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INTERNAL-REVENUE TAX ON RAW COTTON

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LETTER

FROM

THE SECRETARY OF THE TREASURY

TRANSMITTING

IN RESPONSE TO SENATE RESOLUTION 302 A STATEMENT SHOW-  
ING THE AMOUNT OF INTERNAL-REVENUE TAX ON RAW COT-  
TON COLLECTED IN EACH STATE DURING THE FISCAL YEARS  
1863 TO 1868 INCLUSIVE

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JANUARY 31 (calendar day, FEBRUARY 1), 1929.—Referred to the Committee on  
Finance and ordered to be printed

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TREASURY DEPARTMENT,  
*Washington, January 30, 1929.*

The PRESIDENT OF THE SENATE.

SIR: Pursuant to the request contained in Senate Resolution 302, January 17, 1929, there is transmitted herewith a printed statement showing the amount of internal-revenue tax on raw cotton collected in each State during the fiscal years 1863 to 1868, inclusive.

This table represents a compilation of the figures shown in annual reports of the Commissioner of Internal Revenue and gives the best available information as to the collections under this tax in the several States. If, however, the figures are given consideration as a basis for any proposed refund of the amounts collected they are subject to the same objection presented in Treasury letter of January 7, 1929, to the chairman of the Committee on Ways and Means, House of Representatives, in connection with pending legislation pertaining to direct taxes collected by the Government in 1866, 1867, and 1868, which included the tax on raw cotton. A copy of that letter with accompanying table is transmitted herewith for ready reference.

The tax on raw cotton was levied and collected between the years 1863 to 1868, inclusive, under section 75 of the internal revenue act of July 1, 1862 (12 Stat. 465), entitled "An act to provide internal

revenue to support the Government and to pay interest on the public debt." This act provided that—

On and after the 1st day of October, 1862, there shall be levied, collected, and paid a tax of one-half of 1 cent per pound on all cotton held or owned by any person or persons, corporation, or association of persons; and such tax shall be a lien thereon in the possession of any person whomsoever. And further, if any person or persons, corporations, or association of persons, shall remove, carry, or transport the same from the place of its production before said tax shall have been paid, such person or persons, corporation, or association of persons, shall forfeit and pay to the United States double the amount of such tax, to be recovered in any court having jurisdiction thereof: *Provided, however,* That the Commissioner of Internal Revenue is hereby authorized to make such rules and regulations as he may deem proper for the payment of said tax at places different from that of the production of said cotton: \* \* \*

By the act of June 30, 1864 (13 Stat. p. 208), a tax of 2 cents per pound was imposed on raw cotton, and by the act of July 13, 1866 (14 Stat. p. 98), this rate was amended to read 3 cents per pound, the act providing—

That on and after the 1st day of August, 1866, in lieu of the taxes on unmanufactured cotton, as provided in "An act, \* \* \*," approved June 30, 1864, as amended by the act of March 3, 1865, there shall be paid by the producer, owner, or holder, upon all cotton produced within the United States, and upon which no tax has been levied, paid, or collected, a tax of 3 cents per pound, \* \* \*.

The act of March 2, 1867 (14 Stat. p. 471), however, provided that on and after the 1st day of September, 1867, a tax of 2½ cents per pound only should be levied, collected, and paid on any cotton produced within the United States.

The act of February 3, 1868 (15 Stat. p. 34), had the effect of repealing the tax inasmuch as it provided—

That all cotton grown in the United States after the year 1867 shall be exempt from internal tax; and cotton imported from foreign countries on and after November 1, 1868, shall be exempt from duty.

The total sum collected as shown by accompanying statement, \$68,072,388.99, was paid into the general fund of the United States Treasury and expended in the usual course for the support of the Government and the payment of interest on the public debt.

Respectfully,

A. W. MELLON,  
*Secretary of the Treasury.*

*Statement of amount of internal-revenue tax on raw cotton collected in each State during the fiscal years 1863 to 1868, inclusive*

[NOTE.—The tax on raw cotton was levied by act of July 1, 1862 (12 Stat. p. 465), and repealed by act of February 3, 1868 (15 Stat. p. 34)]

	1863	1864	1865	1866	1867	1868	Total
Alabama.....				\$3, 733, 620. 25	\$3, 040, 868. 01	\$3, 604, 583. 84	\$10, 388, 072. 10
Arkansas.....				203, 073. 84	1, 641, 342. 22	711, 222. 37	2, 555, 638. 43
California.....				145. 06	284. 08		430. 04
Connecticut.....	\$17. 72	\$110. 25			65. 67		193. 64
Florida.....				97, 488. 24	409, 645. 07	321, 811. 67	918, 044. 98
Georgia.....				3, 554, 544. 38	3, 283, 270. 36	5, 050, 274. 24	11, 897, 094. 98
Illinois.....	53, 381. 71	35, 515. 69	\$65, 802. 79	113, 732. 66	76, 013. 72	34, 697. 85	379, 144. 42
Indiana.....	8, 999. 90	1, 041. 00	703. 30	52, 428. 40	14, 202. 83	16, 351. 19	92, 727. 22
Iowa.....		. 27					. 27
Kansas.....			151. 34	102. 64	32. 17		286. 15
Kentucky.....	12, 770. 67	83, 050. 15	83, 658. 34	121, 550. 89	140, 905. 16	102, 383. 24	553, 327. 45
Louisiana.....	19, 920. 93	436, 044. 52	593, 108. 02	4, 300, 160. 17	2, 971, 708. 19	1, 777, 569. 17	10, 098, 501. 00

Statement of amount of internal-revenue tax on raw cotton collected in each State during the fiscal years 1863 to 1868, inclusive—Continued

	1863	1864	1865	1866	1867	1868	Total
Maryland.....	\$1,867.60	\$139.91	\$1,168.65	\$4,324.03	\$4,424.48	\$39,424.79	\$51,349.52
Massachusetts.....	4,412.79	6,419.24	127.00	28,175.46	16,576.85	10,967.96	66,879.30
Mississippi.....				756,629.27	4,464,664.40	3,521,702.26	8,742,995.93
Missouri.....	69,493.12	39,009.76	73,603.00	247,289.14	96,721.63	65,981.71	592,098.36
New Jersey.....		500.00			3,166.42		3,656.42
New York.....	102,041.83	24,836.56	10,334.04	492,657.07	112,670.54	125,602.64	867,942.68
North Carolina.....				211,658.57	860,704.55	887,341.75	1,959,704.87
Ohio.....	70,896.24	94,088.69	39,918.92	41,691.89	85,343.00	115,190.48	447,127.12
Pennsylvania.....	5,060.89	57,895.38		6,080.62	146.03	9,352.14	78,635.06
Rhode Island.....	2,462.27	.01	22.45				2,424.73
South Carolina.....				731,939.67	1,429,281.10	2,011,199.39	4,172,420.16
Tennessee.....		488,325.80	877,901.09	2,148,437.98	1,929,301.72	2,429,494.12	7,873,460.71
Texas.....				1,395,624.17	2,780,307.31	1,328,569.76	5,502,401.24
Utah.....	36.75	11.00	48.90	241.31	389.64	647.74	1,375.34
Vermont.....				168,268.29			168,268.29
Virginia.....		1,425.83	26,435.64		269,147.65	330,679.46	657,588.58
Total.....	351,311.48	1,268,412.56	1,772,983.48	18,409,654.90	23,769,078.80	22,500,947.77	68,072,388.99

JANUARY 7, 1929.

MY DEAR MR. CHAIRMAN: I inclose a tabulation which is important in connection with the pending legislation to permit States to sue and recover to so-called direct taxes paid in the years 1866, 1867, and 1868. This table is merely a compilation of the figures in the three annual reports of the Commissioner of Internal Revenue and assumes that the taxes for those years were distributed correctly to the different States. With this I have contrasted the burden of the income tax as shown by statistics for 1926. I have then extended 1866 to 1868 taxes in the form of a percentage and the income tax percentage for 1926 in the last column. In other words, this table indicates the relative amount which each State might as a maximum hope to receive by way of refund if the proposed legislation were enacted and the litigation was successful. Since this money would have to be raised in some way and the most natural source would be a revision of the income-tax rates, it seems fair to contrast the percentage of such a tax burden with the percentage of the total income tax now being paid by the various States.

Thus, for example, New York would receive 19.59 per cent of the total amount refundable, but New York paid in 1926, 30.76 per cent of the income tax and would therefore bear a greater share of the tax burden than the amount which she would receive. Michigan would receive 1.16 per cent, but in 1926 bore 6.14 per cent of the income-tax burden. Oregon would receive 0.08 per cent, but bears 0.26 per cent of the income-tax burden. In other words, some States, such as Alabama, Arkansas, Connecticut, Georgia, Kentucky, Louisiana, Maine, Maryland, Mississippi, New Hampshire, Ohio, Rhode Island, South Carolina, and Tennessee would appear to benefit by the refund if it were all refunded, but other States, such as Florida, Illinois, Michigan, New York, Texas, Virginia, and Wisconsin would suffer in varying amounts. Pennsylvania, New Jersey, and some of the others would not really be interested to any great extent.

It should be borne in mind that the income-tax statistics are based on collections in each district and that this does not always mean that the taxpayer was located in that district. For instance, a western mining company might have its principal office in New York City,

and file its tax returns there and make payment there. Also, a consolidated group of corporations whose operations through subsidiaries extended into many States may have the office of its principal corporation in Chicago and make its returns and pay its taxes there. However, this would seem to be the only comparison that is possible and it indicates to some extent the way in which the burden of this refund, if made, would be distributed.

I am having a still further search made as to the state of the records of the Bureau of Internal Revenue, for the years from 1866 to 1868, and will furnish you with a further statement at an early date.

Very truly yours,

HENRY HERRICK BOND,  
Assistant Secretary.

HON. WILLIS C. HAWLEY,  
Chairman Committee on Ways and Means,  
House of Representatives.

*Distribution by States of net taxes collected on manufactures and productions, fiscal years 1866-1868, inclusive, and of income taxes returned for the calendar year 1926, amounts and percentages*

States	Net taxes on manufactures and productions, fiscal years 1866-1868, inclusive	Individual and corporation income taxes returned for calendar year 1926	Percentage distribution	
			Net taxes, manufactures and productions, 1866-1868	Corporation and individual taxes returned, 1926
			Per cent	Per cent
Alabama.....	\$10,947,955.72	\$7,309,752.00	2.58	0.37
Alaska.....		180,149.00		(1)
Arizona.....	370.85	1,510,221.00		.08
Arkansas.....	2,586,781.92	3,604,099.00	.61	.18
California.....	9,846,154.80	100,557,079.00	2.32	5.13
Colorado.....	85,277.32	10,770,956.00	.02	.55
Connecticut.....	13,834,058.39	20,396,944.00	3.26	1.50
Delaware.....	1,535,884.49	15,916,299.00	.36	.81
District of Columbia.....	391,675.75	14,197,605.00	.09	.72
Florida.....	939,519.00	20,040,565.00	.22	1.02
Georgia.....	13,017,966.99	10,452,880.00	3.07	.53
Hawaii.....		4,492,462.00		.23
Idaho.....	37,768.48	1,021,454.00	.01	.05
Illinois.....	18,079,324.38	180,772,441.00	4.48	9.21
Indiana.....	5,797,400.01	25,682,175.00	1.37	1.31
Iowa.....	3,335,940.48	9,503,630.00	.79	.48
Kansas.....	217,023.77	19,773,126.00	.05	1.01
Kentucky.....	9,014,307.06	12,838,606.00	2.13	.65
Louisiana.....	12,550,188.14	10,865,636.00	2.96	.55
Maine.....	4,558,129.15	7,328,243.00	1.08	.37
Maryland.....	10,007,954.49	26,451,375.00	2.36	1.35
Massachusetts.....	49,746,878.51	85,615,986.00	11.74	4.36
Michigan.....	4,906,500.77	120,591,687.00	1.16	6.14
Minnesota.....	427,340.19	22,630,861.00	.10	1.15
Mississippi.....	8,751,719.84	2,078,844.00	2.07	.11
Missouri.....	12,217,051.59	47,444,653.00	2.88	2.42
Montana.....	66,542.04	2,081,357.00	.02	.11
Nebraska.....	84,745.24	4,503,441.00	.02	.23
Nevada.....	356,825.69	511,291.00	.08	.03
New Hampshire.....	6,535,086.11	2,265,954.00	1.54	.12
New Jersey.....	13,057,150.62	75,688,506.00	3.08	3.86
New Mexico.....	29,313.18	622,590.00	.01	.03
New York.....	83,033,188.05	603,573,300.00	19.59	30.76
North Carolina.....	3,439,508.92	16,415,014.00	.81	.84
North Dakota.....	325.86	601,672.00	(?)	.04
Ohio.....	37,084,376.91	99,380,376.00	8.75	5.07
Oklahoma.....		18,461,776.00		.94

Individual income tax of Alaska included in State of Washington. Percentage less than 0.005 of 1 per cent.

<sup>1</sup> North and South Dakota combined.

*Distribution by States of net taxes collected on manufactures and productions, fiscal years 1866-1868, inclusive, and of income taxes returned for the calendar year 1926, amounts and percentages—Continued*

	Net taxes on manufactures and productions, fiscal years 1866-1868, inclusive	Individual and corporation income taxes returned for calendar year 1926	Percentage distribution	
			Net taxes, manufactures and productions, 1866-1868	Corporation and individual taxes returned, 1926
			<i>Per cent</i>	<i>Per cent</i>
Oregon.....	\$326, 272. 73	\$5, 170, 039. 00	0. 08	0. 26
Pennsylvania.....	48, 312, 428. 58	199, 248, 681. 00	11. 40	10. 16
Rhode Island.....	9, 146, 104. 92	11, 022, 666. 00	2. 10	. 56
South Carolina.....	4, 650, 669. 97	2, 113, 075. 00	1. 10	. 11
South Dakota.....	( <sup>1</sup> )	465, 814. 00	( <sup>1</sup> )	. 02
Tennessee.....	8, 155, 939. 02	11, 828, 286. 00	1. 92	. 60
Texas.....	5, 680, 220. 51	37, 544, 569. 00	1. 34	1. 91
Utah.....	62, 965. 15	2, 811, 678. 00	. 02	. 14
Vermont.....	1, 398, 710. 31	2, 051, 428. 00	. 32	. 11
Virginia.....	3, 224, 161. 16	20, 778, 716. 00	. 76	1. 06
Washington.....	61, 050. 41	10, 086, 367. 00	. 02	. 51
West Virginia.....	1, 750, 682. 93	11, 719, 374. 00	. 41	. 60
Wisconsin.....	3, 661, 160. 19	31, 610, 805. 00	. 86	1. 61
Wyoming.....		797, 000. 00		. 04
Total.....	423, 850, 889. 59	1, 962, 268, 033. 00	100. 00	100. 00

<sup>1</sup> North and South Dakota combined.