELATION TO FARM RENTS

#### Farm Tax Levels Likely to Influence Farm Land Values.

To the man who views real estate purely from the investment angle, the advantages of ownership are measured by the amount of income which the property will earn. It is true that some people deal in real estate with a view of profiting from increases in values. Value changes are, however, almost always the result of changes in the prospects for future earnings, so that these persons also depend in the last analysis upon the income producing power of the property as the source of gain. Any influence which increases the net income producing power of real estate tends to increase its selling value. Likewise, a reduction in the net earnings of real estate tends to lower real property values.

One of the chief items of expense which the real estate owner must meet before realizing a profit is the annual tax levied against his property. It is now generally recognized that taxes on land are more effective than most other taxes in reducing the returns from the properties on which they are levied. Owners of certain other classes of property are frequently able to add their taxes to the selling price of the products sold. For these people the net incomes realized from property are not materially lessened as the result of taxation. The products of the soil, however, seldom sell on a market where current prices reflect the shifting of current taxes or any of the other costs of production. Consequently, almost the whole land tax remains as a deduction from the returns which the owner receives from his investment.

Real estate owners, therefore, have a vital interest in the amount of taxes which they must pay on their holdings. To the extent that property taxes reduce property incomes, property owners are likely to suffer a loss, not only in income, but also in the price their holdings will bring on the open market. When it is added that real estate forms four-fifths of the total valuation against which Michigan property taxes are levied, the importance of knowing something of the relation between taxes and real estate earnings becomes even more apparent.

It cannot be said, however, that all taxes paid on farms are wholly a burden to the farm business. Property taxes are levied to support government and to provide services for the public, and these services

are often reflected directly or indirectly in property earnings. Public schools and roads, for instance, have come to be regarded as essential to modern life. Their absence would be certain to reduce the desirability of any neighborhood as a place to live, and this, in turn, would be reflected in the lowered rental value of real estate in the district. Tax payments, therefore, cannot be regarded as wholly uneconomical expenditures. Some taxes are highly profitable outlays, and increase the earning power of the property on which they fall by more than the cost.

### **Taxes More Than Half of Net Rents in Lower Peninsula.**

Although practically all the information was obtained from landlords who rented out their farms, the results should be of benefit to owner-farmers. There were two reasons for following this plan. In the first place reliable records of the income of owner-farmers are exceedingly hard to obtain on a large scale. Secondly, when such records are found, they show the total income of the farmer rather than the return from his farm land. There is no satisfactory basis for dividing a farmer's annual profits so as to be able to say definitely what part was a return for his managing ability, or what part represented the income from his labor, or from his investment in livestock, machinery, or land. Since the general property tax is levied on the property rather than on the man it is necessary to find a method of comparing the tax on a particular kind of property with the return which that property yields. Perhaps the easiest method of throwing light on this problem for owner-farmers is to determine the general relation between taxes and rents for properties which are actually rented in their districts.

All useful real estate has a rental value, whether it is actually let out to a tenant or not. It is true that the person who uses his own real estate does not receive a rental return separate from his other income, but a part of his net income may properly be considered as rent, since he would have had to pay rent if he had not owned the property, or would have received rent if he had not used the real estate himself. The effect of taxes on the rental value of real estate in the hands of the owner therefore is just as great as it is when the property is actually rented. Individual tracts of real estate lack the uniformity which makes it possible to establish a market value of so much per unit that will apply equally to all parcels. However, both the rental and sale value of any given property reflects the value of other properties in the neighborhood to a considerable degree. For this reason, a statement of the average relationship between the rental returns from rented real estate and the taxes on the same property must convey some idea of the relation of taxes to the rental value of property that is not rented.

Information obtained from the owners of 1,133 rented farms in the lower peninsula of Michigan indicates that taxes amounted to an average of 52 per cent of net rents during the seven years 1919-1925.<sup>1</sup> (Table 1) Taxes absorbed 30 per cent of the rents from 521 farms in 1919. Declining rents and increasing taxes raised the percentage to 50

<sup>1</sup>The Information supplied by owners was supplemented in some instances by figures provided by county treasurers.

per cent in 1920 when 392 farms reported, and to 70 per cent in 1921 on 415 farms. The 1921 figures represented the most unfavorable situation in any of the seven years.<sup>2</sup>

Higher rents and lower taxes in 1922, as reported from 656 farms, caused taxes to represent only 56 per cent of net rents in that year, but a reversal of these conditions in 1923, the worst year for the farms studied except for 1921, produced a ratio of 67 per cent with 578 farms reporting.

Rents increased during the years 1924 and 1925. Lowered taxes in 1924 on 677 farms reduced the ratio of taxes to rents for that year to 58 per cent. Increased taxes on 1,018 farms in 1925 were more than offset by the higher rents so that taxes took a smaller proportion of rents for the year, the percentage being 54.

**Table 1.—Relation of Real Estate Taxes to Net Rents on Surveyed Rented Farms in the Lower Peninsula of Michigan, 1919-1925.<sup>1</sup>**

| Year                    | Number of rented farms | Number of acres | Gross rent per acre | Net rent per acre (before paying taxes) | Tax per acre | Per cent of net rent paid in taxes (before deducting taxes) |
|-------------------------|------------------------|-----------------|---------------------|---|--------------|---|
| 1919.....               | 521                    | 60,654          | \$6 51              | \$4 31                                  | \$1 29       | 29.9  |
| 1920.....               | 392                    | 43,956          | 5 08                | 2 99                                    | 1 49         | 49.8  |
| 1921.....               | 415                    | 46,546          | 4 15                | 2 17                                    | 1 53         | 70.5  |
| 1922.....               | 656                    | 76,483          | 4 74                | 2 66                                    | 1 49         | 56.0  |
| 1923.....               | 578                    | 63,954          | 4 31                | 2 25                                    | 1 51         | 67.1  |
| 1924.....               | 677                    | 73,570          | 4 52                | 2 44                                    | 1 41         | 57.8  |
| 1925.....               | 1,018                  | 115,177         | 4 84                | 2 69                                    | 1 46         | 54.3  |
| Seven year average..... |                        |                 | \$4 88              | \$2 79                                  | \$1 45       | 52.0  |

<sup>1</sup>No farms were tabulated from Cheboygan, Crawford, Oscoda, Roscommon, Montmorency, Kalkaska, and Otsego counties.

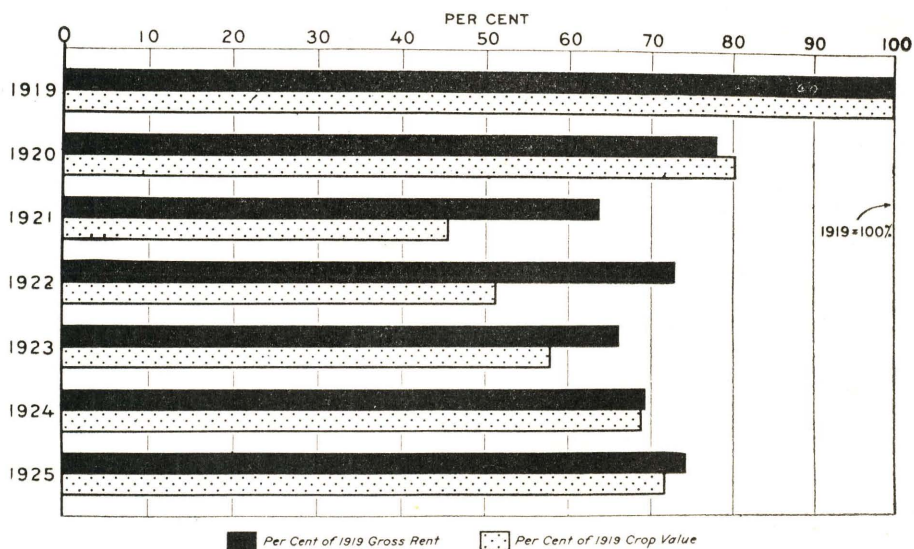
### Rents Fluctuate Widely From One Season to Another

The rents from the farms reporting were highest in 1919, when the average gross rent per acre was \$6.51, and the net rent was \$4.31, before paying taxes. Rents fell rapidly in the next two years, however, gross rents dropping to \$5.08 per acre in 1920 and to \$4.15 in 1921, while net rents fell to \$2.99 in 1920 and \$2.17 in 1921. Rents averaged lower in 1921 than in any other year covered by the study.

Gross rents rose to \$4.74 and net rents to \$2.66 in 1922, but the next year they registered a decline to \$4.31 per acre gross and \$2.25 net, before paying taxes. The years 1924 and 1925 showed a steady upward movement of rents although returns were not equal to those of 1919 or 1920. Gross rents were \$4.52 in 1924 and \$4.84 in 1925, while the 1924 net rent was \$2.44, and the following year it was \$2.69.

<sup>2</sup>Deductions from gross rents were: (1) annual cost of depreciation and repairs on buildings at 3 per cent of building values; (2) cost of insurance risk on buildings, whether carried by owner or by a company, at the average mutual insurance rates on full value of buildings; (3) cost of depreciation and repairs on wire fences at 8 per cent of the value of the fences; (4) 6 per cent on the value of machinery and livestock furnished the tenant by the owner; and (5) the full cost of threshing, seed, feed, and other items paid by the owner.

The annual average value per acre of principal crops as reported by the Michigan Department of Agriculture was compared with the annual averages of rent per acre as reported by surveyed farms to determine the extent to which the latter figures may be accepted as typical of the rental values of all farms during the years under consideration. Variations in the annual rents as reported by farm owners correspond fairly well with changes in the value of principal farm crops, except for the years 1921 and 1922. Crop values dropped off more rapidly than rents in 1921, and this disparity continued through 1922 and 1923, but crops and rents were at about equal percentages of the 1919 level during the next two years. (Figure 1)



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Fig. 1.—Gross Rent from Surveyed Rented Farms Compared with Average Per Acre Crop Values, 1919-1925.

Annual changes in gross rents from the farms studied correspond fairly well with changes in per acre crop values for the State in most years. The failure of rents to drop as rapidly in 1921 as did crop values is probably explainable in part by the inclusion of cash rents. Rents from cash rented farms do not reflect annual changes as quickly as share rents. See also Table 1, Appendix, page 29.

Crop values do not necessarily determine the amount of rents that landlords will be paid, even under a share rent system. Changes in the terms of renting might reduce the gross rent yield when crop values generally were increasing, while higher upkeep expenses might have the same effect on net rents. Yet it is reasonable to expect that variations in share rents from year to year will follow the trend of crop values rather closely. On the other hand the relation between cash rents and crop values is normally comparatively slight. Cash rent contracts frequently hold over from year to year at the same figure. In almost all instances the contract is made before anything is known as to the value of the crop from which it is to be paid. Tabulation of 1,064 schedules, where the type of rent paid was indicated, shows that

338 farms, or 31.8 per cent of the total number were rented for cash. Census figures show that 25.5 per cent of all rented farms in the State were rented for cash in 1925. With cash rented farms in the minority the higher returns from share rented farms in good years tend to cause the total rent on all farms to reflect the trend of total crop values more accurately than in bad years. Depression periods reduce the volume of share rent, while cash rent remains nearer to its old levels. In such times the comparatively steady volume of cash rent causes total rents to appear high in proportion to total crop values. It is believed that this is a partial explanation of the disparity between changes in crop values and in gross rents for the years 1921, 1922, and 1923.

### **Taxes Down When Rents Are Up, Rise When Rents Fall on Surveyed Farms.**

Taxes varied in an opposite direction from rents except for the last year of the study. Commencing with an average figure of \$1.29 per acre in 1919, taxes rose to \$1.49 in 1920 and \$1.53 in 1921. It will be noted that the lowest taxes came in 1919 when rents were highest, while taxes reached their peak in 1921 when rents were lowest. From 1921 until 1925 taxes alternated up and down from year to year, but the general trend was downward, so that the 1925 taxes were \$1.46 per acre, 7 cents per acre below the 1921 figure and 17 cents higher than the 1919 level. (Table 1)

There is very little information from which to determine whether the taxes on the surveyed farms reflect the general farm tax level. Independent estimates of the average farm real estate tax per acre in Michigan have been prepared by the United States Department of Agriculture for a few years. These figures, while themselves based on limited information, coincide fairly well with the average shown in the study. The estimate for 1921 was \$1.58 per acre<sup>1</sup> as compared with the survey average of \$1.53 per acre. Estimates for 1924 and 1925, based on information supplied the Federal Department by county officers, place the State average at \$1.42 and \$1.44 respectively for the two years. Figures from the rented farms studied averaged \$1.41 for 1924 and \$1.46 for 1925.

### **Evidence as to the Accuracy of the Data.**

In Table 2 the farms are divided into three groups, those reporting for all seven years, those reporting for the three years, 1919, 1922, 1925, and those reporting for other years. Some of the farms which reported for the three years named, also reported for additional years and are included in group III for the years 1920, 1921, 1923, and 1924. This tabulation shows that there was a fairly uniform relation of taxes to rents in all three groups. The samples serve to corroborate each other and indicate that additional reports would not be likely to alter the averages materially. However, additional information is now being obtained to strengthen the report for a few back years and also to carry the study through 1926.

The farms reporting were about the same size as the average of all rented farms in the counties covered by the study. No schedules

<sup>1</sup>U. S. Department of Agriculture Press Release, March 17, 1923.



were used from the upper peninsula, nor from Cheboygan, Crawford, Oscoda, Roscommon, or Montmorency counties of the lower peninsula. Census figures for 1925 show that the average size of rented farms in the remaining counties of the lower peninsula was 111.3 acres. The average size of the farms reported in the study for the year 1925 was 113.1 acres.

It was hoped at the outset that some comparison could be made between the owner's estimates of value per acre on the farms considered and 1925 census averages. This, however, was prevented by the failure of a large number of owners to estimate the worth of their holdings in 1925. Many asserted that values were too uncertain to warrant an estimate. Judgment as to the accuracy with which the farms covered in the survey reflect the condition of all rented farms therefore depends more on the way in which the three groups of schedules corroborate each other than on information from other sources.

In this connection it must be pointed out that there is some reason to believe that a tax schedule sent at random to owners of rented farms will elicit a greater percentage of replies from persons who felt

**Table 2.—Relation of Real Estate Taxes to Net Rents on Surveyed Rented Farms Grouped by Completeness of Data.**

| Year                         | Number of farms | Number of acres     | Gross rent per acre | Net rent per acre (before paying taxes) | Tax per acre | Ratio: Tax to rent (before deducting taxes) |
|------------------------------|-----------------|---------------------|---------------------|---|--------------|---|
| <b>Group I<sup>1</sup></b>   |                 |                     |                     |   |              |   |
| 1919.....                    | 267             | 31,006 <sup>4</sup> | \$5 75              | \$3 70                                  | \$1 25       | 33.8  |
| 1920.....                    | 267             | 31,006              | 4 99                | 2 90                                    | 1 40         | 48.3  |
| 1921.....                    | 267             | 31,005              | 4 35                | 2 36                                    | 1 51         | 64.0  |
| 1922.....                    | 267             | 31,005              | 4 29                | 2 29                                    | 1 49         | 65.1  |
| 1923.....                    | 267             | 31,135              | 4 15                | 2 09                                    | 1 46         | 69.9  |
| 1924.....                    | 267             | 31,135              | 4 42                | 2 40                                    | 1 38         | 57.5  |
| 1925.....                    | 267             | 31,135              | 4 58                | 2 45                                    | 1 42         | 58.0  |
| Seven year average.....      |                 |                     | \$4 64              | \$2 60                                  | \$1 42       | 54.6  |
| <b>Group II<sup>2</sup></b>  |                 |                     |                     |   |              |   |
| 1919.....                    | 146             | 18,556 <sup>4</sup> | \$7 33              | \$4 94                                  | \$1 34       | 27.1  |
| 1922.....                    | 146             | 18,557              | 5 46                | 3 24                                    | 1 51         | 46.6  |
| 1925.....                    | 146             | 18,536              | 5 17                | 2 83                                    | 1 47         | 51.9  |
| <b>Group III<sup>3</sup></b> |                 |                     |                     |   |              |   |
| 1919.....                    | 108             | 11,092              | \$7 26              | \$4 96                                  | \$1 32       | 26.6  |
| 1920.....                    | 125             | 12,950              | 5 30                | 3 19                                    | 1 70         | 53.3  |
| 1921.....                    | 148             | 15,541              | 3 75                | 1 78                                    | 1 58         | 88.8  |
| 1922.....                    | 243             | 26,921              | 4 78                | 2 69                                    | 1 47         | 54.6  |
| 1923.....                    | 311             | 32,819              | 4 49                | 2 41                                    | 1 55         | 64.3  |
| 1924.....                    | 410             | 42,435              | 4 59                | 2 47                                    | 1 44         | 58.3  |
| 1925.....                    | 605             | 65,506              | 4 88                | 2 76                                    | 1 47         | 53.3  |
| Seven year average.....      |                 |                     | \$5 01              | \$2 89                                  | \$1 50       | 51.9  |

<sup>1</sup>Farms reporting for each of the 7 years.

<sup>2</sup>Farms reporting for the 3 years, 1919, 1922, and 1925, but not for all 7 years.

<sup>3</sup>All other farms reporting. Some farms reporting in Group II for the three years 1919, 1922, and 1925, are included in Group III for the other years.

<sup>4</sup>A number of the farms included in Groups I and II were increased or decreased in size between 1919 and 1925. The average figures shown reflect the net effects of purchases and sales of this character, and do not indicate the substitution of completely new farm units.

themselves aggrieved by the existing conditions than from persons who are comparatively well satisfied with the present arrangement. This view is borne out by the fact that while a large number of persons commented upon the tax situation either by writing on the schedule itself, or by enclosing letters, only a very few indicated that they were satisfied with things as they are. On the other hand, 111 owners of rented farms replied to the schedule by stating that their farms either barely paid taxes or failed to pay taxes, but did not give any figures to support their statements, and these replies were necessarily left out of the tabulations.

### **Ratio of Taxes to Rents Highest in Upper Michigan, Lowest in Central and Eastern Counties.**

An analysis of the statistics by sections shows that farm taxes were more burdensome on the average in the northern part of the lower peninsula than in sections farther to the south.

As Figure 2 shows, the highest average percentages of rents consumed by taxes were reported from seven northwestern counties. Taxes in this district amounted to 92 per cent of net rents during the seven years, and were in excess of rents during the four years 1920-1923. In 1922 the average tax per acre on 33 farms in these counties was 87 cents while the rents from which they were to be paid were only 57 cents per acre on the average, so that taxes exceeded net rents by 53 per cent.

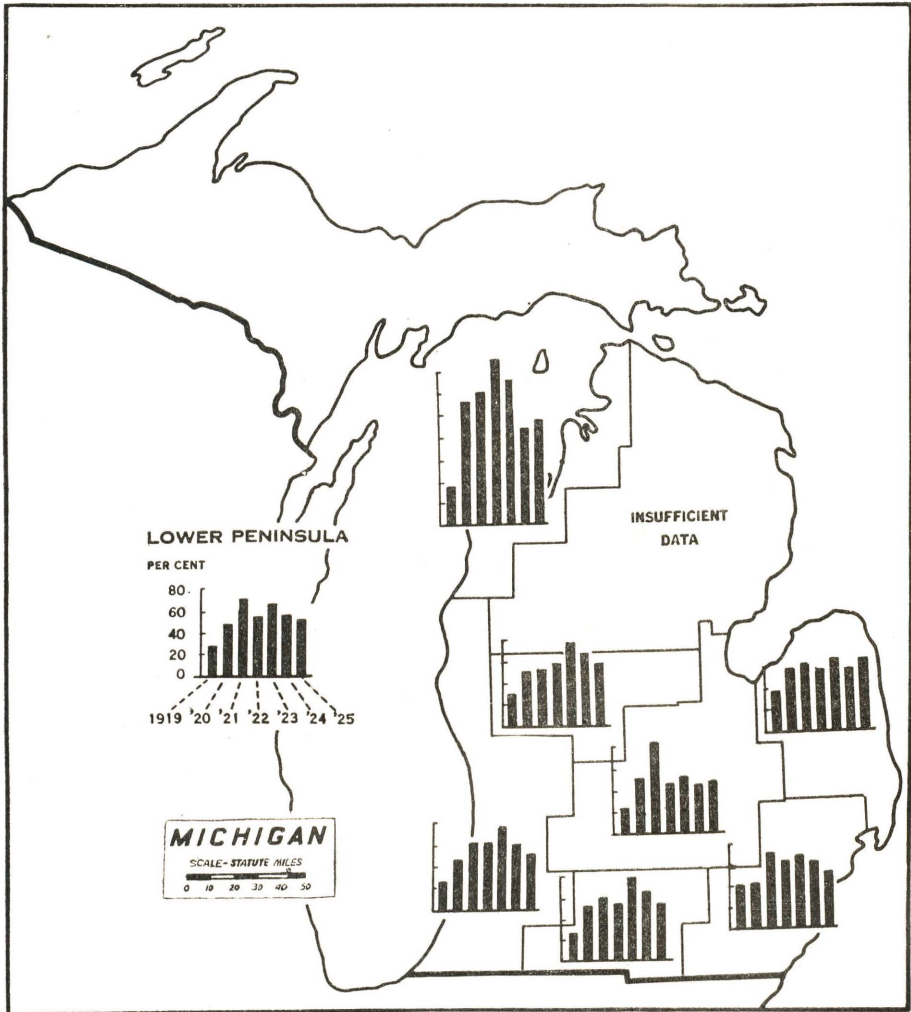
Returns from counties to the north and northeast were too scattering to provide a basis for a statistical analysis. It may be said, however, that the figures at hand indicate a condition at least as serious as that shown for the seven northwestern counties.

Further to the south, average figures for sections of the State fail to reveal any pronounced variations in the relation of taxes to rents, as between districts, when the seven year average is considered. Taxes were second highest in terms of rents in five counties of the Thumb district, where the average ratio for the seven years was 57 per cent. The Detroit area and five north central counties stood next with an average ratio of 54 per cent of rents consumed by taxes in each. The lowest average ratio was found in the group of eastern and central counties where average taxes were 46 per cent of average rents during the years 1919-1925.

There were, however, a number of noticeable variations between districts as to the relation of taxes and rents from year to year. In view of the high average ratio reported from the northwestern counties, it is not surprising to find that the annual percentage of rents consumed by taxes was higher there, for each year except 1919, than in the other districts separately reported. As was said before, scattered figures from other upper Michigan counties not reported specifically, indicate a condition that averaged at least as unfavorably as that for the northwestern counties on which figures are given.

In each of the six southern and central districts taxes were lowest in terms of rents in 1919. The percentages for that year varied from 25 per cent, in eastern and central and south central counties, to 40 per cent in the Detroit area and Thumb district. The counties surrounding Detroit and the central and eastern district both reported

the most unfavorable showing in 1921, while 1923 was the worst year in the other four districts. In the eastern and central district the taxes ranged from 45 per cent to 84 per cent of rents during the six years, 1920-1925, as against 25 per cent in 1919. The variation was not as great in the other districts but still was considerable. As a rule, the average was much above the 1919 level, although the counties of the Thumb district and those surrounding Detroit showed this



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Fig. 2.—Ratio, Tax to Rent, Before Deducting Taxes, 1919-1925. By Sections, and Total for All Counties Reporting in the Lower Peninsula.

Taxes have been highest, in terms of rents in the northern counties, rents being insufficient to meet the tax levies in any of the four years 1920-1923 on the rented farms reporting for these years in the northwestern counties. Scattering information from northwestern counties indicates a condition at least equally bad. For the State as a whole the ratio of taxes to rents fall from 1923 to 1925. See also Tables 2 to 8, Appendix, pages 29 to 33.

tendency in less pronounced degree than the rest, however. Taxes in both these districts were unusually high in 1919, and while they become higher, the difference was not as great as elsewhere.

**Table 3.—Relation of Taxes to Rents on Farms Surveyed in 18 Michigan Counties, 1925, and 1919-1925 Average.**

| District         | County     | Year   | Number of farms reporting | Net rent per acre (before deducting taxes) | Tax per acre | Ratio: Tax to net rent (before deducting taxes) |
|------------------|------------|--------|---------------------------|--|--------------|---|
| North Central    | Montcalm   | 1925   | 33                        | \$3 33                                     | \$1 23       | 36.9  |
|                  |            | 7 Yr.* | 35**                      | 3 44                                       | 1 14         | 33.1  |
|                  | Midland    | 1925   | 17                        | 2 29                                       | 1 50         | 65.5  |
|                  |            | 7 Yr.* | 18**                      | 2 27                                       | 1 50         | 66.1  |
| Western          | Kalamazoo  | 1925   | 23                        | \$3 09                                     | \$1 54       | 49.8  |
|                  |            | 7 Yr.* | 24**                      | 3 68                                       | 1 69         | 45.9  |
|                  | Allegan    | 1925   | 30                        | 2 43                                       | 1 13         | 46.5  |
|                  |            | 7 Yr.* | 33**                      | 2 89                                       | 1 01         | 34.9  |
|                  | Berrien    | 1925   | 27                        | 3 78                                       | 2 15         | 56.9  |
|                  |            | 7 Yr.* | 30**                      | 3 15                                       | 2 04         | 64.8  |
| Detroit Area     | Lenawee    | 1925   | 50                        | \$4 07                                     | \$1 92       | 47.2  |
|                  |            | 7 Yr.* | 54**                      | 3 63                                       | 1 96         | 54 0  |
| Thumb            | Huron      | 1925   | 21                        | \$2 67                                     | \$1 24       | 46.4  |
|                  |            | 7 Yr.* | 22**                      | 2 92                                       | 1 22         | 41.8  |
|                  | Lapeer     | 1925   | 25                        | 2 58                                       | 1 79         | 69.4  |
|                  |            | 7 Yr.* | 29**                      | 3 22                                       | 1 48         | 46.0  |
|                  | Tuscola    | 1925   | 40                        | 2 81                                       | 1 57         | 55.9  |
|                  |            | 7 Yr.* | 43**                      | 2 77                                       | 1 65         | 59.6  |
| Southern         | Calhoun    | 1925   | 29                        | \$2 46                                     | \$1 21       | 49.2  |
|                  |            | 7 Yr.* | 32**                      | 3 25                                       | 1 24         | 38.2  |
|                  | Jackson    | 1925   | 27                        | 1 94                                       | 1 27         | 65.5  |
|                  |            | 7 Yr.* | 28**                      | 2 07                                       | 1 47         | 71.0  |
|                  | Branch     | 1925   | 32                        | 3 64                                       | 1 48         | 40.7  |
|                  |            | 7 Yr.* | 36**                      | 2 94                                       | 1 50         | 51.0  |
|                  | Hillsdale  | 1925   | 29                        | 2 89                                       | 1 21         | 41.9  |
|                  |            | 7 Yr.* | 35**                      | 2 70                                       | 1 37         | 50.7  |
| East and Central | Gratiot    | 1925   | 48                        | \$3 71                                     | \$1 76       | 47.4  |
|                  |            | 7 Yr.* | 56**                      | 5 49                                       | 1 88         | 34.2  |
|                  | Clinton    | 1925   | 34                        | 3 85                                       | 1 56         | 40.5  |
|                  |            | 7 Yr.* | 37**                      | 3 51                                       | 1 74         | 49.6  |
|                  | Ingham     | 1925   | 35                        | 4 17                                       | 1 33         | 31.9  |
|                  |            | 7 Yr.* | 36**                      | 3 70                                       | 1 35         | 36.5  |
|                  | Ionia      | 1925   | 39                        | 3 98                                       | 1 72         | 43.2  |
|                  |            | 7 Yr.* | 41**                      | 2 77                                       | 1 51         | 54.5  |
|                  | Shiawassee | 1925   | 35                        | 3 07                                       | 1 55         | 50.5  |
|                  |            | 7 Yr.* | 37**                      | 3 36                                       | 1 66         | 49 4  |

\*Average for 7 years 1919-1925.

\*\*Total number of farms reporting for one or more of the 7 years and included in the average.

### Wide Differences in Ratio of Tax to Rent Between Local Districts of Same Section.

Special tabulations for eighteen counties where returns were most complete throw additional light on the actual tax situation on rented farms. These figures show that the average relation of taxes to rent

varied more as between counties of the same district than it did when entire districts were considered as a whole.

The ratio of average tax to average rent during the seven years was 66 per cent in Midland county of the north central group, and only 33 per cent in Montcalm county of the same district. Taxes averaged 71 per cent of rents in Jackson county, south central Michigan, and only 38 per cent in Calhoun county. The average percentage in Berrien county, western Michigan, was 65 while the figure for Allegan county was 35 per cent. (Table 3)

These variations between counties of the same district are no doubt due in part to the small number of farms reporting from some counties. An examination of the schedules also shows that there was not always a uniform distribution of the schedules among the townships of the counties studied. (Table 4) It is quite possible that the counties which appear highest were in fact those where the schedules came largely from local districts where taxes were highest and returns lowest while the figures for counties where taxes seemed lowest in terms of rents were from the farms located in low-taxed and highly productive localities. The county figures here presented, therefore, are not necessarily representative of the entire counties, but they nevertheless do call attention to the wide variation in the burdensomeness of taxes as between local districts either within the same county or between different counties.

**Table 4.—Distribution of Farms Studied in 18 Counties, by Townships.**

| District         | County     | Total number of townships in county | Number of townships from which farms were reported | Number of townships containing $\frac{2}{3}$ total number of farms reported |
|------------------|------------|-------------------------------------|--|---|
| North Central    | Midland    | 15                                  | 7  | 4   |
|                  | Montcalm   | 20                                  | 14   | 6   |
| Western          | Kalamazoo  | 16                                  | 13   | 6   |
|                  | Allegan    | 24                                  | 17   | 8   |
|                  | Berrien    | 22                                  | 15   | 7   |
| Detroit Area     | Lenawee    | 22                                  | 17   | 8   |
| Thumb            | Huron      | 28                                  | 13   | 7   |
|                  | Lapeer     | 18                                  | 16   | 8   |
|                  | Tuscola    | 24                                  | 19   | 9   |
| Southern         | Calhoun    | 20                                  | 15   | 8   |
|                  | Jackson    | 19                                  | 16   | 8   |
|                  | Branch     | 16                                  | 14   | 6   |
|                  | Hillsdale  | 18                                  | 16   | 8   |
| East and Central | Gratiot    | 17                                  | 15   | 8   |
|                  | Clinton    | 16                                  | 14   | 8   |
|                  | Ingham     | 16                                  | 16   | 6   |
|                  | Ionia      | 16                                  | 16   | 7   |
|                  | Shiawassee | 16                                  | 14   | 7   |

### Taxes Lower on Rents in Other States, Investigations Show.

The limited amount of information at hand indicates that the farm tax problem in Michigan is at least as serious as in any other part of the country. Figures similar to those shown on preceding pages were gathered in three Indiana counties for the five years, 1919-1923. Taxes averaged 33 per cent of the net rents from the Indiana farms covered by the investigation, the ratio varying from 12 per cent in 1919 to 47 per cent in 1922. Farms in four Missouri counties where a study was made showed that taxes amounted to only 16 per cent of net rents during the five years, 1919-1923. In comparison, percentage for Michigan for the same five years was 51 per cent, as shown by Table 5. Surveyed farms in two North Dakota counties, reporting for the six years, 1919-1924, showed taxes averaging 41 and 43 per cent of net rents.<sup>1</sup> The most complete figures for comparative purposes are for Colorado. The farms reporting from that state show that the relation of taxes to rents for the three years, 1919, 1923, and 1925, was

**Table 5.—Rents and Taxes of Surveyed Rented Farms. Indiana, Missouri, and Michigan Farms Compared.**

| State   | Year                   | Net rent per acre (before deducting taxes) | Tax per acre | Ratio: Tax to net rent (before deducting taxes) |
|---|------------------------|--|--------------|---|
| Indiana <sup>1</sup><br>Tipton, Miami and Monroe Counties.....                | 1919.....              | \$7 49                                     | \$0 90       | 12.4  |
|   | 1920.....              | 5 11                                       | 1 11         | 23.9  |
|   | 1921.....              | 3 98                                       | 1 54         | 41.5  |
|   | 1922.....              | 3 71                                       | 1 60         | 47.1  |
|   | 1923.....              | 4 25                                       | 1 41         | 39.6  |
|   | Five year average..... |  | \$4 91       | \$1 31  |
| Missouri <sup>2</sup><br>Audrain, Boone, Gentry, and New Madrid Counties..... | 1919.....              | \$4 71                                     | \$0 47       | 10.0  |
|   | 1920.....              | 4 32                                       | 55           | 12.7  |
|   | 1921.....              | 3 69                                       | 81           | 22.0  |
|   | 1922.....              | 4 02                                       | 73           | 18.2  |
|   | 1923.....              | 3 73                                       | 75           | 20.1  |
|   | Five year average..... |  | \$4 09       | \$0 66  |
| Michigan<br>Lower Peninsula.....  | 1919.....              | \$4 31                                     | \$1 29       | 29.9  |
|   | 1920.....              | 2 99                                       | 1 49         | 49.8  |
|   | 1921.....              | 2 17                                       | 1 53         | 70.5  |
|   | 1922.....              | 2 66                                       | 1 49         | 56.0  |
|   | 1923.....              | 2 25                                       | 1 51         | 67.1  |
|   | Five year average..... |  | \$2 88       | \$1 46  |

<sup>1</sup>From "Taxation of Farm Real Estate in Indiana," U. S. Department of Agriculture preliminary report.

<sup>2</sup>From "Taxation of Farms in Missouri," University of Missouri in cooperation with the U. S. Department of Agriculture.

<sup>3</sup>"Some Tax Problems of North Dakota Farmers," Bulletin 203, North Dakota Agricultural Experiment Station in co-operation with the U. S. Department of Agriculture.

**Table 6.—Relation of Taxes and Rents on Colorado and Michigan Rented Farms Compared, 1919, 1923, and 1925.**

| Year  | 1919     |          | 1923     |          | 1925     |          |
|---|----------|----------|----------|----------|----------|----------|
|   | Michigan | Colorado | Michigan | Colorado | Michigan | Colorado |
| Number of farms.....  | 521      | 282      | 578      | 414      | 1,018    | 568      |
| Net rent per acre (before deducting taxes).....                   | \$4.31   | \$2.64   | \$2.25   | \$1.80   | \$2.69   | \$1.84   |
| Tax per acre.....   | \$1.29   | \$0.60   | \$1.51   | \$0.68   | \$1.46   | \$0.61   |
| Ratio: Tax to net rent (before deducting taxes)—<br>Per cent..... | 29.9     | 22.7     | 67.1     | 37.8     | 54.3     | 33.2     |

more favorable to owners each year than was the ratio of taxes to rents of Michigan farm owners. (Table 6)

### TAXATION AND MICHIGAN FARM LAND VALUES.

It was said on an earlier page that taxes which absorb a large proportion of real estate earnings tend to depreciate the value of that property. It is therefore proper to examine at this time the changes in farm values which have come about during the period covered by the survey and to determine the degree to which taxes are responsible for these changes.

United States census figures show that farm real estate in the lower peninsula decreased in value by 11.6 per cent from 1920 to 1925. The average value per acre fell 5.7 per cent during the same period. The difference between the two percentages is due to a decrease of 1,107,107 acres in the farm area of the lower peninsula between the two census years.

#### Land Value Changes Due to Many Causes.

When property is sold on the open market a price must have been agreed upon by both buyer and seller and this price tends to reflect the value to the owner and to the prospective purchaser of possessing the thing sold. In the case of farm property the chief advantage of ownership from an economic standpoint is commonly held to be the right to receive the annual rent which the land will produce in the future, or its equivalent in greater profits. The value of land thus depends upon the value of the annual rent whether as such or in the form of greater profits. Rental value in turn depends upon all the factors which tend to increase or reduce the net return after payment of expenses incident to ownership. In considering these points probable future conditions will enter considerably into the calculations since the likelihood of changes in net rents will have an important bearing on the advisability of buying or selling a farm at any given price, but

it is natural to view the future in the light of the present and of past experience.

Farm values will therefore depend upon the fertility of the soil, the state of cultivation, type of improvements, climatic conditions, and other factors affecting the likelihood of high annual crop yields. Prevailing and probable future interest rates and price levels will also play their part as an indication of the future purchasing power of the net rent. Finally, transportation costs, type and size of market, labor and equipment costs, taxes, and other necessary items of expense in the production and marketing of crops will require consideration. It is quite generally held by economists that farm land taxes are an unescapable cost that must be deducted from net rents with a consequent lowering of farm land values.

A decline in Michigan land values during a period of high taxation is a striking coincidence, but it is always an extremely difficult task to show a positive relationship between higher taxes and lower farm land values. There are so many other factors to be considered, many of them highly variable from year to year, that the effect of taxation is likely to be lost from view.

Table 7 shows Michigan land values as estimated by the United States Department of Agriculture for the seven years, 1920-1926. No close relation from year to year is apparent between these figures and the average per acre value of field crops in the State, the average tax per acre on surveyed rented farms, or the average net rent per acre after the payment of taxes.

This situation, as it relates to the country as a whole, has been summarized as follows:

"Because of the complex nature of the factors entering into the value of farm real estate, causes of change in any particular instance can seldom be reduced to simple relationships or any one explanation."<sup>1</sup>

of farm real estate, causes of change in any particular instance can seldom be reduced to simple relationships or any one explanation."<sup>1</sup>

On the other hand, the same uncertainties which prevent the establishment of a definite relationship between farm value changes in the

**Table 7.—Estimated Value Per Acre of Michigan Farm Real Estate, Compared With Estimated Crop Values Per Acre, Taxes Per Acre, and Net Rents Per Acre, 1920-1925.**

| Year | Farm value per acre <sup>1</sup> | Crop value per crop acre | Tax per acre | Net rent per acre after deducting taxes |
|------|----------------------------------|--------------------------|--------------|---|
| 1920 | \$87 00                          | \$28 84                  | \$1 49       | \$1 50                                  |
| 1921 | 90 00                            | 16 39                    | 1 53         | 64                                      |
| 1922 | 87 00                            | 18 44                    | 1 49         | 1 17                                    |
| 1923 | 84 00                            | 20 78                    | 1 51         | 74                                      |
| 1924 | 83 00                            | 24 76                    | 1 41         | 1 03                                    |
| 1925 | 82 00                            | 25 77                    | 1 46         | 1 23                                    |

<sup>1</sup>Figures from "Farm Real Estate Situation, 1920-1926," preliminary statement by United States Department of Agriculture.

<sup>1</sup>"Changes in the Value of Farm Real Estate in the United States, 1920-1925" by E. H. Wiecking, U. S. Department of Agriculture Preliminary Report.



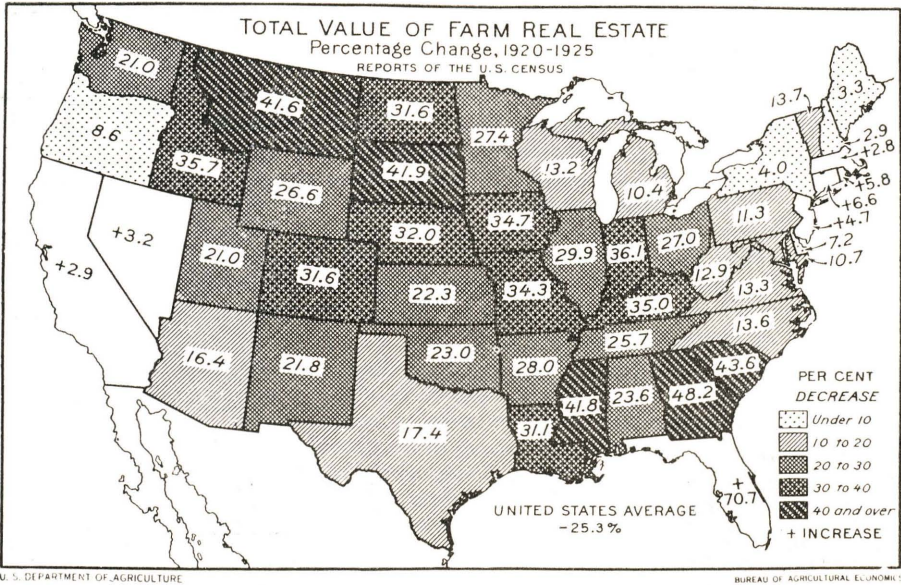


Fig. 3.—Michigan farm real estate values were not greatly inflated by speculation at the close of the war and consequently have not experienced the violent downward surge which followed the collapse of the land booms in many other States. See also Figure 4 and Table 9, Appendix, page 33.

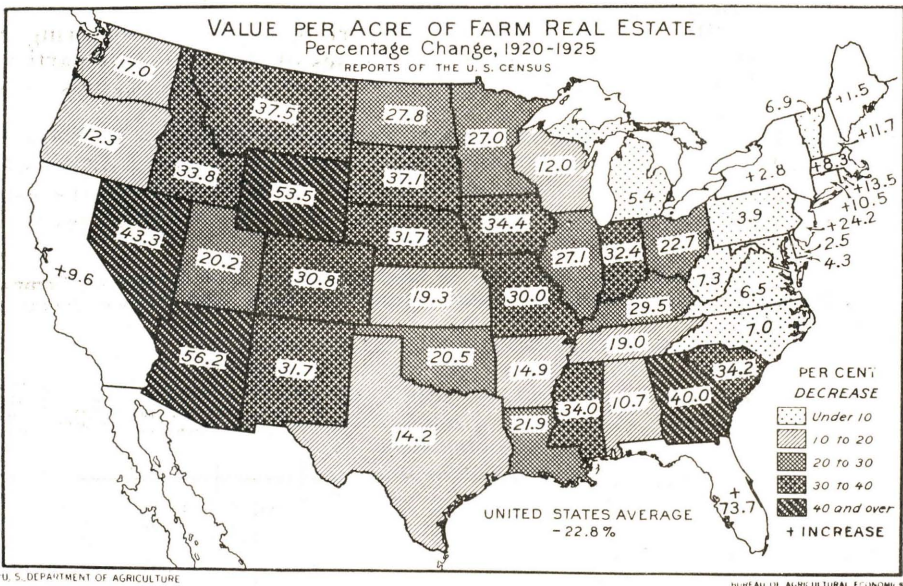


Fig. 4.—The decline in Michigan farm real estate values appears even smaller on the basis of per acre figures than when total values are considered. The abandonment of many farms of low value has tended to hold the average value per acre higher than it would otherwise be. See also Figure 3 and Table 9, Appendix, page 33.

past five years and farm tax increases over the same period, also serve to minimize the importance of certain figures which at first sight would seem to indicate a total absence of such relationship.

Michigan's farm taxes have been exceedingly high of recent years, yet, as Figures 3 and 4 show, the decline in land values from 1920 to 1925 has been less in Michigan than the general average for the country and less than in the other States of the Middle West. No other State west of the Appalachians shows so small a decrease in per acre land values in the last census period, except California, where peculiar local conditions led to an increase in average per acre farm values of 9.6 per cent.

However, it is well known that Michigan was not affected by the land boom of early post-war days to the same degree as most other States in this section of the country. As a result there was comparatively little speculative value to be deflated here. The tremendous fluctuations of land values in nearby States were largely the result of land speculations and therefore do not provide a sound basis for comparing the effect of taxes on farm values in recent years.

#### **Lower Values Accompanied by Increase in Tax Delinquency.**

One direct bit of evidence as to the effect of taxes on Michigan land values in recent years is the statement of the area delinquent for taxes from year to year. As these figures show, over one-fifth of the entire land area of Michigan is being returned as delinquent annually. These figures include all acre property and therefore are not necessarily typical of farms in sections where only a small percentage of the total land area is devoted to agricultural purposes. Similar figures for the 39 counties in which 60 per cent or more of the land area is in farms show that the amount of delinquency for taxes is considerably less there than in the rest of the State, but it appears that tax delinquency has increased more rapidly in the agricultural counties than in the rest of the State. (Table 8) It would appear quite obvious that since tax delinquency impairs one's title to real estate, such figures, insofar as they relate to farms, indicate a growing lack of incentive to keep up the public charges incident to farm ownership.

However, a United States Department of Agriculture survey of changes in ownership of farms in the year 1926 fails to show that any unduly high percentage of Michigan farm transfers took the form of tax sales in that year. This survey shows that 4.61 out of every thousand farms in the State changed hands through tax sale in 1926, while 16.57 out of every thousand farms were transferred because of mortgage foreclosures, bankruptcies, default of contracts, and other similar causes. As Table 9 shows, the figures for Michigan, while less favorable than the average for the country, were not as unfavorable as those of many other States, among them Wisconsin which is also included in the East North Central group of States.

The value of statistics relating to tax sales is lessened through the lack of uniformity between States as to conditions under which lands are sold for taxes. In view of the large amount of tax delinquency on acre property in this State, even in typical farming districts, it is to be suspected that the low rate of tax sales in Michigan is due to leniency, either in the law or in its administration. As to this, the Auditor

General has publicly announced a rather conservative policy in the transfer to the State of lands of farmers which are not bid off by private individuals.

When all these bits of evidence are considered in relation to each other, the conclusion is forced upon us that the exact effect of recent high taxes on Michigan farm land values is not susceptible to measurement. At the same time, it is generally recognized that the tendency of high farm taxes in relation to the earning capacity of farm real estate must be to reduce farm values, and it is likely that Michigan farm taxes have had that effect.

**Table 8.—Number of Acres Returned as Delinquent for Taxes in the State and in Thirty-nine Agricultural Counties, 1910-1925.**

| State |                              |  | Thirty-nine agricultural Counties |                              |  |
|-------|------------------------------|--|-----------------------------------|------------------------------|--|
| Year  | Number of acres <sup>1</sup> | Per cent of total land area <sup>2</sup> | Year                              | Number of acres <sup>1</sup> | Per cent of total land area <sup>2</sup> |
| 1925  | 7,655,348                    | 20.8                                     | 1925                              | 1,266,199 95                 | 8.0                                      |
| 1924  | 7,450,714                    | 20.3                                     | 1924                              | 1,331,986 51                 | 8.4                                      |
| 1923  | 7,267,594                    | 19.8                                     | 1923                              | 1,304,244 16                 | 8.3                                      |
| 1922  | 6,788,724                    | 18.5                                     | 1922                              | 1,259,236 42                 | 8.0                                      |
| 1921  | 6,479,224                    | 17.6                                     | 1921                              | 1,132,806 45                 | 7.2                                      |
| 1920  | 5,308,087                    | 14.4                                     | 1920                              | 740,786 04                   | 4.7                                      |
| 1919  | 5,310,282                    | 14.4                                     | 1919                              | 456,626 69                   | 2.9                                      |
| 1918  | 4,884,137                    | 13.3                                     | 1918                              | 521,373 49                   | 3.3                                      |
| 1917  | 4,973,313                    | 13.5                                     | 1917                              | 568,742 44                   | 3.6                                      |
| 1916  | 4,656,930                    | 12.7                                     | 1916                              | 496,275 48                   | 3.1                                      |
| 1915  | 4,833,280                    | 13.1                                     | 1915                              | 501,318 13                   | 3.2                                      |
| 1914  | 5,017,779                    | 13.6                                     | 1914                              | 469,359 97                   | 3.0                                      |
| 1913  | 4,939,728                    | 13.4                                     | 1913                              | 448,747 77                   | 2.8                                      |
| 1912  | 4,981,992                    | 13.5                                     | 1912                              | 1,043,831 84                 | 6.6                                      |
| 1911  | 3,692,140                    | 10.0                                     | 1911                              | 377,582 30                   | 2.4                                      |
| 1910  | 3,894,335                    | 10.6                                     | 1910                              | 389,740 62                   | 2.5                                      |

<sup>1</sup>Data from Annual Reports of the Auditor General.

<sup>2</sup>Approximate land area of the State: 36,787,200 acres. Land in farms: 18,940,614 acres in 1910; 19,032,961 acres in 1920; and 18,035,290 acres in 1925. United States Census.

## TAXES IN RELATION TO NET PROFITS OF MICHIGAN CORPORATIONS.

A better understanding of the significance of the high tax in relation to the rents from Michigan farms may be had by noting the effect of taxes on other types of investment.

Evidence along this line is available only for the year 1924, and is not entirely satisfactory even for that year. Income and expense statements are filed annually with the United States Bureau of Internal Revenue by all incorporated concerns doing business within the United States. Separate tabulations have been made for corporations reporting from Michigan for the year 1924. A summary of such reports cannot be considered as a completely accurate statement of business done and taxes paid in the State of Michigan, however. Corporation reports are usually filed in the State where the companies maintain their principle offices. Consequently some companies reporting from Michigan will have received income and paid taxes on account of busi-

**Table 9.—Number of Farms Per 1,000 Changing Ownership by Various Methods, by States and Geographic Divisions, 12 Months Ending March 15, 1926.<sup>1</sup>**

| State and division      | Inheritance and gift | Forced sales and related defaults |   |           | Voluntary sales and trades, including contracts to purchase (but not options) | All other changes in ownership not otherwise classified | Total changes in ownership |
|-------------------------|----------------------|-----------------------------------|---|-----------|---|---|----------------------------|
|                         |                      | Delinquent taxes                  | Foreclosure of mortgage, bankruptcy, default of contract or other transfer to avoid foreclosure | Total     |   |   |                            |
|                         | Per 1,000            | Per 1,000                         | Per 1,000   | Per 1,000 | Per 1,000   | Per 1,000   | Per 1,000                  |
| Maine.....              | 6.35                 | 6.69                              | 11.12   | 17.81     | 31.66   | 2.46  | 58.28                      |
| New Hampshire.....      | 7.37                 | 6.05                              | 6.92  | 12.97     | 34.43   | 1.91  | 56.68                      |
| Vermont.....            | 6.79                 | 1.31                              | 11.92   | 13.23     | 46.02   | 1.89  | 67.93                      |
| Massachusetts.....      | 6.56                 | 2.10                              | 4.94  | 7.04      | 31.31   | 1.40  | 46.31                      |
| Rhode Island.....       | 9.87                 | 6.90                              | 9.29  | 16.19     | 39.59   | 4.24  | 69.89                      |
| Connecticut.....        | 6.23                 | 5.17                              | 9.93  | 15.10     | 27.14   | 0.97  | 49.44                      |
| New England.....        | 6.68                 | 4.49                              | 9.20  | 3.69      | 34.02   | 1.90  | 56.29                      |
| New York.....           | 6.69                 | 4.14                              | 10.76   | 14.90     | 33.35   | 2.71  | 57.65                      |
| New Jersey.....         | 7.50                 | 1.69                              | 7.77  | 9.46      | 59.35   | 0.65  | 76.96                      |
| Pennsylvania.....       | 6.99                 | 1.95                              | 7.00  | 8.95      | 33.67   | 2.52  | 52.13                      |
| Middle Atlantic.....    | 6.89                 | 2.92                              | 8.75  | 11.67     | 35.37   | 2.47  | 56.40                      |
| Ohio.....               | 8.10                 | 1.59                              | 11.22   | 12.81     | 29.76   | 2.29  | 52.96                      |
| Indiana.....            | 8.02                 | 4.18                              | 13.95   | 18.13     | 26.82   | 2.16  | 55.13                      |
| Illinois.....           | 7.53                 | 1.44                              | 15.68   | 17.12     | 22.28   | 1.23  | 48.16                      |
| Michigan.....           | 6.90                 | 4.61                              | 16.57   | 21.18     | 30.83   | 1.74  | 60.65                      |
| Wisconsin.....          | 5.71                 | 4.77                              | 22.41   | 27.18     | 18.92   | 2.67  | 54.48                      |
| East North Central..... | 7.31                 | 3.17                              | 15.72   | 18.89     | 25.81   | 2.01  | 54.02                      |
| Minnesota.....          | 6.72                 | 3.79                              | 26.78   | 30.57     | 18.03   | 2.59  | 57.91                      |
| Iowa.....               | 7.35                 | 2.58                              | 26.91   | 29.49     | 15.52   | 2.05  | 54.41                      |
| Missouri.....           | 8.47                 | 2.43                              | 21.44   | 23.87     | 29.90   | 3.11  | 65.35                      |
| North Dakota.....       | 6.73                 | 12.68                             | 46.25   | 58.93     | 23.94   | 2.15  | 91.75                      |
| South Dakota.....       | 8.64                 | 13.56                             | 52.49   | 66.05     | 16.67   | 1.64  | 93.00                      |
| Nebraska.....           | 6.31                 | 2.19                              | 21.91   | 24.10     | 23.37   | 2.64  | 56.42                      |
| Kansas.....             | 7.27                 | 2.37                              | 15.83   | 18.20     | 29.68   | 2.50  | 57.65                      |
| West North Central..... | 7.42                 | 4.16                              | 26.54   | 30.70     | 22.99   | 2.50  | 63.61                      |
| Delaware.....           | 5.53                 | 2.50                              | 10.30   | 12.80     | 22.71   | 0.00  | 41.04                      |
| Maryland.....           | 7.79                 | 4.76                              | 9.48  | 14.24     | 32.30   | 1.39  | 55.72                      |
| Virginia.....           | 10.61                | 3.26                              | 13.75   | 17.01     | 23.17   | 1.99  | 52.78                      |
| West Virginia.....      | 9.73                 | 6.06                              | 8.37  | 14.43     | 30.09   | 2.17  | 56.42                      |
| North Carolina.....     | 6.90                 | 5.87                              | 7.33  | 13.20     | 24.96   | 1.94  | 47.00                      |
| South Carolina.....     | 8.42                 | 5.24                              | 20.35   | 25.59     | 17.98   | 2.28  | 54.27                      |
| Georgia.....            | 9.00                 | 6.56                              | 22.29   | 28.85     | 25.26   | 2.54  | 65.65                      |
| Florida.....            | 4.59                 | 7.17                              | 8.90  | 16.07     | 81.06   | 0.00  | 101.72                     |
| South Atlantic.....     | 8.39                 | 5.39                              | 13.45   | 18.84     | 27.99   | 1.96  | 57.18                      |

<sup>1</sup>Data from "The Farm Real Estate Situation, 1926," U. S. Department of Agriculture, Department Circular 377.

**Table 9.—Number of Farms Per 1,000 Changing Ownership by Various Methods, by States and Geographic Divisions, 12 Months Ending March 15, 1926.—Continued**

| State and division      | Inheritance and gift | Forced sales and related defaults |   |           | Voluntary sales and trades, including contracts to purchase (but not options) | All other changes in ownership not otherwise classified | Total changes in ownership |
|-------------------------|----------------------|-----------------------------------|---|-----------|---|---|----------------------------|
|                         |                      | Delinquent taxes                  | Foreclosure of mortgage, bankruptcy, default of contract or other transfer to avoid foreclosure | Total     |   |   |                            |
|                         | Per 1,000            | Per 1,000                         | Per 1,000   | Per 1,000 | Per 1,000   | Per 1,000   | Per 1,000                  |
| Kentucky.....           | 8.38                 | 3.95                              | 12.18   | 16.13     | 35.30   | 2.14  | 61.95                      |
| Tennessee.....          | 6.85                 | 2.74                              | 13.27   | 16.01     | 29.12   | 1.92  | 53.90                      |
| Alabama.....            | 7.11                 | 1.80                              | 11.22   | 13.02     | 35.51   | 0.97  | 56.61                      |
| Mississippi.....        | 8.02                 | 7.15                              | 12.86   | 20.01     | 34.57   | 2.15  | 64.75                      |
| East South Central..... | 7.59                 | 3.75                              | 12.38   | 16.13     | 33.53   | 1.81  | 59.06                      |
| Arkansas.....           | 8.06                 | 2.90                              | 17.83   | 20.73     | 42.60   | 1.67  | 73.06                      |
| Louisiana.....          | 6.98                 | 5.25                              | 17.50   | 22.75     | 31.61   | 2.23  | 63.57                      |
| Oklahoma.....           | 4.54                 | 6.61                              | 24.07   | 30.68     | 33.68   | 2.91  | 71.81                      |
| Texas.....              | 5.51                 | 1.57                              | 9.26  | 10.83     | 32.43   | 2.01  | 50.78                      |
| West South Central..... | 5.98                 | 3.40                              | 15.26   | 18.66     | 34.66   | 2.17  | 61.47                      |
| Montana.....            | 3.71                 | 10.11                             | 60.80   | 70.91     | 30.10   | 2.75  | 107.47                     |
| Idaho.....              | 4.60                 | 7.76                              | 39.56   | 47.32     | 27.72   | 2.59  | 82.23                      |
| Wyoming.....            | 2.41                 | 14.53                             | 27.88   | 42.41     | 28.17   | 3.38  | 76.37                      |
| Colorado.....           | 4.84                 | 13.68                             | 43.26   | 56.94     | 33.88   | 3.88  | 99.54                      |
| New Mexico.....         | 4.58                 | 4.11                              | 33.65   | 37.76     | 49.17   | 6.39  | 97.90                      |
| Arizona.....            | 3.00                 | 5.77                              | 48.08   | 53.85     | 26.92   | 5.77  | 89.54                      |
| Utah.....               | 4.86                 | 10.92                             | 12.51   | 23.43     | 22.99   | 1.07  | 52.35                      |
| Nevada.....             | 3.27                 | 0.00                              | 30.89   | 30.89     | 20.76   | 3.71  | 58.63                      |
| Mountain.....           | 4.26                 | 9.79                              | 40.41   | 50.20     | 31.98   | 3.51  | 89.95                      |
| Washington.....         | 5.78                 | 6.68                              | 20.98   | 27.66     | 34.82   | 2.53  | 70.79                      |
| Oregon.....             | 4.89                 | 2.61                              | 15.17   | 17.78     | 29.72   | 3.00  | 55.39                      |
| California.....         | 4.86                 | 2.07                              | 14.23   | 16.30     | 38.52   | 3.92  | 63.60                      |
| Pacific.....            | 5.12                 | 3.45                              | 16.29   | 19.74     | 35.64   | 3.34  | 63.84                      |
| U. S.....               | 7.08                 | 4.12                              | 17.27   | 21.39     | 29.56   | 2.25  | 60.28                      |

ness done in other States. Other companies doing business and paying taxes in Michigan will report to the Federal government from points outside Michigan.

Figure 5 shows the relation which taxes bear to the net profits realized by corporations engaged in the eight major classes of industrial activity in Michigan. The figures show the percentage of net profits consumed by all taxes as well as the relation of taxes to earnings when Federal income and profit taxes are excluded from consideration.

It will be noted that taxes were exceedingly burdensome on corporations engaged in agriculture and related industries. Federal and other taxes on 281 such concerns exceeded their combined profits by 12 per cent. When Federal income and profits taxes are excluded the remaining levies amounted to 89 per cent of the profits of this class of companies. However, the figures for corporations engaged in agriculture and allied industries include other businesses than farming, among the number being lumbering, fishing, ice harvesting, and other similar lines of activity.

It is recognized that there are objections to a direct comparison of rents from farms and profits from corporations. It is believed, however, that, in view of the limited and uncertain character of data for corporations engaged in farming and similar businesses, a fairer comparison and one more in harmony with the facts may be had by considering the figures obtained from 677 rented farms which reported taxes and rents for 1924. It will be noted that the real estate taxes on these farms amounted to 58 per cent of net rents in that year.

No class of non-agricultural corporations found taxes as high on their net profits as they were on the net rents from these farms. Taxes consumed a total of 50 per cent of the net profits of Michigan's transportation and public utility companies, and 42 per cent of the net profits of mining and quarrying concerns. Taxes absorbed 31 per cent of the profits of corporations in the field of finance,—the banks, trust companies, insurance companies, real estate companies, and similar corporations. The ratio of taxes to net profits of the four other classes of Michigan corporations ranged from 21 to 30 per cent.

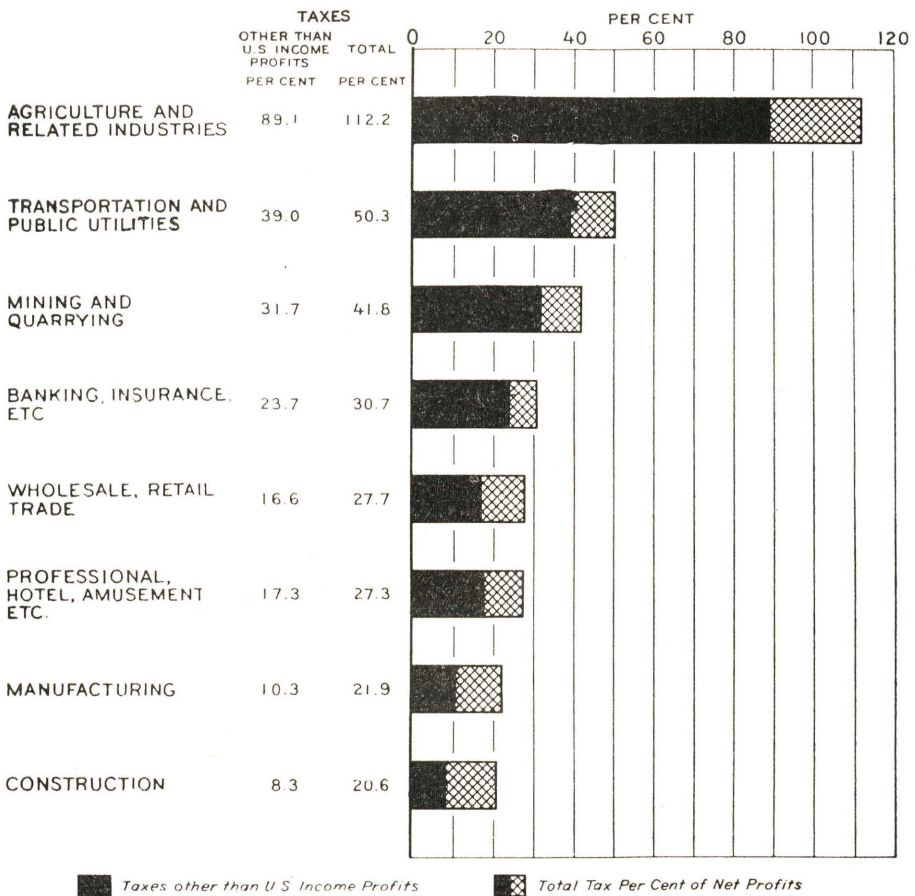
When Federal income and profits taxes are left out of consideration, the lighter burden of the remaining taxes on non-agricultural business is more striking. The remaining taxes on transportation and public utility companies equalled 39 per cent of profits while those on mining and quarrying companies were 32 per cent of profits. Taxes other than Federal income and profits taxes absorbed only 8 per cent of the profits of construction companies.

Both the rents reported from farms and the profits of corporations include a measure of return for management on the part of the investor as well as interest on the invested capital, but it is probable that this item enters more heavily into corporate returns than into farm rents. The responsible head of the farm enterprise is usually the tenant, and while the owner may advise he seldom can compel compliance with his wishes. Corporations, on the other hand, are often under the management of officials who control a large share of the capital stock, and they frequently take a part of their wages for management in the form of dividends. In this respect the figures given for corporations may minimize the relation of taxes to pure investment earnings for certain lines of business, and place the rented farm at a greater disadvantage in comparison with the corporation than is proper.

There are other respects in which the figures just quoted may be an under-statement of the disparity between the average tax on farm property earnings and that on the returns from corporate investments. When Federal income and profits taxes are left out of consideration, the greater part of the remaining taxes paid by most corporations are

State and local property taxes. Most Michigan corporations are located in cities, and for this reason they are called upon to pay property taxes to defray the cost of public services which are more elaborate than those provided in the open country. City schools and the amount of police protection are illustrations of services which cities maintain on a plane far above the average rural district. City taxes are also used to pay for other things, such as fire protection, which are to be had only at private expense in most country districts. A comparison of total property taxes paid is unfair to the farmer to the extent that city taxes are included which are due to public services in excess of those to be had in rural districts.

In addition all Michigan corporations pay corporation privilege taxes, in return for the privilege of using the corporate form of business



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Fig. 5.—Relation of taxes to Net profits of all active corporations reporting to the U. S. Bureau of Internal Revenue from Michigan, 1924.

Inspection of the chart shows that the three classes of corporations which carry the heaviest investments in real estate pay out more of their profits in taxes other than U. S. income and profits taxes than do corporations engaged in other lines of business. See also Table 10, Appendix, page 34.

organization. This tax, like the other special taxes mentioned above, was left in the calculations only because there was no way to deduct it from the figures for each class of corporation. The corporation franchise tax amounted to \$6,518,000 in 1924.

## FARM AND CORPORATE TAXES AND EARNINGS ANALYZED

### Ratio of Taxes to Rents Varies Widely Between Individual Farms.

The evidence so far presented indicates that taxes averaged much higher on the returns from farm ownership than on the earnings of incorporated non-agricultural investments in 1924, at least. Average figures, however, do not do full justice to the situation. A better understanding is to be had by analyzing the data still further.

Table 10 shows the ratio of taxes to net rents on the farms surveyed in 13 counties of central and lower Michigan. These figures bring out the variation between farms in the percentage of rents consumed by taxes in each of the three years, 1919, 1922, and 1925. The counties considered were Allegan, Branch, Clinton, Montcalm, Tuscola, Ionia, Kalamazoo, Shiawassee, Lenawee, Ingham, Gratiot, Berrien, and Calhoun. These counties were chosen for study on the basis of number of farms reporting, but other counties would have been considered also had time permitted. These are the only counties for which such tabulations have been prepared up to the present. There is no reason for believing that the results would have been very different if more counties had been included.

In 1919, when rents averaged high and taxes were low, 18 out of a total of 233 farms reporting from these counties failed to make expenses even before paying taxes. Of the remainder, 23 did not earn enough to fully pay the annual tax. Taxes absorbed from 75 to 100 per cent of the net rents from 12 of the farms, 50 to 75 per cent from 31 farms, and 25 to 50 per cent from 59 farms. On the other hand, 90 farms were taxed at amounts that did not exceed 25 per cent of their net rents, while 14 of the 90 paid 10 per cent or less of their net rents in taxes.

The variation between farms was equally great in 1922 and 1925. In 1922, there were 33 farms out of a total of 288 which failed to make operating costs even before the payment of taxes, and 61 others which did not clear a sufficient sum to pay the taxes for the year. At the same time 42 farms were able to pay taxes with 25 per cent, or less, of their earnings. In 1925, a deficit before paying taxes was reported on 56 out of 451 farms. Seventy-six others reported taxes in excess of rents, while 81 found taxes to be not over one-fourth of the net rents from which they were to be paid.

The grouping together of 13 counties scattered throughout central and lower Michigan might suggest that the variations reported above were due in considerable degree to the grouping. It might seem reasonable to suppose that the unfavorable percentages would come largely from counties where conditions were least favorable to agriculture in the years considered, while the more satisfactory percentages would be found grouped in counties where farm conditions were better. In-



**Table 10.—Distribution of Farms According to Individual Ratios of Taxes to Net Rents, for 13 Counties, 1919, 1922, and 1925.**

| Ratio: Tax to net rents before deducting taxes—Per cent | 1919<br>Number<br>of farms | 1922<br>Number<br>of farms | 1925<br>Number<br>of farms |
|---|----------------------------|----------------------------|----------------------------|
| 0.1 - 5.0   | 2                          |                            |                            |
| 5.1 - 10.0  | 12                         | 5                          | 3                          |
| 10.1 - 15.0   | 29                         | 10                         | 10                         |
| 15.1 - 20.0   | 29                         | 8                          | 36                         |
| 20.1 - 25.0   | 18                         | 19                         | 32                         |
| 25.1 - 30.0   | 15                         | 20                         | 33                         |
| 30.1 - 35.0   | 21                         | 14                         | 22                         |
| 35.1 - 40.0   | 11                         | 18                         | 31                         |
| 40.1 - 45.0   | 6                          | 12                         | 26                         |
| 45.1 - 50.0   | 6                          | 20                         | 19                         |
| 50.1 - 55.0   | 8                          | 13                         | 18                         |
| 55.1 - 60.0   | 9                          | 12                         | 14                         |
| 60.1 - 65.0   | 5                          | 20                         | 14                         |
| 65.1 - 70.0   | 6                          | 3                          | 8                          |
| 70.1 - 75.0   | 3                          | 3                          | 11                         |
| 75.1 - 80.0   | 2                          | 5                          | 16                         |
| 80.1 - 85.0   | 4                          | 5                          | 6                          |
| 85.1 - 90.0   | 2                          | 2                          | 9                          |
| 90.1 - 95.0   | 1                          | 2                          | 6                          |
| 95.1 -100.0   | 3                          | 3                          | 5                          |
| 100.1 -150.0  | 10                         | 26                         | 30                         |
| 150.1 -200.0  | 5                          | 10                         | 5                          |
| Over 200.0  | 8                          | 25                         | 40                         |
| Deficit before paying taxes                             | 18                         | 33                         | 56                         |
| Total   | 233                        | 288                        | 451                        |

spection of similar data for each of the separate counties fails to bear out this view, however. There is considerable variation between counties as to the number of farms reporting high or low ratios of taxes to rents, but the range of the figures shows wide variations between farms in each of the 13 counties.

In 1925, the year for which the most information is available, every one of the 13 counties contained farms whose owners reported a deficit even before the payment of taxes. Yet there were other farms reported from each of these counties where taxes averaged less than 25 per cent of rents in that year.

In 1922, every county except Ingham included farms that showed a loss even before the payment of taxes, and there were five farms reported in that county where the net rent was too small to pay the taxes for 1922. On the other hand only Montcalm county failed to contain any farms reporting taxes less than one-fourth of net rents. However, three of the 16 farms which reported from Montcalm county for 1922 did report ratios of tax to rent ranging from 25 to 30 per cent.

In 1919, when agricultural prosperity was at its height, nine of the counties contained farms whose owners reported a deficit before paying taxes, and all of them contained one or more farms which failed

to clear enough to pay taxes. Here, again, there were farms in each of the 13 counties which reported taxes less than one-fourth of net rents.

The amount of data at hand for each of these 13 counties is so small as to be of doubtful value in establishing a satisfactory estimate, by counties, of the average percentage of rents absorbed by taxes for any of the three years considered. However, the uniformly wide range of results even from so small a sample is highly significant. There is very strong reason to believe that great variability between individual farms as to the relation of taxes to rental values is a characteristic of Michigan agriculture. Average figures apparently fail to reflect the situation of any large proportion of all farms, so far as the relationship between these two factors is concerned.

### Wide Variation in Prosperity Between Individual Corporations.

The information available for testing the extent of variability in the relationship between taxes and profits of individual corporations is less complete. It has been impossible to obtain the original reports filed with the United States Bureau of Internal Revenue, and as a result no distribution tables such as that shown for the farms surveyed in 13 counties can be presented. However, published reports do show annually the number of corporations which reported net income and the number reporting no net income, by States. Table 11 presents this information for Michigan for the six years 1919-1924.

The number of corporations reporting no net income to the Federal government has ranged from 31 to 54 per cent of the total number of corporations filing returns from the State during the six years in question. These figures incline toward an exaggeration of the difficulties faced by corporations actively engaged in business because of the inclusion of inactive concerns along with others showing no net income. There were about one thousand such companies included for each of the last three years reported. While the number for earlier years is not known, it was probably about the same.

Table 12 presents the same information for the three years 1922-1924,

**Table 11.—Number of Corporations Reporting Net Income and No Net Income From Michigan, 1919-1924.<sup>1</sup>**

| Year      | Total number of corporations | Reporting net income |                   | Reporting no net income |                   |
|-----------|------------------------------|----------------------|-------------------|-------------------------|-------------------|
|           | Number <sup>2</sup>          | Number               | Per cent of total | Number <sup>1</sup>     | Per cent of total |
| 1919..... | 9,626                        | 6,637                | 68.95             | 2,989                   | 31.05             |
| 1920..... | 10,872                       | 6,704                | 61.66             | 4,168                   | 38.34             |
| 1921..... | 11,426                       | 5,209                | 45.59             | 6,217                   | 54.41             |
| 1922..... | 11,853                       | 6,571                | 55.44             | 5,282                   | 44.56             |
| 1923..... | 12,174                       | 7,294                | 59.91             | 4,880                   | 40.09             |
| 1924..... | 12,778                       | 7,429                | 58.14             | 5,349                   | 41.86             |

<sup>1</sup>Data from "Statistics of Income," 1919-1924, U. S. Bureau of Internal Revenue.

<sup>2</sup>Includes inactive concerns. The number of such concerns for the years 1919-1921 is not stated. For the later years, it was as follows: 1922, 1,041; 1923, 991; and 1924, 1,038.

**Table 12.—Number of Active Corporations Reporting Net Income and No Net Income from Michigan, by Industrial Groups, 1922-1924.<sup>1</sup>**

| Industrial group                               | 1922         |                             |                                |                                  | 1923         |                             |                                |                                  | 1924         |                             |                                |                                  |
|--|--------------|-----------------------------|--------------------------------|----------------------------------|--------------|-----------------------------|--------------------------------|----------------------------------|--------------|-----------------------------|--------------------------------|----------------------------------|
|  | Total number | Reporting net income—Number | Reporting no net income—Number | Per cent reporting no net income | Total number | Reporting net income—Number | Reporting no net income—Number | Per cent reporting no net income | Total number | Reporting net income—Number | Reporting no net income—Number | Per cent reporting no net income |
| Agriculture and related industries.            | 259          | 120                         | 139                            | 53.7                             | 273          | 109                         | 164                            | 60.1                             | 281          | 124                         | 157                            | 55.9                             |
| Mining and quarrying.....                      | 165          | 56                          | 109                            | 66.1                             | 175          | 55                          | 120                            | 68.6                             | 161          | 47                          | 114                            | 70.8                             |
| Manufacturing.....                             | 3,056        | 1,759                       | 1,297                          | 42.4                             | 3,048        | 1,961                       | 1,087                          | 35.7                             | 3,139        | 1,852                       | 1,287                          | 41.0                             |
| Construction.....                              | 391          | 230                         | 161                            | 41.2                             | 426          | 274                         | 152                            | 35.7                             | 431          | 301                         | 130                            | 30.2                             |
| Transportation and other public utilities..... | 456          | 306                         | 150                            | 32.9                             | 486          | 329                         | 157                            | 32.3                             | 524          | 357                         | 167                            | 31.9                             |
| Wholesale and retail trade, etc.....           | 2,982        | 1,880                       | 1,102                          | 37.0                             | 3,060        | 2,156                       | 904                            | 29.5                             | 3,211        | 2,158                       | 1,053                          | 32.8                             |
| Professional, amusements, hotels, etc.....     | 622          | 373                         | 249                            | 40.0                             | 716          | 472                         | 244                            | 34.1                             | 759          | 452                         | 307                            | 40.4                             |
| Finance, banking, insurance, etc.....          | 2,831        | 1,825                       | 1,006                          | 35.5                             | 2,910        | 1,902                       | 1,008                          | 34.6                             | 3,118        | 2,092                       | 1,026                          | 32.9                             |
| Combinations.....                              | 49           | 21                          | 28                             | 57.1                             | 89           | 36                          | 53                             | 59.6                             | 116          | 46                          | 70                             | 60.3                             |
| Total active corporations.....                 | 10,811       | 6,570                       | 4,241                          | 39.2                             | 11,183       | 7,294                       | 3,889                          | 34.8                             | 11,740       | 7,429                       | 4,311                          | 36.7                             |

<sup>1</sup>Rearranged from "Statistics of Income," 1922, 1923, and 1924, Bureau of Internal Revenue.

for active concerns only, and by industrial classes. As this table shows, the percentages of active companies reporting no net income was 39.2 in 1922, 34.8 in 1923, and 36.7 in 1924. With one exception, no industrial group was so prosperous at any time that less than 30 per cent of the companies failed to earn net income. The wholesale and retail trade group made slightly better showing in 1923 than did any other group for the three years when only 29.5 per cent of the corporations in this line failed to report net income.

In comparison with these figures, the surveyed farms in the 13 counties previously mentioned reported that 32.6 per cent of the total number failed to show a net rent in 1922, while the percentage for 1925 was 29.3. A special tabulation of farm incomes reported by persons filling out Federal income tax returns for 1923 shows that 305 farm owners reported net profits from their farms while 306 or 50.1 per cent reported net losses. This percentage is considerably higher than the 32.6 per cent for 1922 reported from surveyed rented farms, and higher than the percentage of corporations reporting no net income for 1923. However, the fact that the report is limited to owners of farms who filed income tax reports for the year 1923 is a strong indication that many of the farms included were not seriously considered as investments, but rather represented summer homes for the wealthy and property held primarily for speculation.

The figures shown so far do not present a satisfactory basis for drawing conclusions as to whether the percentage of losses is greater on farm investments or on investments in other business. They do, however, indicate that the percentage is surprisingly high in both instances and that there is less difference between the two as to the rate of loss than many would have supposed. It is, of course, true that the inclusion of data from rented farms in counties where agriculture

is less profitable would have increased the percentage of unprofitable farm investments, but the great bulk of all Michigan farms are located in sections where conditions are comparable with those in the 13 counties specially considered.

Variations in the percent of profits taken by taxes are far more glaring as between individual farm owners, or individual concerns within any other industrial group than they are between the averages of each of the several groups. Both types of inequality are properly attributable to the lack of relationship between taxes payable and earnings realized. The highly successful farm, shop, factory, or other business property pays very moderate taxes on its earnings, but a reduction in earnings does not bring with it reduction in tax levies. On the contrary, it frequently happens that income falls and taxes rise at the same time.

### Taxation Alone Causes Few Failures on Farm or in City.

High taxes are a contributing cause for low property returns in all lines of business. However, the information available does not substantiate the belief that taxation is the principal cause for failures either on the farm or in other lines. Table 13 shows that Michigan corporations engaged in agriculture and allied industries which showed a loss in 1924 were taxed to an extent which amounted to only 6.5 per cent of their gross receipts, and 4.7 per cent of their total disbursements. Taxes on this class of companies consumed slightly more of all gross receipts and of all disbursements than did taxes on losing concerns in any other line, but they could not be considered as the principal cause of the losses these concerns sustained. Since taxes took an even smaller proportion of the total receipts and disbursements of corporations engaged in other lines, it must be concluded that taxes were even less responsible for other failures than for those of agricultural companies.

The tax item bulks much larger in proportion to the total gross

**Table 13.—Relation of Taxes to Gross Receipts and Total Disbursements of Corporations Reporting No Net Taxable Income for 1924, from the State of Michigan.<sup>1</sup>**

| Industrial group  | Taxes paid   | Total receipts | Ratio: taxes to total receipts—per cent | Total disbursements | Ratio: Taxes to total disbursements—per cent |
|---|--------------|----------------|---|---------------------|--|
| Agriculture and related industries .....                    | \$348,436    | \$5,338,786    | 6.5                                     | \$7,439,254         | 4.7  |
| Mining and quarrying .....                                  | 593,951      | 14,085,123     | 4.2                                     | 14,843,869          | 4.0  |
| Manufacturing .....   | 4,040,750    | 301,701,397    | 1.3                                     | 329,152,178         | 1.2  |
| Construction .....  | 51,465       | 8,180,526      | 0.6                                     | 9,303,036           | 0.6  |
| Transportation and other public utilities .....             | 1,698,434    | 33,743,710     | 5.0                                     | 40,320,030          | 4.2  |
| Wholesale and retail trade .....                            | 1,169,530    | 185,998,233    | 0.6                                     | 193,207,668         | 0.6  |
| Public service, professional, amusements, hotels, etc. .... | 381,662      | 16,447,933     | 2.3                                     | 18,223,332          | 2.1  |
| Finance, banking, insurance, etc. ....                      | 3,887,140    | 65,507,589     | 5.9                                     | 70,455,744          | 5.5  |
| Combinations .....  | 28,992       | 1,176,114      | 2.5                                     | 1,293,777           | 2.2  |
| Total .....   | \$12,200,360 | \$632,179,411  | 1.9                                     | \$684,238,888       | 1.8  |

<sup>1</sup>Rearranged from information supplied by the Statistical Section, Income Tax Unit, Bureau of Internal Revenue.

rents from rented farms, but this is largely due to the fact that a considerable part of the costs of agricultural production are met by the tenant, and the current rate of rental necessarily makes allowance for this fact. As a result the owner's gross rent is not comparable with the gross receipts of a corporation. The nearest approach to a comparable figure is to be had from the farm income reports published by the Bureau of Internal Revenue. As has been pointed out, these figures in all probability are not typical of farms that are seriously operated for a profit. Consequently it is reasonable to expect a higher proportion of gross receipts to be paid out in taxes on farms than on most owner-operated farms. These figures show that taxes amounted to 10.1 per cent of the gross receipts from the 306 farms which reported a net loss for the year 1923, and represented 5.7 per cent of the total disbursements.

Undoubtedly there are instances where abnormal local conditions have caused farm taxes to assume a place of first importance as a cause of financial reverses. This is to be expected most frequently in connection with special assessments which have not been considered in this report. But it is doubtful whether there is any large number of instances in any line of business where any enterprise that was on a firm and healthy footing in other respects has been taxed into debt by general levies.

The true tax problem does not arise on account of the effect of taxation on the prosperous, or on any particular class of business, but through the failure of Michigan's system of State and local taxes to accommodate itself to the special problems which face the business that is already in financial difficulties.

Agriculture as a class seems most heavily taxed on the basis of earnings because of low farm returns in recent years, and a large investment in real estate and tangible personal property, the two kinds of property most easily taxed by the property tax. However, agriculture does not have a monopoly on low rates of returns nor on property that can be reached by the general property tax. High taxes in relation to earnings may be expected to appear elsewhere than on the farm. It is conceivable that a period of farm prosperity might reverse the present order for a time and give the farm advantage over industry in the relation of taxes to profits.

## STATISTICAL APPENDIX

Table 1.—Gross Rents from Surveyed Farms Compared with Average Per Acre Crop Values, 1919-1925.

| Year      | Gross rent | Per cent of 1919 gross rent | Average value per crop acre of principal crops <sup>1</sup> | Per cent of 1919 crop value |
|-----------|------------|-----------------------------|---|-----------------------------|
| 1919..... | \$6 51     | 100 0                       | \$35 92   | 100 0                       |
| 1920..... | 5 08       | 78 0                        | 28 84   | 80 3                        |
| 1921..... | 4 15       | 63 7                        | 16 39   | 45 6                        |
| 1922..... | 4 74       | 72 8                        | 18 44   | 51 3                        |
| 1923..... | 4 31       | 66 2                        | 20 78   | 57 9                        |
| 1924..... | 4 52       | 69 4                        | 24 76   | 68 9                        |
| 1925..... | 4 84       | 74 3                        | 25 77   | 71 7                        |

<sup>1</sup>Computed from "Michigan Crop Reports." The crops considered were: Winter wheat, spring wheat, corn, oats, barley, beans, rye, buckwheat, potatoes, tame hay, wild hay, sugar beets, and clover seed.

Table 2.—Relation of Taxes to Net Rents on Farms Surveyed in Emmet, Charlevoix, Antrim, Leelanau, Grand Traverse, Benzie, and Manistee Counties, 1919-1925

| Year                    | Number of farms | Number of acres | Gross rent per acre | Net rent per acre (before paying taxes) | Tax per acre | Per cent of net rent paid in taxes (before deducting taxes) |
|-------------------------|-----------------|-----------------|---------------------|---|--------------|---|
| 1919.....               | 24              | 2,674           | \$3 63              | \$2 00                                  | \$0 75       | 37 5  |
| 1920.....               | 14              | 1,134           | 2 42                | 90                                      | 1 03         | 114 4   |
| 1921.....               | 18              | 1,585           | 2 14                | 79                                      | 95           | 120 3   |
| 1922.....               | 33              | 3,526           | 1 91                | 57                                      | 87           | 152 6   |
| 1923.....               | 26              | 2,016           | 2 12                | 77                                      | 1 02         | 132 5   |
| 1924.....               | 28              | 2,215           | 2 30                | 1 05                                    | 91           | 86 7  |
| 1925.....               | 44              | 4,503           | 2 42                | 93                                      | 88           | 94 6  |
| Seven year average..... |                 |                 | \$2 42              | \$1 00                                  | \$0 92       | 92 0  |

**Table 3.—Relation of Taxes to Net Rents on Farms Surveyed in Huron, Tuscola, Sanilac, Lapeer, and St. Clair Counties, 1919-1925**

| Year                    | Number of farms | Number of acres | Gross rent per acre | Net rent per acre (before paying taxes) | Tax per acre | Per cent of net rent paid in taxes (before deducting taxes) |
|-------------------------|-----------------|-----------------|---------------------|---|--------------|---|
| 1919.....               | 66              | 7,647           | \$5 19              | \$3 24                                  | \$1 29       | 39.8  |
| 1920.....               | 51              | 5,959           | 5 16                | 3 06                                    | 1 81         | 59.2  |
| 1921.....               | 50              | 5,620           | 4 49                | 2 45                                    | 1 55         | 63.3  |
| 1922.....               | 71              | 7,891           | 4 63                | 2 62                                    | 1 50         | 57.3  |
| 1923.....               | 69              | 7,647           | 4 13                | 2 17                                    | 1 43         | 65.9  |
| 1924.....               | 77              | 8,594           | 4 37                | 2 44                                    | 1 41         | 57.8  |
| 1925.....               | 118             | 13,351          | 4 19                | 2 41                                    | 1 58         | 65.6  |
| Seven year average..... |                 |                 | \$4 59              | \$2 63                                  | \$1 51       | 57.4  |

**Table 4.—Relation of Taxes to Net Rents on Farms Surveyed in Bay, Saginaw, Gratiot, Ionia, Clinton, Shiawassee, Genesee, Barry, Eaton, Ingham, and Livingston Counties, 1919-1925**

| Year                    | Number of farms | Number of acres | Gross rent per acre | Net rent per acre (before paying taxes) | Tax per acre | Per cent of net rent paid in taxes (before deducting taxes) |
|-------------------------|-----------------|-----------------|---------------------|---|--------------|---|
| 1919.....               | 130             | 15,928          | \$7 51              | \$5 34                                  | \$1 32       | 24.7  |
| 1920.....               | 105             | 11,019          | 5 51                | 3 38                                    | 1 72         | 50.9  |
| 1921.....               | 115             | 12,196          | 4 19                | 2 13                                    | 1 78         | 83.6  |
| 1922.....               | 179             | 21,056          | 6 02                | 3 83                                    | 1 74         | 45.4  |
| 1923.....               | 165             | 17,849          | 5 44                | 3 21                                    | 1 67         | 52.0  |
| 1924.....               | 182             | 19,619          | 5 90                | 3 55                                    | 1 59         | 44.8  |
| 1925.....               | 265             | 30,242          | 5 81                | 3 43                                    | 1 60         | 46.6  |
| Seven year average..... |                 |                 | \$5 77              | \$3 55                                  | \$1 63       | 45.9  |

**Table 5.—Relation of Taxes to Net Rents on Farms Surveyed in Newaygo, Mecosta, Isabella, Midland, and Montcalm Counties, 1919-1925**

| Year                    | Number of farms | Number of acres | Gross rent per acre | Net rent per acre (before paying taxes) | Tax per acre | Per cent of net rent paid in taxes (before deducting taxes) |
|-------------------------|-----------------|-----------------|---------------------|---|--------------|---|
| 1919.....               | 47              | 4,143           | \$4 89              | \$3 49                                  | \$1 05       | 30.1  |
| 1920.....               | 37              | 3,070           | 4 00                | 2 53                                    | 1 27         | 50.2  |
| 1921.....               | 37              | 3,231           | 3 80                | 2 42                                    | 1 30         | 53.7  |
| 1922.....               | 55              | 5,054           | 3 86                | 2 12                                    | 1 25         | 59.0  |
| 1923.....               | 47              | 4,034           | 3 75                | 1 97                                    | 1 50         | 76.1  |
| 1924.....               | 67              | 5,924           | 3 42                | 1 87                                    | 1 28         | 68.4  |
| 1925.....               | 105             | 10,238          | 3 94                | 2 22                                    | 1 28         | 57.7  |
| Seven year average..... |                 |                 | \$3 95              | \$2 37                                  | \$1 28       | 54.0  |

**Table 6.—Relation of Taxes to Net Rents on Farms Surveyed in Mason, Oceana, Muskegon, Ottawa, Kent, Allegan, Van Buren, Kalamazoo, Berrien, and Cass Counties, 1919-1925**

| Year                    | Number of farms | Number of acres | Gross rent per acre | Net rent per acre (before paying taxes) | Tax per acre | Per cent of net rent paid in taxes (before deducting taxes) |
|-------------------------|-----------------|-----------------|---------------------|---|--------------|---|
| 1919.....               | 97              | 11,536          | \$6 93              | \$4 72                                  | \$1 29       | 27.3  |
| 1920.....               | 73              | 8,848           | 5 66                | 3 39                                    | 1 58         | 46.6  |
| 1921.....               | 75              | 8,712           | 4 61                | 2 55                                    | 1 60         | 62.7  |
| 1922.....               | 110             | 12,203          | 4 66                | 2 53                                    | 1 59         | 62.8  |
| 1923.....               | 99              | 10,609          | 4 25                | 2 07                                    | 1 56         | 75.4  |
| 1924.....               | 114             | 12,032          | 4 69                | 2 56                                    | 1 55         | 60.5  |
| 1925.....               | 172             | 19,053          | 5 26                | 2 89                                    | 1 53         | 52.9  |
| Seven year average..... |                 |                 | \$5 15              | \$2 96                                  | \$1 53       | 51.7  |



**Table 7.—Relation of Taxes to Net Rents on Farms Surveyed in Calhoun, Jackson, St. Joseph, Branch, and Hillsdale Counties, 1919-1925**

| Year                     | Number of farms | Number of acres | Gross rent per acre | Net rent per acre (before paying taxes) | Tax per acre | Per cent of net rent paid in taxes (before deducting taxes) |
|--------------------------|-----------------|-----------------|---------------------|---|--------------|---|
| 1919 .....               | 74              | 10,350          | \$7 34              | \$4 76                                  | \$1 21       | 25.4  |
| 1920 .....               | 52              | 6,669           | 5 40                | 2 78                                    | 1 42         | 51.1  |
| 1921 .....               | 51              | 6,439           | 5 01                | 2 52                                    | 1 51         | 59.9  |
| 1922 .....               | 90              | 12,472          | 5 04                | 2 62                                    | 1 37         | 52.3  |
| 1923 .....               | 65              | 8,493           | 4 26                | 1 82                                    | 1 37         | 75.3  |
| 1924 .....               | 73              | 9,509           | 4 13                | 1 91                                    | 1 21         | 63.4  |
| 1925 .....               | 124             | 16,604          | 4 94                | 2 47                                    | 1 28         | 51.8  |
| Seven year average ..... |                 |                 | \$5 16              | \$2 70                                  | \$1 34       | 49.6  |

**Table 8.—Relation of Taxes to Net Rents on Farms Surveyed in Oakland, Macomb, Washtenaw, Wayne, Lenawee, and Monroe Counties, 1919-1925**

| Year                     | Number of farms | Number of acres | Gross rent per acre | Net rent per acre (before paying taxes) | Tax per acre | Per cent of net rent paid in taxes (before deducting taxes) |
|--------------------------|-----------------|-----------------|---------------------|---|--------------|---|
| 1919 .....               | 52              | 6,136           | \$6 84              | \$4 05                                  | \$1 63       | 40.2  |
| 1920 .....               | 37              | 4,327           | 5 81                | 3 63                                    | 1 55         | 42.7  |
| 1921 .....               | 41              | 4,783           | 4 74                | 2 42                                    | 1 68         | 69.4  |
| 1922 .....               | 68              | 7,611           | 5 58                | 2 85                                    | 1 76         | 61.8  |
| 1923 .....               | 61              | 6,958           | 5 25                | 2 79                                    | 1 83         | 65.6  |
| 1924 .....               | 73              | 7,963           | 5 59                | 2 85                                    | 1 74         | 61.1  |
| 1925 .....               | 107             | 11,267          | 6 55                | 3 84                                    | 1 97         | 51.3  |
| Seven year average ..... |                 |                 | \$5 77              | \$3 20                                  | \$1 74       | 54.4  |

Table 9.—Farm Real Estate Value, Percentage of Change, 1920-1925.  
(Census Figures)

| Division and State  | Percentage of change |          |                |          |
|---------------------|----------------------|----------|----------------|----------|
|                     | Total value          |          | Value per acre |          |
|                     | Increase             | Decrease | Increase       | Decrease |
| New England:        |                      |          |                |          |
| Maine.....          |                      | 3.3      | 1.5            |          |
| New Hampshire.....  |                      | 2.9      | 11.7           |          |
| Vermont.....        |                      | 13.7     |                | 6.9      |
| Massachusetts.....  | 2.8                  |          | 8.3            |          |
| Rhode Island.....   | 5.8                  |          | 13.5           |          |
| Connecticut.....    | 6.6                  |          | 10.5           |          |
| Middle Atlantic:    |                      |          |                |          |
| New York.....       |                      | 4.0      | 2.8            |          |
| New Jersey.....     | 4.7                  |          | 24.2           |          |
| Pennsylvania.....   |                      | 11.3     |                | 3.9      |
| East North Central: |                      |          |                |          |
| Ohio.....           |                      | 27.0     |                | 22.7     |
| Indiana.....        |                      | 36.1     |                | 32.4     |
| Illinois.....       |                      | 29.9     |                | 27.1     |
| Michigan.....       |                      | 10.4     |                | 5.4      |
| Wisconsin.....      |                      | 13.2     |                | 12.0     |
| West North Central: |                      |          |                |          |
| Minnesota.....      |                      | 27.4     |                | 27.0     |
| Iowa.....           |                      | 34.7     |                | 34.4     |
| Missouri.....       |                      | 34.3     |                | 30.0     |
| North Dakota.....   |                      | 31.6     |                | 27.8     |
| South Dakota.....   |                      | 41.9     |                | 37.1     |
| Nebraska.....       |                      | 32.0     |                | 31.7     |
| Kansas.....         |                      | 22.3     |                | 19.3     |
| South Atlantic:     |                      |          |                |          |
| Delaware.....       |                      | 7.2      |                | 2.5      |
| Maryland.....       |                      | 10.7     |                | 4.3      |
| Virginia.....       |                      | 13.3     |                | 6.5      |
| West Virginia.....  |                      | 12.9     |                | 7.3      |
| North Carolina..... |                      | 13.6     |                | 7.0      |
| South Carolina..... |                      | 43.6     |                | 34.2     |
| Georgia.....        |                      | 48.2     |                | 40.0     |
| Florida.....        | 70.7                 |          | 73.3           |          |
| East South Central: |                      |          |                |          |
| Kentucky.....       |                      | 35.0     |                | 29.5     |
| Tennessee.....      |                      | 25.7     |                | 19.0     |
| Alabama.....        |                      | 23.6     |                | 10.7     |
| Mississippi.....    |                      | 41.8     |                | 34.0     |
| West South Central: |                      |          |                |          |
| Arkansas.....       |                      | 28.0     |                | 14.9     |
| Louisiana.....      |                      | 31.1     |                | 21.9     |
| Oklahoma.....       |                      | 23.0     |                | 20.5     |
| Texas.....          |                      | 17.4     |                | 14.2     |
| Mountain:           |                      |          |                |          |
| Montana.....        |                      | 41.6     |                | 37.5     |
| Idaho.....          |                      | 35.7     |                | 33.8     |
| Wyoming.....        |                      | 26.6     |                | 53.5     |
| Colorado.....       |                      | 31.6     |                | 30.8     |
| New Mexico.....     |                      | 21.8     |                | 31.7     |
| Arizona.....        |                      | 16.4     |                | 56.2     |
| Utah.....           |                      | 21.0     |                | 20.2     |
| Nevada.....         | 3.2                  |          |                | 43.3     |
| Pacific:            |                      |          |                |          |
| Washington.....     |                      | 21.0     |                | 17.0     |
| Oregon.....         |                      | 8.6      |                | 12.3     |
| California.....     | 2.9                  |          | 9.6            |          |

**Table 10.—Relation of Taxes to Net Profits of All Active Corporations Reporting From Michigan, 1924.<sup>1</sup>**

| Corporations   | Number of corporations reporting | Profits before deducting taxes | Taxes other than income or excess profits | Per cent of profits | Total taxes   | Total tax, per cent of net profits |
|--|----------------------------------|--------------------------------|---|---------------------|---------------|------------------------------------|
| Agriculture and related industries.....                    | 281                              | \$985,292                      | \$877,920                                 | 89.1                | \$1,105,197   | 112.2                              |
| Mining and Quarrying.....                                  | 161                              | 4,673,521                      | 1,483,703                                 | 31.7                | 1,952,507     | 41.8                               |
| Total manufacturing.....                                   | 3,139                            | 401,069,479                    | 41,278,161                                | 10.3                | 87,653,736    | 21.9                               |
| Construction.....  | 431                              | 4,623,599                      | 381,517                                   | 8.3                 | 950,656       | 20.6                               |
| Transportation and other public utilities.....             | 524                              | 18,593,000                     | 7,246,480                                 | 39.0                | 9,348,480     | 50.3                               |
| Trade.....   | 3,211                            | 50,944,684                     | 8,448,958                                 | 16.6                | 14,105,649    | 27.7                               |
| Public service, professional, amusements, hotels, etc..... | 759                              | 7,946,370                      | 1,372,522                                 | 17.3                | 2,170,295     | 27.3                               |
| Finance, banking, insurance, etc.....                      | 3,118                            | 50,887,065                     | 12,080,840                                | 23.7                | 15,618,702    | 30.7                               |
| Combinations.....  | 116                              | 1,273,366                      | 148,883                                   | 11.7                | 283,019       | 22.2                               |
| Aggregate.....   | 11,740                           | \$540,996,376                  | \$73,318,984                              | 13.6                | \$133,188,241 | 24.6                               |

<sup>1</sup>Rearranged from information supplied by the Statistical Section, Income Tax Unit, Bureau of Internal Revenue.