

by Aamodt and Torrie are largely due, no doubt, to differences in technique in making the micro determinations.

In view of the relationships brought out in the table which indicate the probability that micro methods may be successfully employed to find a test weight strictly comparable to standard methods, it seemed desirable to conduct a further and more extensive study of the methods, and to work out by modern statistical techniques a suitable factor to employ in calculat-

ing test weight from micro measurements. An examination of the effect of variations in test weight upon the comparative differences obtained between methods will also be made. This project is now approaching completion and a publication will shortly be made of the results and conclusions obtained.

Literature References

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Tax Delinquency as Related to Local Government Organization and Finance

By MORRIS H. TAYLOR, Assistant Agricultural Economist¹

AN increasing amount of rural land is tax delinquent. In May 1940 7,222,678 acres of rural land were tax delinquent, of which 2,154,773 acres were subject to tax deed. The delinquency is much greater in western North Dakota due to lower rainfall and less productive land than is found throughout the Red River Valley.

There are a number of factors contributing to the tax delinquency of farm land. Among these are the adverse weather conditions and resulting crop failures, tax moratoria, excessive tax levies and the relative low purchasing power of the farmers. The effect of the climate upon crop yields and hence tax delinquency is self evident.

Tax Moratoria

The tax moratoria was instituted under ex-governor Langer's administration as a measure to aid in sustaining private ownership of farms of North Dakota. Undoubtedly many farmers suffering from drought and low income were benefited by the tax moratoria. However, ex-governor Langer pointed out that soon after the tax moratoria had gone into effect that his committee had gathered data to the effect that large corporations and non-resident landlords were collecting rentals and refusing to pay taxes. Likewise, certain resident owners financially able to pay their taxes refused to pay taxes current-

ly due with the view to obtaining legislation to outlaw delinquent taxes.

A rather amusing case was called to the author's attention recently. A land owner took advantage of the tax moratoria and did not pay his taxes for 6 years. It was announced that the moratoria would no longer apply and that interest and penalty would apply after March 1, 1939; and also that counties may proceed to take tax deed to tax delinquent lands. This land owner paid his delinquent taxes on March 1, 1939 amounting to \$1000. About a week later, the Board of County Commissioners extended the moratoria, as was their privilege, and

¹ A cooperative employee of the N. D. Agric. Exp. Sta. and Bureau of Agric. Economics. U.S.D.A.

this land owner immediately took his case to court praying that his tax money be refunded.

The counties of North Dakota postponed enforcement of tax deed action upon land subject to tax deed until 1938 and in many instances until 1940. As a result many of these lands have been delinquent as long as 12 years.

Property Tax

The property tax is the principal source of revenue for the local governmental units, particularly in western North Dakota. Since tax collections lagged and governmental costs (particularly that of welfare and relief) were increasing, these governing units found it increasingly difficult to meet their current expenditures. Consequently, these local governing units, counties, townships and school districts, used an increasing amount of debt service instruments. They floated bond issues, sold certificates of indebtedness and registered warrants to obtain revenue. Obviously, the indebtedness of these local governing units increased tremendously.

These local governing units also increased their tax rates to the maximum permitted by law in an effort to obtain increased revenue from the property tax. That these increased levies did not correspond to the productive value of the farm land or were excessive is evidenced by their continued delinquency. In other words, assessments are wrong.

Assessments

The assessed valuation of much rural land is a fictitious thing. Few governing units have ever made an attempt to make assessed valuations and productive valuations of land coincide. One instance of an attempted revaluation of all land in a county has been brought to the author's attention. The county seemed to be justified in its revaluation procedure and this revaluation was approved by the county board of equalization, but incited the following comment from the state board of equalization, "We agree land assessments are too high, and there are thousands of persons who are so debt ridden that they cannot pay their taxes . . . if we cut the assessed valuation to a fair and true amount on what the land can

produce, we will get a valuation far below what the assessment is now, and there will not be sufficient money to operate the government." The effect of the inferred tax policy would be to tax the value out of land.

The 1939 legislature enacted Senate Bill 41 which apparently was intended to give relief to those persons whose land had been overvalued for taxation purposes. This Act provides for a re-valuation of land on which taxes are delinquent, the re-valuation to be based on the income earned. This Act has far reaching potentialities but has only been used to a limited extent in two counties. Even in these counties it is questionable if the Act served the purpose for which it was intended since only persons who have cash to put on the line in petition form can utilize it. The re-valuations possible under this law have reduced taxes due on such properties from 50 to 60 cents on the dollar. This in effect has penalized the persons making prompt payment of taxes on lands of equal value, and has also impaired the contracts previously entered into between other taxpayers and the counties. It is argued by those using the provisions of the bill that 60 cents on the dollar is preferable to complete cancellation of contracts.

The necessity for funds to finance the static local governing units has frozen assessed valuation of farm land as evidenced by the provisions of the above act. This rigidity of assessments for taxation purposes and existing high tax rates with resulting high taxes tend to delay adjustments in land-use which are essential, considering physiological and economic factors, to a proper utilization of the factors of production.

Farm Abandonment and Increasing Farm Tenancy

The density of settlement in the rural areas of North Dakota reached its peak in the early twenties. Since then, there has been an exodus of farmers from the State and as a consequence much land has been abandoned, particularly in the western part of the State.

On the other hand, farm tenancy has been steadily increasing. In 1920, 25 percent of all farms in North Dakota were operated by tenants. This figure increased to 35 percent by 1930 and in 1940, 45 percent of the farms of North Dakota were operated by tenants. Thus farm tenancy increased 20 percent from 1920 to 1940.

Accompanying these trends in tax delinquency, farm population and farm tenancy, farm operating units have been and are being combined. Consequently there is a trend toward development of a more extensive agricultural pattern, particularly in western North Dakota.

Local Government Organization

The structure of local government in North Dakota is patterned after the local governmental units of the more humid mid-western and eastern states. The early settlers adopted this governmental organization to which they were accustomed in their former homes. The density of settlement in western North Dakota, though exceeding the capacity of the land to support the people as previously indicated, has not approached the density of settlement found in the mid-western and eastern states. Nevertheless, the local governmental structure of North Dakota is still geared for a much larger population and has remained rigidly fixed despite changes in population, developments in agriculture, and improved means of transportation and communication.

Finance

In order to ascertain the probability of reducing the cost of governmental functions and services, and hence property taxes, one must first ascertain the proportion of the total property taxes levied by each unit of government. The state levies from 10 to 15 percent of all property taxes, the counties levy from 30 to 35 percent, the school districts from 40 to 50 percent, organized townships from 5 to 8 percent and cities and villages 3 to 10 percent.

It is not likely that the state will be able to reduce the amount of state taxes levied on property. On the other hand, counties find themselves with a number of mandatory

functions which have increased during the depression years in spite of declining revenues. Prior to the present session of the legislature the counties were permitted but little flexibility in the form of county government which they could adopt. Counties had to maintain almost the same number of elected officials regardless of size of the tax base. However, there has been some variance in the salary scale of elected county officials depending upon the total population of each county.

School Districts

As previously mentioned school districts levy the largest amount of property taxes. In North Dakota school district lines coincide rather closely to those of the congressional township. Each district has a board of from 3 to 5 members with a secretary and a treasurer in addition. There are as many as four one-room schools in areas as small as one congressional township with as few as three pupils per school.

Certain fundamental questions arise from point of view of financing these school districts. In the school districts of western North Dakota there are from three to four times as many persons serving on school boards as there are teachers teaching. Is this not too heavy from an administration point of view? While it is granted that there are many cases where it is necessary to provide schools for as few as three pupils, it is doubtful if the frequency with which such cases are found can be economically or socially justified. Transportation costs are frequently high because pupils are not permitted to transcend artificially created school district boundaries.

Townships

In a previous section, it was pointed out that organized township levies accounted for as much as 8 percent of the total levy in the various counties. The organized townships have as a general rule, a small tax base. A large number of these townships cannot levy more than \$500 taxes for all purposes. In summarizing organized townships expenditures, it was found that from 30 to 50 percent of these expenditures go for administration, with roads and bridges and the assess-

ment functions taking the second and third largest amounts. Good reasoning tells us that very little road work can be accomplished on this small amount of money.

There is a very definite trend toward disorganization of townships in western North Dakota and many believe that this trend should be given further impetus. Several counties are now performing the road functions for the townships and are equipped to provide a better service at a lower cost. In one county, after careful study, it was estimated that if townships were disorganized and the schools organized on a county unit basis, it would reduce the necessary tax levies by \$45,000 per year.

Summary

There is an increasing amount of rural land reverting to the counties

of North Dakota through tax deed action. Consequently, there is considerable talk about taxes being too high. Taxes are high only in relation to the ability of individuals to pay taxes or in relation to the services rendered by local governmental units. If the rural people after weighing taxes against this criteria concluded that taxes are still too high, they should ascertain the possibilities for reducing the cost of governmental functions. The reduction will probably have to come through curtailment of the services rendered, or by a reorganization of local government to obtain increased efficiency, or by reducing the number of governing units. The nature of this reorganization or the services (roads, schools, townships, and so forth) which may be curtailed is a question for the people of the respective counties to decide.

North Dakota Farm Prices

By W. L. ETTESVOLD, Assistant Agricultural Economist
North Dakota Agricultural Experiment Station

FARM prices in North Dakota dropped an average of 5 percent from January 15 to February 15. Prices of the 14 major commodities at 84 percent of pre-war were 11 percent below prices a year ago. The major declines in prices occurred in wheat, flax, rye and eggs, with a decrease of 1 cent per bushel for oats, 1 cent per pound for butterfat, and 10 cents per hundredweight for hogs. Sheep and lambs both had small increases during the month. The decline in butterfat and eggs that occurred from January to February was the usual seasonal decline that occurs in these two products. Hog prices had advanced \$1.70 per hundredweight from December

to January so the decline of 10 cents on February 15 was a minor change.

Domestic demand for farm products in general seems to be on the upgrade. This is reflected in the index of farm prices in the United States which were 6 and 5 points above the average for 1940 in January and February, respectively. Continued increase in defense expenditures should tend to hold the demand for farm products at least at the present levels. Prices of products and services farmers buy have risen slightly and are likely to continue to rise although probably not at a greater rate than farm prices.