

### THE INCOME TAX IN NEBRASKA

As this issue goes to press, the question of whether or not Nebraskans will be voting next month on repeal of the state income tax remains in doubt. Regardless of the decision of the State Supreme Court on this question, however, a brief analysis of the income tax issue appears appropriate. Dr. Edward B. Schmidt, Professor of Economics, Emeritus, was asked, therefore, to prepare the following article. E. S. W.

As a basis for considering possible abandonment of the state income tax, Nebraskans ought to inform themselves as to the role it, along with the retail sales tax, is playing. Our State Tax Commissioner, in his 1967 Annual Report, has undertaken to supply this information. Unfortunately, too few people have access to this report; therefore, some of the facts taken from it are presented herein in somewhat condensed and modified form.

Economists in the office of the Tax Commissioner have prepared estimates to show how abandonment of the state income tax and an increase in the sales tax rate from 2 1/2% to 5% to replace the revenue would alter the distribution of the tax load among persons in different income tax brackets. The chart at the bottom of this page summarizes their findings.

From this chart it is apparent that only the top income bracket (\$20,000 and above) would be advantaged by abandonment of the income tax. Professors Peterson and Timmons of the Department of Agricultural Economics at the University of Nebraska have made a similar study which shows that abandonment of the income tax would result in a somewhat greater shift in tax load toward the lower income groups than is shown in the tax commission study.

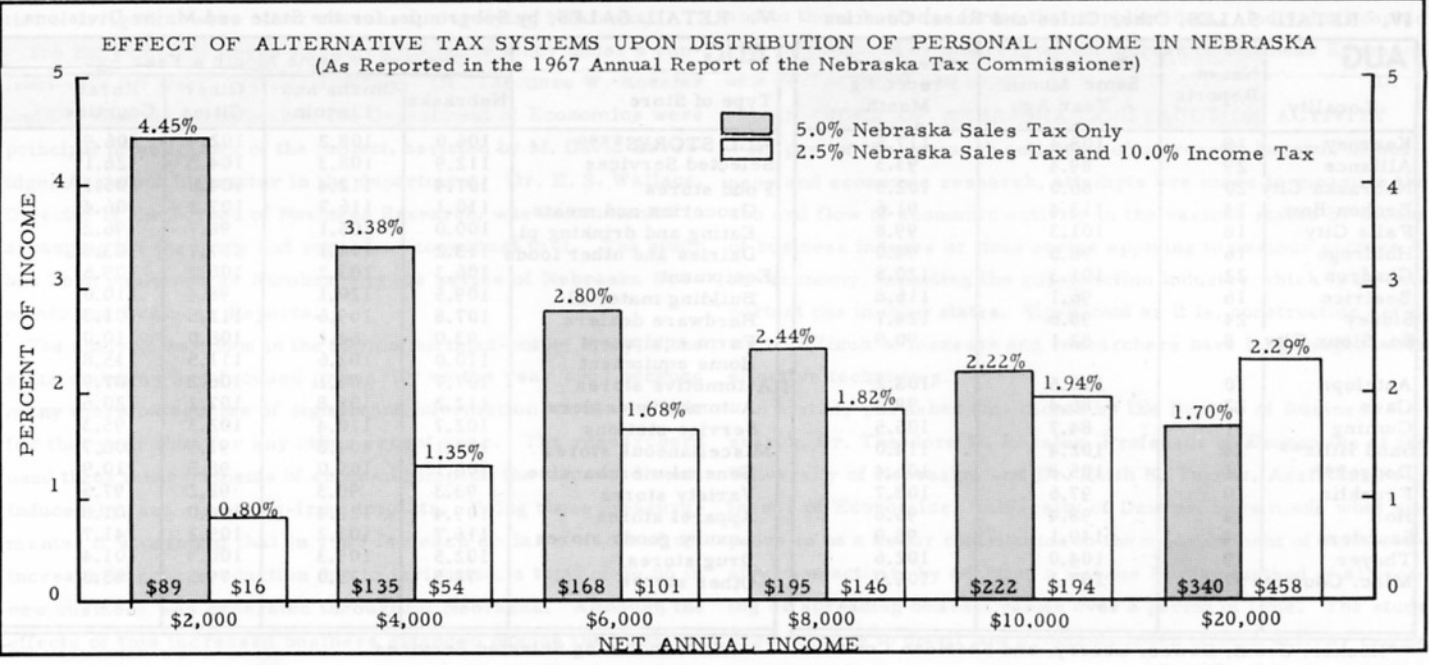
It should be remembered also that the state income tax includes a food sales tax credit of seven dollars for each dependent. As a result of this, the same report of the State Tax Commissioner shows that for taxpayers using the standard deduction of 10% on the Federal income tax form no state income tax will be paid and actual cash refunds will be received by those with adjusted gross incomes below the figures indicated in the following table:

| Number of Dependents | Married Persons (Joint Returns) | Single Persons |
|----------------------|---------------------------------|----------------|
| 1                    | - -                             | \$1,500        |
| 2                    | \$ 2,500                        | 2,500          |
| 3                    | 3,500                           | 3,500          |
| 4                    | 5,000                           | 5,000          |
| 5                    | 6,000                           | 6,000          |
| 6                    | 7,000                           | 7,000          |
| 7                    | 9,000                           | 8,000          |
| 8                    | 10,000                          | 9,000          |

For those having deductions of more than 10%, and for all taxpayers 65 years of age and older, the situation will be even more favorable.

It might be concluded that, since persons who would be advantaged by repeal of the income tax are greatly outnumbered by those in the lower income tax brackets, the future of the tax is assured, even if the question of its repeal does appear on the ballot. This conclusion is not supported by experience in other states. Apparently those who are advantaged by the income tax are unaware of the facts in the situation and

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**Business Summary**

Nebraska's July, 1968, dollar volume of business was up 12.5% from July, 1967, accompanied by a 7.6% increase in the physical volume of business. The U.S. followed this same pattern, with dollar volume rising 10.5% from July, 1967, and physical volume rising 5.7% in the same period. Construction activity, which rose in Nebraska by 3.6% from July, 1967, to July, 1968, fell in the U.S. by 5.7%.

The June, 1968, to July, 1968, changes show Nebraska decreasing slightly, while the U.S. is up slightly for both dollar and phys-

ical volume. Of the ten business indicators, Nebraska registered an increase in each, although two of them, bank debits and employment other than manufacturing, showed smaller increases than for the United States.

August, 1968, retail sales indicate an overall increase of sales activity in Nebraska, in comparison to last year. Total sales for the state were up 6.0% from August, 1967, with hard goods up 9.0% and soft goods up 5.1%. Twelve of the twenty-two reporting cities showed retail sales increases over year-ago levels. August, 1967, to August, 1968, changes for the cities range from +19.8% for Hastings to -17.9% for South Sioux City.

All figures on this page are adjusted for seasonal changes, which means that the month-to-month ratios are relative to the normal or expected changes. Figures in Table I (except the first line) are adjusted where appropriate for price changes. Gasoline sales for Nebraska are for road use only; for the United States they are production in the previous month. E: L. BURGESS

I. NEBRASKA and the UNITED STATES

II. PHYSICAL VOLUME OF BUSINESS  
Percentage of 1948 Average

| JUL<br>Business Indicators  | Percent of 1948 Average   |       | Percent of Same Month a Year Ago |       | Percent of Preceding Month |       |
|-----------------------------|---------------------------|-------|----------------------------------|-------|----------------------------|-------|
|                             | Nebraska                  | U.S.  | Nebraska                         | U.S.  | Nebraska                   | U.S.  |
|                             | Dollar Volume of Business | 314.0 | 367.8                            | 112.5 | 110.5                      | 99.6  |
| Physical Volume of Business | 211.8                     | 230.8 | 107.6                            | 105.7 | 99.5                       | 101.2 |
| Bank debits (checks, etc.)  | 266.5                     | 371.8 | 111.8                            | 111.9 | 111.9                      | 101.4 |
| Construction activity       | 242.1                     | 167.3 | 103.6                            | 94.3  | 88.1                       | 101.2 |
| Retail sales                | 148.6                     | 191.7 | 105.0                            | 104.1 | 96.9                       | 102.6 |
| Life insurance sales        | 378.7                     | 476.3 | 116.9                            | 107.9 | 105.6                      | 104.1 |
| Cash farm marketings        | 212.3                     | 169.1 | 128.4                            | 103.9 | 80.1                       | 94.6  |
| Electricity produced        | 431.2                     | 473.6 | 129.4                            | 112.0 | 99.1                       | 101.0 |
| Newspaper advertising       | 169.4                     | 145.4 | 109.5                            | 101.4 | 108.9                      | 100.9 |
| Manufacturing employment    | 164.8                     | 129.4 | 105.8                            | 103.5 | 98.6                       | 100.3 |
| Other employment            | 140.9                     | 166.4 | 101.4                            | 103.4 | 98.7                       | 100.2 |
| Gasoline sales              | 200.3                     | 221.3 | 103.6                            | 100.5 | 104.1                      | 99.3  |

| Month     | Nebraska | U.S.    |
|-----------|----------|---------|
|           | 1967-68  | 1967-68 |
| July      | 196.9    | 217.6   |
| August    | 203.2    | 219.5   |
| September | 202.8    | 216.5   |
| October   | 203.0    | 216.8   |
| November  | 190.8    | 219.1   |
| December  | 199.3    | 218.6   |
| January   | 210.0    | 224.4   |
| February  | 214.5    | 228.5   |
| March     | 197.6    | 225.6   |
| April     | 201.1    | 225.7   |
| May       | 204.0    | 227.4   |
| June      | 212.8    | 228.1   |
| July      | 211.8    | 230.8   |

III. RETAIL SALES for Selected Cities. Total, Hard Goods, and Soft Goods Stores. Hard Goods include automobile, building material, furniture, hardware, equipment. Soft Goods include food, gasoline, department, clothing, and miscellaneous stores.

| AUG<br>City  | No. of Reports | Percent of Same Month a Year Ago |            |            | Percent of Preceding Month | AUG<br>City | No. of Reports | Percent of Same Month a Year Ago |            |            | Percent of Preceding Month |
|--------------|----------------|----------------------------------|------------|------------|----------------------------|-------------|----------------|----------------------------------|------------|------------|----------------------------|
|              |                | Total                            | Hard Goods | Soft Goods |                            |             |                | Total                            | Hard Goods | Soft Goods |                            |
|              |                | THE STATE                        | 811        | 106.0      |                            |             |                | 109.0                            | 105.1      | 106.7      |                            |
| Omaha        | 89             | 112.9                            | 112.7      | 113.0      | 102.6                      | Fairbury    | 25             | 105.3                            | 109.0      | 101.4      | 96.1                       |
| Lincoln      | 72             | 112.3                            | 107.4      | 116.2      | 114.3                      | Norfolk     | 33             | 105.2                            | 103.4      | 106.7      | 113.3                      |
| Grand Island | 34             | 112.0                            | 114.8      | 109.5      | 115.2                      | Scottsbluff | 34             | 112.4                            | 118.4      | 107.3      | 114.3                      |
| Hastings     | 31             | 119.8                            | 145.9      | 97.4       | 132.0                      | Columbus    | 27             | 97.9                             | 101.3      | 93.9       | 114.6                      |
| North Platte | 22             | 99.0                             | 82.3       | 110.7      | 107.3                      | McCook      | 20             | 111.5                            | 117.8      | 104.9      | 112.4                      |
|              |                |                                  |            |            |                            | York        | 26             | 98.7                             | 107.1      | 93.4       | 111.7                      |

IV. RETAIL SALES, Other Cities and Rural Counties

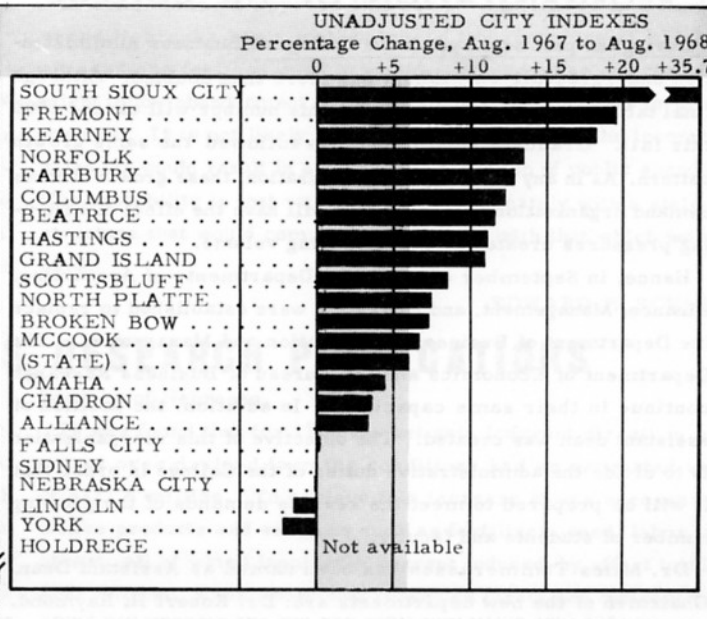
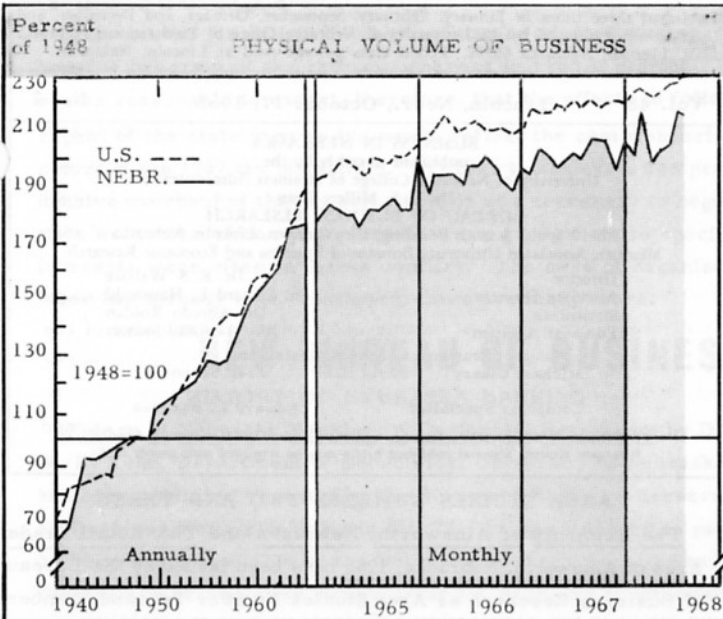
V. RETAIL SALES, by Subgroups, for the State and Major Divisions

| AUG<br>Locality | No. of Reports | Percent of Same Month A Year Ago | Percent of Preceding Month |
|-----------------|----------------|----------------------------------|----------------------------|
| Kearney         | 18             | 108.4                            | 117.5                      |
| Alliance        | 29             | 89.4                             | 93.3                       |
| Nebraska City   | 20             | 86.0                             | 102.5                      |
| Broken Bow      | 14             | 113.4                            | 91.6                       |
| Falls City      | 18             | 101.3                            | 99.8                       |
| Holdrege        | 16             | 98.5                             | 94.0                       |
| Chadron         | 22             | 101.3                            | 120.8                      |
| Beatrice        | 16             | 96.1                             | 116.8                      |
| Sidney          | 24             | 98.6                             | 124.7                      |
| So. Sioux City  | 8              | 82.1                             | 90.9                       |
| Antelope        | 10             | 110.5                            | 103.2                      |
| Cass            | 22             | 86.4                             | 99.3                       |
| Cuming          | 11             | 84.7                             | 105.5                      |
| Sand Hills**    | 24             | 102.4                            | 114.0                      |
| Dodge***        | 11             | 105.8                            | 106.4                      |
| Franklin        | 10             | 97.6                             | 108.7                      |
| Holt            | 14             | 98.4                             | 96.6                       |
| Saunders        | 14             | 149.1                            | 93.9                       |
| Thayer          | 9              | 104.0                            | 102.6                      |
| Misc. Counties  | 57             | 107.1                            | 109.0                      |

| AUG<br>Type of Store    | Percent of Same Month a Year Ago |                   |              |                |
|-------------------------|----------------------------------|-------------------|--------------|----------------|
|                         | Nebraska                         | Omaha and Lincoln | Other Cities | Rural Counties |
| ALL STORES****          | 106.0                            | 108.2             | 102.9        | 106.9          |
| Selected Services       | 112.9                            | 108.3             | 104.2        | 126.1          |
| Food stores             | 107.4                            | 112.4             | 104.8        | 105.1          |
| Groceries and meats     | 110.1                            | 116.7             | 107.3        | 106.4          |
| Eating and drinking pl. | 100.0                            | 105.1             | 98.7         | 96.2           |
| Dairies and other foods | 113.2                            | 108.1             | 107.7        | 123.8          |
| Equipment               | 106.3                            | 103.2             | 106.2        | 109.6          |
| Building material       | 109.5                            | 120.1             | 98.4         | 110.0          |
| Hardware dealers        | 107.8                            | 109.6             | 112.6        | 101.3          |
| Farm equipment          | 93.0                             | 64.1              | 105.0        | 110.0          |
| Home equipment          | 110.0                            | 102.6             | 111.5        | 115.8          |
| Automotive stores       | 107.7                            | 109.1             | 106.2        | 107.9          |
| Automotive dealers      | 112.2                            | 108.8             | 107.2        | 120.6          |
| Service stations        | 102.7                            | 110.4             | 102.3        | 95.3           |
| Miscellaneous stores    | 103.1                            | 104.8             | 97.9         | 106.7          |
| General merchandise     | 106.1                            | 109.0             | 98.5         | 110.9          |
| Variety stores          | 93.3                             | 90.3              | 92.2         | 97.5           |
| Apparel stores          | 109.4                            | 122.4             | 104.0        | 101.8          |
| Luxury goods stores     | 116.7                            | 103.2             | 105.2        | 141.7          |
| Drug stores             | 102.5                            | 105.3             | 100.9        | 101.4          |
| Other stores            | 78.5                             | 73.0              | 79.3         | 83.3           |

\*\*Hooker, Grant, Dawes, Cherry, and Sheridan Counties  
\*\*\*Outside Principal City

\*\*\*\*Not including Selected Services



Figures on this page are not adjusted for seasonal changes nor for price changes. Building activity includes the effects of past as well as present building permits, on the theory that not all building is completed in the month the permit is issued. E. L. B.

VI. CITY BUSINESS INDICATORS

**AUG**  
Percent of Same Month a Year Ago

| State or City  | City Index | Bank Debits | Building Activity | Retail Sales | Electricity Consumed | Gas Consumed | Water Pumped | Postal Receipts | Newspaper Advertising |
|----------------|------------|-------------|-------------------|--------------|----------------------|--------------|--------------|-----------------|-----------------------|
| The State      | 106.0      | 107.7       | 119.6             | 106.1        | 113.9                | 107.2        | 96.9         | 102.9           | 101.6                 |
| Beatrice       | 111.7      | 105.7       | 148.9             | 96.1         | NA                   | 107.0        | NA           | 128.3           | 105.9                 |
| Omaha          | 104.5      | 102.0       | 100.7             | 112.9        | 112.6                | 105.2        | 96.4         | 101.1           | 109.5                 |
| Lincoln        | 98.6       | 106.9       | 78.6              | 112.3        | 113.8                | 116.8        | 90.4         | 84.2            | 84.7                  |
| Grand Island   | 111.0      | NA          | 183.1             | 112.0        | 127.6                | 108.8        | 106.9        | 112.2           | -                     |
| Hastings       | 111.1      | NA          | 167.0             | 119.8        | 118.1                | 103.4        | 97.2         | 111.8           | 81.7                  |
| Fremont        | 119.5      | NA          | 185.8             | 99.6         | 108.2                | NA           | 118.1        | 132.1           | NA                    |
| North Platte   | 107.5      | 108.3       | 62.4              | 99.0         | 114.4                | 112.0        | 109.3        | 121.8           | 100.3                 |
| Kearney        | 118.2      | 122.3       | 281.4             | 108.4        | 123.6                | 113.9        | 103.2        | 118.3           | NA                    |
| Scottsbluff    | 108.6      | 130.5       | 98.3              | 112.4        | 111.1                | 110.8        | 84.2         | 116.5           | 99.9                  |
| Norfolk        | 113.5      | 114.8       | 272.3             | 105.2        | 118.5                | 105.9        | 84.1         | 128.1           | 114.9                 |
| Columbus       | 112.3      | 109.6       | 143.2             | 97.9         | 114.2                | 95.8         | 111.6        | 127.6           | 113.8                 |
| McCook         | 106.8      | 100.6       | 197.4             | 111.5        | 111.2                | 88.2         | NA           | 108.7           | 96.8                  |
| Sidney         | 100.0      | 114.9       | 26.9              | 98.6         | 105.6                | 96.3         | 79.2         | 105.2           | NA                    |
| Alliance       | 103.4      | 103.2       | 126.4             | 89.4         | 100.5                | 111.1        | 70.1         | 98.9            | 118.5                 |
| Nebraska City  | 99.9       | 103.1       | 53.7              | 86.0         | 115.3                | 123.2        | 107.6        | 89.0            | NA                    |
| So. Sioux City | 135.7      | 111.6       | 171.8             | 82.1         | 155.9                | NA           | NA           | 139.6           | NA                    |
| York           | 97.8       | 103.4       | 97.1              | 98.7         | 107.6                | 97.2         | 80.4         | 98.4            | 96.4                  |
| Falls City     | 100.2      | 101.7       | 64.9              | 101.3        | 108.6                | 132.5        | 86.1         | 108.0           | 90.0                  |
| Fairbury       | 112.9      | 100.5       | 175.8             | 105.3        | 112.6                | NA           | 79.2         | 120.8           | 136.6                 |
| Holdrege       | NA         | NA          | NA                | 98.5         | NA                   | 104.1        | NA           | NA              | 103.2                 |
| Chadron        | 103.7      | 107.1       | 93.0              | 101.3        | 102.7                | 114.3        | 72.5         | 112.0           | NA                    |
| Broken Bow     | 107.3      | 152.8       | 504.1             | 113.4        | 109.1                | 83.1         | 113.7        | 92.9            | 85.1                  |

**AUG**  
Percent of Preceding Month (Unadjusted)

| State or City  | City Index | Bank Debits | Building Activity | Retail Sales | Electricity Consumed | Gas Consumed | Water Pumped | Postal Receipts | Newspaper Advertising |
|----------------|------------|-------------|-------------------|--------------|----------------------|--------------|--------------|-----------------|-----------------------|
| The State      | 101.5      | 94.6        | 102.6             | 108.2        | 103.6                | 103.4        | 85.1         | 96.5            | 104.0                 |
| Beatrice       | 101.2      | 89.9        | 128.1             | 119.3        | 103.5                | 106.6        | 57.9         | 104.1           | 90.5                  |
| Omaha          | 99.7       | 91.4        | 107.0             | 103.2        | 99.3                 | 104.8        | 80.2         | 79.3            | 110.5                 |
| Lincoln        | 101.3      | 85.3        | 114.6             | 115.2        | 108.4                | 101.9        | 72.3         | 96.8            | 98.2                  |
| Grand Island   | 104.0      | NA          | 101.6             | 116.1        | 113.3                | 93.1         | 97.2         | 83.2            | -                     |
| Hastings       | 99.9       | NA          | 80.6              | 132.6        | 100.7                | 95.5         | 102.5        | 97.6            | 101.5                 |
| Fremont        | 97.8       | NA          | 93.1              | 101.2        | 99.0                 | NA           | 85.9         | 108.2           | NA                    |
| North Platte   | 105.7      | 97.6        | 127.5             | 109.0        | 167.8                | 102.1        | 98.5         | 112.1           | 99.6                  |
| Kearney        | 103.2      | 102.7       | 83.9              | 118.4        | 144.0                | 107.5        | 97.1         | 99.4            | NA                    |
| Scottsbluff    | 99.9       | 102.8       | 79.3              | 115.4        | 93.2                 | 104.6        | 77.8         | 105.8           | 99.0                  |
| Norfolk        | 104.5      | 105.0       | 143.6             | 114.1        | 90.9                 | 106.1        | 79.0         | 113.2           | 93.7                  |
| Columbus       | 101.5      | 108.5       | 101.5             | 115.9        | 94.4                 | 94.3         | 89.4         | 125.1           | 101.7                 |
| McCook         | 100.2      | 92.9        | 103.1             | 113.5        | 107.7                | 94.4         | NA           | 78.2            | 103.1                 |
| Sidney         | 108.7      | 107.8       | 103.1             | 124.6        | 111.8                | 114.2        | 106.4        | 91.9            | NA                    |
| Alliance       | 98.2       | 112.9       | 115.9             | 94.8         | 95.7                 | 89.4         | 68.6         | 79.1            | 124.6                 |
| Nebraska City  | 101.9      | 95.5        | 105.4             | 103.5        | 109.8                | 98.9         | 87.5         | 103.4           | NA                    |
| So. Sioux City | 99.5       | 95.1        | 84.3              | 91.7         | 144.6                | 100.3        | NA           | 110.8           | NA                    |
| York           | 95.2       | 99.0        | 106.0             | 112.7        | 93.4                 | 88.7         | 85.3         | 95.9            | 92.3                  |
| Falls City     | 100.9      | 95.3        | 92.8              | 100.8        | 244.0                | 125.9        | 81.3         | 86.4            | 114.5                 |
| Fairbury       | 93.9       | 102.2       | 79.1              | 97.4         | 93.8                 | NA           | 73.8         | 90.5            | 98.3                  |
| Holdrege       | NA         | NA          | NA                | 94.6         | NA                   | 91.3         | NA           | NA              | 105.7                 |
| Chadron        | 98.7       | 116.8       | 81.4              | 121.7        | 114.6                | 93.3         | 88.1         | 64.0            | NA                    |
| Broken Bow     | 96.0       | 109.3       | 99.9              | 92.3         | 94.2                 | 88.1         | 111.4        | 71.1            | 97.4                  |

(continued from first page) allow their dislike of taxes general to influence their decision when it comes time to vote.

### Property Tax Relief

The Tax Commissioner's economists also have attempted to explain how the retail sales and income taxes provide property tax relief. They show this relief at approximately \$95 million. This figure is composed of the following items:

|  |      |         |
|--|------|---------|
| Elimination of the state property tax levy                   | \$56 | million |
| Repeal of local taxes  | 10   | "       |
| Amounts returned to local governments for support of schools | 25   | "       |
| Provided for support of Omaha University and Junior Colleges | 4.4  | "       |

"Local taxes" in the above analysis apparently refers to the tax on intangibles, the tax on household goods and other nonproductive personal property, and the head tax.

Many taxpayers appear to be unaware of the magnitude of the property tax relief accruing to them. This is explained, perhaps, by the confusion created by court rulings with respect to adjustments in assessments ordered by the State Board of Equalization and by the fact that sufficient time has not yet elapsed for local property tax billings to reflect such relief. Until the situation stabilizes, it will be difficult to convince many taxpayers that the broadened tax base is indeed providing any property tax relief at all. It may be that the ultimate result of the existing broadened tax base will be to permit local officials to provide needed improvements in local schools, streets, and other services without an increase in property taxes, rather than an actual reduction in such taxes.

### Income Tax Criticisms

Few criticisms of Nebraska's income tax appear to have much substance. Some persons have objected to that feature which authorizes the State Board of Equalization to set the individual income tax rates each year. This feature actually seems to be most commendable, although it might be better if the membership of this board were made up of persons especially qualified to discharge the board's responsibilities. The merit of the existing arrangement is that the board can practice prudence in setting the tax rate--something which the Legislature probably could--or could not do. The rate can be set high enough to provide a margin of safety. This is important because the yields of sales and income taxes are much more sensitive to fluctuations in the economy than is the yield of the property tax. We have come to expect that personal income each year will exceed that of the previous year, but we cannot count on this always being the case. Perhaps not many voters really understand how important it is to provide this margin of safety between the estimated tax yield and budget revenue requirements. Suppose that tax yields fell substantially short of the appropriations in a particular year. What alternative actions would be open to the state government? It could not borrow because the state constitution forbids it. It could discharge large numbers of state employees. But would this not contribute toward a still greater decline in prosperity? It could cut wage and salary rates for state employees. But is this the way to upgrade the quality of public officials? Terms of employment in government cannot deviate much from those in private employment without seriously impairing the ability of government to attract suitable and efficient employees.

Nebraska's income tax has also been criticized because it appears to discriminate against individuals as opposed to corporations. Corporations, of course, are not real persons and there

is nothing inherently bad about treating them differently. What is really important, however, in this case is that it would be impossible to apply the income tax to both corporations and individuals at the same rate.

Corporations in Nebraska (and in most of the states) are taxed upon the basis of net income. Net income is a term that has meaning when applied to businesses such as corporations. It lacks meaning when applied to individuals. Most persons are not engaged in business but are employed by business.

The income of individuals in Nebraska is taxed at a percentage of their respective Federal income tax liabilities, exclusive of the recently enacted surtax. A state can tax an individual upon the basis either of income earned within the taxing state or upon the basis of entire income regardless of where that income is earned--so long as all persons in like circumstances are treated alike. But when it comes to corporations, the situation is far different. The courts have ruled that a particular state may tax only the portion of a corporation's income that is earned in the taxing state. This rule would prevent a state from basing its corporation income tax upon the corporation's Federal income tax liability.

Since individuals and corporations must be taxed by different methods and on different bases, there does not seem to be any compelling reason why the rate of tax needs to be the same, although the Tax Commissioner's Report points out that if the individual's State income tax liability were related to his taxable income rather than to Federal income tax liability, its rate would be approximately the same as the 2% rate levied on corporations.

### Effects of Income Tax Repeal

No one can pretend to know all the effects that might follow from repeal of the state income tax. It should be pointed out, however, that one of these would be to leave the state without any effective tax on corporations chartered in other states but operating in Nebraska. Many taxpayers no doubt would not like such an arrangement.

Second, it appears that the assertion by a spokesman for organized labor that, if the income tax is repealed, petitions will be circulated calling for repeal of the sales tax as well, must be taken seriously and not just as an idle threat or a scare tactic. It appears also that if such an effort were undertaken seriously under such circumstances it would be likely to succeed.

Suppose that this did happen and that we did find ourselves without both the retail sales and income taxes. We are already without the head tax, the intangibles tax, and are by constitutional provision forbidden to re-enact a state property tax. Under these circumstances, since the state is not allowed to spend in excess of the revenues it collects, the Legislature would be forced to restructure drastically the expenditure pattern of state government or to invent some other kind of tax peculiar to Nebraska. Neither of these actions would appear to be compatible with the economic and industrial progress of the state.

Some persons may feel that since the State survived repeal of the 1965 income tax it can survive abandonment of the 1967 income tax as well. This appears to be a dangerous assumption. In the first place, the proposal to broaden the state's tax structure was not a major issue in the elections preceding the 1965 session of the Legislature. During the campaign preceding the 1967 session, on the other hand, many senatorial candidates publicly stated their intention to support a broadened tax base. It is not as though the people were taken by surprise with the adoption of the retail sales and income taxes.

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second place, in 1967 the Legislature adopted a comprehensive program of tax reform, whereas in 1965 it did not. It is reasonable to expect, therefore, that the effects to follow of the state income tax would reflect the comprehensive of the 1967 tax legislation. In order to achieve a comprehensive overhaul of the tax structure, it was necessary to negotiate a number of compromises between groups whose special interests were often in direct conflict. The case of organized labor has already been mentioned; there are many more.

## NEW BUREAU OF BUSINESS RESEARCH PUBLICATIONS

### HISTORY OF NEBRASKA BANKING

History of Nebraska Banking: A Centennial Retrospect by Dr. Arthur Kuhn, Department of Economics, University of Nebraska, published recently by the Bureau of Business Research in Business Research Bulletin No. 72. It was financed in part by funds made available by the Nebraska Bankers Association to the College of Business Administration, designed to stimulate independent research in the field of finance.

Dr. Kuhn's meticulously researched book, which is the first comprehensive study of Nebraska's banking industry undertaken, is an outstanding contribution to the state's centennial history. It is enhanced by more than 20 tables which portray statistically important phases of the development of banking in Nebraska. The book is being distributed to all bankers who cooperated in the study, to college libraries throughout the nation, and to all university and college bureaus of business and economic research. Copies are available to others from the Bureau at a price of \$2.00.

D. S.

### ECONOMIC IMPACT OF IRRIGATED AGRICULTURE

Irrigated agriculture is Nebraska's dominant industry, and with more than 3 million acres of farmland under irrigation, the state has the third in number of irrigated acres, Nebraska was selected by the Bureau of Reclamation for a study of the direct and indirect economic effect of irrigation on the economy of a state. The rapid rate of growth of irrigation in the postwar period, when the fraction of agricultural production supplied by irrigated land in Nebraska increased from 10 to 27 percent between 1947 and 1963, and the future potential for further irrigation were other reasons for studying Nebraska.

The Bureau of Business Research made the study under a contract with the Bureau of Reclamation. Dr. Theodore W. Roesler and Charles Lamphear of the Department of Economics were principal investigators of the project, assisted by M. David Beveridge, Assistant Instructor in the department. Dr. E. S. Wallace, Director of the Bureau of Business Research, was instrumental in planning for the study and served as consultant to it. The study is published as Number 4 in the series of Nebraska Economic and Business Reports.

The analysis was done in the form of an input-output study of the state economy and focused primarily on the year 1963 because the most complete categories of significant information were available for that year than for any other recent year. The researchers made three measurements of economic impact: the current direct, indirect, and stemming-from impacts. Using these measurements it was found that in 1963 for each dollar's worth of net increase in crop production due to irrigation, a total of \$6.86 in business was generated throughout Nebraska. Although the effect of this increased business extended beyond the state, no attempt was made to measure the impact of irrigation beyond the

In conclusion, it appears that for the first time in a hundred years Nebraska has a well balanced tax structure of which its citizens can feel reasonably proud. The adverse effects which might follow abandonment of the income tax are too great to justify the risk. It is not likely that elimination of either the income tax or sales tax would result in a permanent reduction of public spending. The probability is that we would end up ultimately with a state tax structure that would compare unfavorably with that which we now have.

EDWARD B. SCHMIDT

borders of Nebraska.

It was found that for 1963 the net gain (current direct) in crop output over dryland farming conditions had an estimated value of \$121.6 million. To achieve this increase it was necessary to utilize products and services such as fertilizer, seed, labor, and others, all of which involved a current induced-by effect totaling \$157 million. Thus, those who served as direct and indirect suppliers of irrigated crops had increased sales of \$1.29 per \$1 of increased agricultural output. The increase in economic activity required to handle and process the added farm production and associated products and services, known as the stemming-from effect, totaled \$553.7 million in 1963, or \$4.39 per \$1 of increased agricultural output.

The researchers recognized investment impact as another important yardstick in measuring economic impacts, but because of inherent difficulties in analysis of this area no such examination was made in any detail. The report does, however, analyze the estimated volume of transactions generated by the hypothetical transfer of 10,000 acres of dryland to the irrigated sector. An average cost pattern for the capital equipment in 1963 was assumed and the resulting direct investment impact was estimated at \$7,123,000. Expressed on a per acre basis, it was thus found that approximately \$712 of transactions are generated in the economy of the state as the direct investment impact when an acre of dryland is transferred to irrigated, under the assumed conditions.

Copies of the study are being supplied to college and public libraries, Chamber of Commerce offices, newspapers of the state, and to those business firms that supplied data. Individual copies may be procured by others from the Bureau of Business Research at a cost of \$4.00 per copy.

D. S.

### AN INDEX OF NEBRASKA CONSTRUCTION ACTIVITY

As part of the research activities of university bureaus of business and economic research, attempts are made to measure the ebb and flow of economic activity in the various states by means of business indexes or time series applying to various sectors of the economy, including the construction industry which is an important one in most states. Significant as it is, construction activity is difficult to measure and researchers have long sought more effective techniques.

In a study published this month by the Bureau of Business Research, Dr. Theodore W. Roesler, Professor of Economics at the University of Nebraska, and Dr. Keith K. Turner, Assistant Professor of Economics, University of Denver, have made what appears to be a major contribution to the measurement of state construction activity by adapting a Census Bureau method of allocating or spreading contract values over a period of time. The study demonstrates in detail how a monthly index of such activity can be constructed.

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During the past seven years the College of Business Administration undergraduate enrollment has more than doubled. Although final tabulations are not complete, this number will exceed 1900 this fall. Graduate enrollment has followed the same growth pattern. As in any other type of organization, these growth factors demand organizational changes that will have the effect of relieving pressures created by the expanding volume. Hence, in September of this year Departments of Accounting, Finance, Management, and Marketing were established to replace the Department of Business Organization and Management. The Department of Economics and the Bureau of Business Research continue in their same capacities. In addition, the position of Assistant Dean was created. The objective of this reorganization is to divide the administrative duties of the College in order that it will be prepared to meet the service demands of the growing number of students and faculty.

Dr. Miles Tommeraasen has been named as Assistant Dean. Chairmen of the new departments are: Dr. Robert H. Raymond, Accounting; Dr. Keith L. Broman, Finance; Dr. Henry H. Albers, Management; and Dr. Phillip McVey, Marketing. With one exception, each of these men has taught for several years in the College. The exception is Dr. Albers, a distinguished teacher and author, who joined our staff this fall coming from the University of Iowa. Our courses of study, both graduate and undergraduate, remain unchanged. Administrative responsibility for graduate programs in business, however, is vested in the Assistant Dean's office. In carrying the M.B.A., M.A., and Ph.D. degrees, the four business departments function together as an interdepartmental team. The graduate programs in Economics continue to be administered by Dr. Wallace C. Peterson, chairman, Dr. Wallace C. Peterson, and Dr. J. R. Felton. In addition to Dr. Albers, the College is pleased to announce several other staff appointments effective this fall: in the Accounting Department--Dr. Lloyd Seaton, Jr. from the Universities of New Mexico and Arkansas, Associate Professor, and John Harris, from the University of Arkansas, Assistant Professor; in Economics--Dr. Henry Thomassen, from Emory University, Associate Professor, Robert F. Allen, from Michigan State University, Assistant Professor, Peter Sommerhauser, from Northwestern University, and Emil Meurer, from Mankato State, instructors; in Economic Education--William Gillies, who returns to the University from the University of Wisconsin at Milwaukee; in Finance--William Phillips, instructor; and in Marketing--Kari Kizilbash, instructor, both from Nebraska.

C. S. MILLER, DEAN

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Published as Number 3 in the series of Nebraska Economic and Business Reports, the study describes a recent revision of the Nebraska construction index used by the Bureau in preparing data on construction activity in terms of spread contracts for publication in Business in Nebraska. Methods and problems involved in constructing the index are discussed and the new method of reading construction contract values so as to reflect construction activity is developed fully. The authors point out that the method is relatively inexpensive and that the necessary calculations can be programmed easily for a computer.

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## AREA STUDIES NUMBERS TWO AND THREE

The Economy of Ainsworth, Nebraska and The Retail Trade Area of Ainsworth, Nebraska, 1966 have been issued by the Bureau of Business Research as Area Studies Number Two and Number Three. Both are authored by Dr. Edward L. Hauswald, Associate Director of the Bureau. Complementing each other, they draw attention to conditions that contribute in adverse ways to the development of the Ainsworth economy, in general, and of its commercial community, in particular, and to the results of their continuation. In addition, the studies offer suggestions as to the character of the community effort needed to increase the economic development of the area.

Population, employment, nonagricultural and agricultural factors, income, commerce--all these factors are extensively considered in Area Study Number Two. For each, the past and present is quantified and analyzed; the future is evaluated; and an appraisal is made of the implications of the factor for future economic development.

Area Study Number Three provides a basis for an increased understanding of the nature of the retail activity relevant to present and future policies and actions of merchants and community leaders in the city of Ainsworth. Attention is directed particularly to (1) the spatial extent of the retail trade area, both for individual goods and services and for all of them as a group; (2) the shopping habits and attitudes of customers, both actual and potential; (3) certain aspects of the population, employment, and income in the retail sector of the economy that are relevant to the welfare of the business community.

These two studies represent an integral part of the Ainsworth City Plan and were prepared under contract for the Nebraska Department of Economic Development under provisions of the Law of the State of Nebraska. They were financed in part through an urban planning assistance grant from the U. S. Department of Housing and Urban Development, under the provisions of Section 701 of the Housing Act of 1954, as amended.

In addition to their use by the relevant community and state agency, these studies serve as models for others. Copies of the studies may be had on a loan basis and the author welcomes the opportunity to be of assistance in their use, and to confer with community leaders elsewhere who may have need for similar studies.

E. S.