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Tax Delinquency on Farm Real Estate in Texas



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Delinquent taxes accruing in Texas since 1885 have reached the enormous sum of \$141,783,000. The most alarming aspect of the problem is that more than half of this sum has accumulated during the past two years.

Classified according to "solvent" and "insolvent" about 75 per cent of delinquent taxes are of the solvent class and 25 per cent the insolvent. During the past half century we have collected about 45 per cent of the solvent class and only 8 per cent of the insolvent class—the first instance a very poor record and the latter a deplorable failure.

From a complete survey of tax delinquency on farms, in 120 selected counties, for the period 1928 to 1932 inclusive, it was found that the number of farms permitted to become delinquent annually increased from 33,267 in 1928 to 124,192 in 1932. In all there were 364,238 cases of delinquencies represented in the five-year period. Out of this number of cases subject to sale for taxes, only 932 tax sales were recorded. The risk of losing the farm from a failure to pay the taxes being no greater than this is undoubtedly a cause of the failure to pay.

Ninety counties out of 119 showed "unknown" delinquent acreages ranging from one to forty per cent of the total delinquent acreage in the county. In 12 counties "unknown" delinquent farm properties comprised more than 40 per cent of all farm delinquencies. This reveals an extremely haphazard method of assessment.

The following are given as the more important causes of the tax delinquent situation in Texas: declining agricultural as well as other commodity prices and rising taxes; faulty assessment and collection practices; periodic remission of penalties and interest; the uncertainty of tax titles; the indifference, procrastination, or misfortune of the taxpayer; and finally, the failure of our tax system to include and properly harmonize the two fundamental bases of taxation—benefit and ability.

The situation as revealed in this study suggests the need for certain changes not only in the administrative and legal aspects of taxation, but in the fundamental bases of taxation with a view of a greater equalization of taxes. Among the more important changes recommended are: an active and responsible participation by the State in the assessment and collection of taxes; the keeping of a complete and continuous inventory of taxable property by counties; that collection procedure be made simple, certain, and convenient; that court procedure relative to tax sales be simplified and harmonized with the enforcement of tax laws; that penalties be reasonable and certain and their remission be avoided; and finally, that collectors be appointed on a competitive basis.

CONTENTS

	Page
Introduction	5
Purpose of Study	5
Source of Data and Method of Procedure	5
Amount and Trend of Delinquent Ad Valorem Taxes in the State and Minor Governmental Units	7
Tax Delinquency Classified as to "Solvents" and "Insolvents"	8
Tax Delinquency of Farm Real Estate	9
Farm Tax Sales During the Period Studied	10
Percentage of Farm Acreage Delinquent	11
Tax Delinquency as Related to Type-of-Farming Areas	14
Problem of "Unknown" Properties in Tax Delinquency on Farm Real Estate	17
Some of the More Important Causes of Tax Delinquency	20
Suggestions for Improvement	23

TAX DELINQUENCY ON FARM REAL ESTATE IN TEXAS

L. P. GABBARD

There is outstanding in Texas today delinquent taxes amounting to approximately \$141,783,000. This amount has accrued since 1885, and the serious aspect of it is that tax delinquency has more than doubled since 1931. The increase in tax delinquency of farm real estate has been especially rapid during the past few years. For example, the number of farms becoming delinquent in 120 representative counties in Texas increased from 33,267 in 1928 to 124,192 in 1932, an increase of almost threefold. The acreage delinquent showed an even greater increase; 4,588,000 acres in 1928 and 32,603,000 in 1932, a sixfold increase. The annual amount delinquent on farms in these counties was more than six times greater in 1932 than in 1928.

Perhaps there is no more baffling and perplexing problem in public finance today than that of tax delinquency. We had come to accept a limited amount of delinquency as a normal condition in tax matters, but the widespread and rapid increase of tax delinquency in recent years has become alarming. Its extent in many fiscal units has demoralized government credit. Not only has the tax delinquent situation been tragical for a great many individuals, but it threatens a collapse of the general property tax, and challenges property rights and the institution of private property itself.

Purpose of Study

The menacing challenge confronting us in the delinquent tax situation cannot be ignored. Certain adjustments are inevitable and imperative. The general purpose of this report is to make available statistical data relative to the scope, nature, and trend of tax delinquency in Texas. The major emphasis has been placed on tax delinquency of farm real estate in 120 selected counties. Specifically, the number of farms delinquent, the amount of delinquency, the amount paid, etc. annually and for the period 1928 to 1932, inclusive, are shown. The report is concluded with a brief discussion of the more important causes of tax delinquency in Texas, and with suggestions for the improvement of certain undesirable situations.

Source of Data and Method of Procedure

The data presented showing the general delinquency situation of the State were taken from the State Auditor's Annual Reports, and from the State Comptroller's Annual Reports. The data relating specifically to farm real estate delinquency were secured through a Federal Civil Works Administration project, sponsored cooperatively in Texas by the Bureau of Agricultural Economics and the Texas Agricultural Experiment Station. Grateful acknowledgment is made of the valuable assistance rendered by these Federal agencies, and by the Texas Relief Commission. Special commendation is due 600 men and women who conscientiously helped to super-

wise and compile the data from the county records in the 120 selected counties surveyed. Appreciation is also expressed to the county officials in these counties, particularly, the tax collector, county clerk, and tax assessor, who through their sympathetic cooperation contributed much to the success of the project.

The counties included in the survey are shown in Figure 1. These counties were selected with a view not only of their being representative

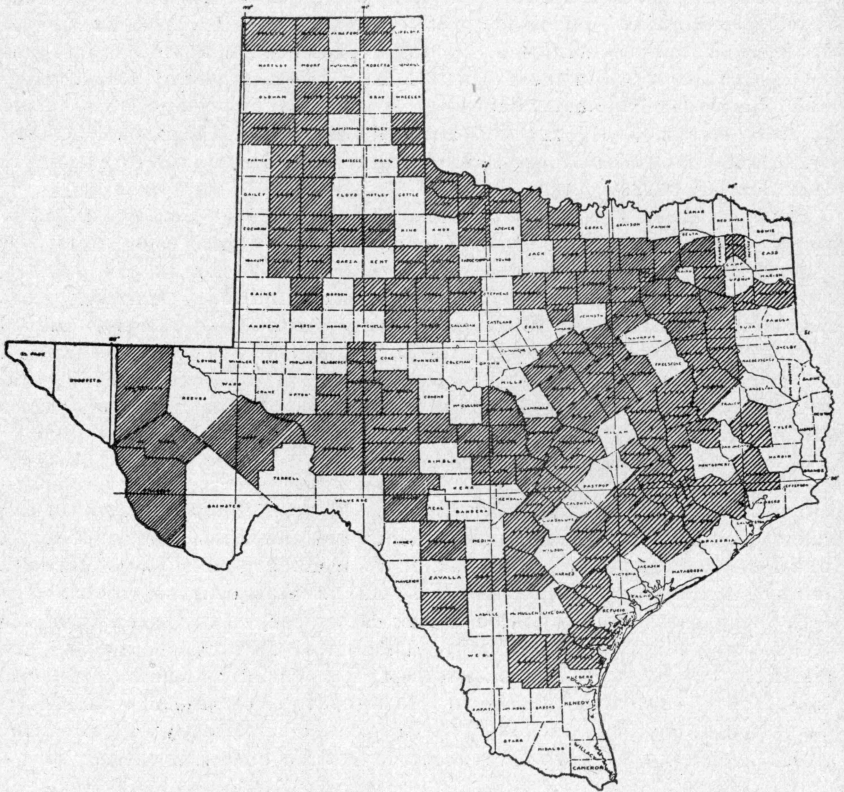


Fig. 1. Shaded portions show the counties in which the survey of tax delinquency of farm real estate was conducted.

of the State as a whole, but also of the several type-of-farming areas in Texas.

The general procedure followed was to make a rather complete record of each farm of three acres and over, that became delinquent each year in the county for the period 1928 to 1932, inclusive. Lands platted for urban development were not included even though used for agricultural purposes. The details of the schedule included such items as: owner's name and address, legal description of property; number of acres

in the farm; assessed valuation of land and buildings; taxes delinquent during the year; and payment of delinquent taxes, etc.

This survey was made during the first four months of 1934. Delinquent taxes for the 1933 levy were not included, since the penalty on such unpaid levies did not apply until February 1, 1934. In this study February 1 has been considered as the date of technical delinquency of unpaid taxes levied for the previous year. It should be noted that the delinquent tax roll (D. T. R.) is made up as of June 30. It does not give a complete list of all taxpayers that become subject to the payment of a penalty on February 1. A record of those becoming delinquent February 1 but paying their taxes before July of that year were secured by referring to redemption certificates.

The collection of the data was supervised by a county project leader, who in most instances was a person familiar with county records and local conditions and situations. Schedules were carefully edited, particularly in the early stages of the survey, so as to insure as high a degree of accuracy as possible within the county and the greatest possible uniformity in the procedure from county to county.

Amount and Trend of Delinquent Ad Valorem Taxes in the State and Minor Governmental Units

A detailed annual report of tax delinquency for the State and local units of government was made possible by House Bill 575 enacted during the regular session of the Forty-Second Legislature. The first report, that for 1931, made an effort to secure a record of outstanding ad valorem tax delinquency which had accrued since 1885 in the State and in all minor subdivisions. The subsequent reports have requested all governmental units to report not only tax delinquency for the last fiscal year, but also for periods prior to last fiscal year. Table 1 shows the results of these reports for the past three years, 1931, 1932, and 1933.

Before commenting on the details of this Table, in fairness to the reader and to the State Auditor's office, I wish to state that only reasonable accuracy is claimed for the figures given. One can readily appreciate the problem of securing even a reasonable degree of accuracy and completeness in a report of this nature when some of the more troublesome difficulties are known. For example, the 1933 report is made up from approximately 9,000 local units of government in Texas. There is no uniform accounting system used by these local units. The State has never taken an active participation and direct responsibility in the assessment and collection of ad valorem taxes, not even in county taxes in which the State and county are jointly financially involved. The multiplicity of governmental units complicates the problem of securing complete and accurate reports.

It will be observed from Table 1 that the total outstanding ad valorem tax delinquency for the State and all minor governmental units up to and including 1933 amounted to \$141,783,000. This is more than double the amount shown for the entire period from 1885 to 1931, inclusive. It should

be noted that slightly more than 80 per cent of the entire amount of outstanding tax delinquencies is owing to the different kinds of local governmental units. The remainder, slightly more than \$26,000,000, is owing to

Table 1. Delinquent taxes outstanding for state and minor governmental units, 1931-1933¹

Governmental unit	1931		1932		1933	
	In thousand dollars	Percentage of total	In thousand dollars	Percentage of total	In thousand dollars	Percentage of total
State	\$25,050 ²	38.3	20,713	17.3	\$27,410	19.3
Total County			31,161	26.04	34,275	24.2
Cities and Town	20,884	31.9	28,252	23.6	32,053	22.6
School Districts:						
Independent	10,118	15.4	19,125	15.9	24,410	17.2
Common	2,426	3.7	4,817	4.02	5,470	3.86
Rural High	5	.0076	249	.20	482	.34
Road Districts	2,407	3.6	5,290	4.4	5,461	3.86
Water Districts:						
Water Control and Improvement	1,978	3.02	2,028	1.69	3,008	2.13
Water Improvement			2,203	1.84	2,096	1.48
Fresh Water Supply	24	.036	43	.035	55	.04
Irrigation	787	1.2	339	.28	55	.04
Navigation	272	.41	760	.63	929	.66
Conservation and Reclamation	30	.045	28	.023	778	.55
Levee Improvement	886	1.3	3,829	3.2	4,364	3.08
Drainage	502	.76	812	.67	937	.66
Totals	65,369	100.00	119,649	100.00	141,783	100.00

Note: Figures for 1931 and 1932 taken from State Auditor's Report for 1931 and 1932 respectively. Figures for 1933 compiled from unpublished reports in the State Auditor's office. All items have been reduced to the nearest thousand.

¹Each year includes delinquency accumulating since 1885.

²This amount includes both State and County Taxes.

the State. By far the larger amount of delinquency in the local units is found in the county, cities, and towns, independent and common school districts, and road districts. The other local units are of a specialized nature and are peculiar to restricted local areas.

Tax Delinquency Classified as to "Solvents" and "Insolvents"¹

In the vernacular of the tax office the terms "solvent" and "insolvent" have real significance as related to the collection of taxes. For example, if one owes taxes on both personal property and real estate, and owes

¹The Texas Tax Problem, ch. XII, pp. 170-174, Armistead.

poll taxes, the taxes constitute a lien upon the real property which may be sold to satisfy the entire tax bill. A taxpayer under such circumstances is classed as "solvent". If, however, one owes taxes only on personal property and owes poll taxes, in practice, he may pay the taxes or not as he likes. Such a taxpayer is classed as "insolvent". The general procedure at the end of each county tax collector's fiscal year is for the collector to list all uncollected taxes against insolvents, make an affidavit that he cannot find such personal property, and send the list along with the affidavit to the State Comptroller, whereupon the county collector is relieved of further responsibility of collecting such taxes. Under such conditions one would naturally expect a high percentage of delinquency of such taxes and a low percentage of collection after their having become delinquent. A brief analysis of accrued state and county delinquency for the period 1885-1933 is presented in this connection.

Table 2 shows a summary of delinquent ad valorem and poll taxes owing the State and counties from 1885 to 1932, inclusive, classified as to "solvents" and "insolvents". Of the \$90,306 delinquency accruing during the period, 74.4 per cent was of the "solvent" class, and 25.6 per cent of the "insolvent" class. As to collections it is to be observed that 35.7

Table 2. Summary of delinquent ad valorem and poll taxes owing the state and counties from 1885 to 1932 inclusive, showing accruals and total collections of delinquent taxes when secured by real property, and when secured by personal property¹

Items	Total		Solvents		Insolvents	
	Amount	Per-centage	Amount	Per-centage	Amount	Per-centage
Accruals of Delinquencies 1885 to 1932, Inclusive	\$90,323,306	100.00	\$67,233,788	100.00	\$23,089,518	100.00
Collections of Delinquencies not Including Penalties and Interest	32,227,842	35.7	30,299,707	45.1	1,928,135	8.4
Amount of Delinquencies not yet Collected	58,095,464	64.3	36,934,081	54.9	21,161,383	91.6

¹Compiled from State Comptroller's Annual Reports.

per cent of all delinquency was collected during the period, 45.1 per cent of the "solvent" class, and 8.4 per cent of the "insolvent" class. Thus it is seen that we have not collected one-half of the delinquent taxes supported by a lien on real estate, and a negligible part of delinquent taxes on personal property only. This suggests the need for a more vigorous and strict enforcement of tax laws. In the case of personal property there is need for a more direct and certain method of collection. For example, why not collect the property tax on automobiles at the time the license is issued?

Tax Delinquency of Farm Real Estate

In the foregoing discussion an effort has been made to review briefly the general tax delinquent situation for the State. Attention has been called to the enormous amount of tax delinquency which has accrued in the State

and minor subdivisions on all property for all purposes since 1885. The fact that this delinquency has doubled since 1931 has been stressed and the significance of "solvents" and "insolvents" relative to tax delinquency has been emphasized. From this point the discussion will deal more particularly with tax delinquency of farm real estate in 120 selected counties in the State for the period 1928 to 1932, inclusive.

Table 3 gives a general summary of farm tax delinquency in 120 selected counties for the five-year period 1928 to 1932. From the figures in this

Table 3. Number of farms delinquent, annual acreage and amount delinquent, payments of delinquent taxes, and number and acreage of farm properties sold for taxes, in 120 selected counties in Texas, 1928-32

Year	Number of farms delinquent	Acreage delinquent (in thousand acres)	Annual amount delinquent (in thousand dollars) ¹	Payments on accumulated delinquent taxes (in thousand Dollars)	Number of sales of property for taxes	Acreage of farm land sold for taxes (acres)
1928	33,267	4,588	1,154	419	180	10,091
1929	41,015	9,306	1,535	544	193	22,872
1930	70,688	13,992	3,441	1,218	338	22,187
1931	95,076	22,196	5,106	1,519	176	11,666
1932	124,192	32,603	7,342	1,475	45	4,609
Total	364,238 ²	82,685	18,578	5,175	932	71,425

¹Taxes delinquent which were levied in given year; e. g., \$1,154,000 represents the amount of 1928 taxes which became delinquent.

²Does not represent the number of separate farms; some farms were delinquent the full period and in the total are counted as five cases of delinquency.

table it will be seen that the number of farms permitted to become delinquent annually increased from 33,267 in 1928 to 124,192 in 1932. The acreage delinquent increased from 4,588,000 in 1928 to 32,603,000 in 1932. The amount delinquent increased from \$1,154,000 in 1928 to \$7,342,000 in 1932. Payments of delinquent taxes increased from \$419,000 in 1928 to \$1,475,000 in 1932. Relative to the amount delinquent each year there was a decided decline in the amount paid.

Farm Tax Sales During the Period Studied

It will be observed from Table 3 that only 932 farm tax sales were recorded for the five-year period in the 120 counties studied. Many of these are accounted for because of some special situation. In one case an irrigation project was developed, grazing lands were cut up into small tracts and sold, in many cases to non-resident owners. In a relatively short time it was found that the land was salting and becoming unproductive. The project failed, soon the taxes on the land became delinquent, and recently much of it has been sold for taxes. Another instance is that of a tract of grazing land that was cut into 10-acre tracts and sold to buyers scattered widely over the United States with the view of settling a colony.

The land was sold and the colony was never developed, but in the course of a few years the greater number of the tracts were tax delinquent. As the story came to me, the county employed an attorney to sell these tracts for taxes. In both instances the majority of owners were non-resident and the tax sales are explained by a special situation. Both the State and County have been very lenient in administering tax laws relative to tax delinquency. In fact, the State has taken no steps toward enforcing tax laws, and the counties have been extremely lax. In the past it has been a common practice to file suit in the case of delinquency, but not to prosecute the sale. The idea seems to be that eventually much of the delinquency will be paid and fees will be collected on the suits filed without the expense of carrying the case through the courts. The exacting attitude of the court undoubtedly has discouraged tax sales in that a failure to comply with the technical requirements of the law, or an error made in the procedure from the beginning of the assessment through to the close of the sale will invalidate the tax title. Thus with a lax and lenient enforcement of assessment and collection laws, and with an exacting, technical interpretation of these laws by the courts, the relatively few sales are not to be wondered at.

Percentage of Farm Acreage Delinquent

Table 4 shows the percentage of farm acreage by counties in 120 selected counties of the State becoming delinquent annually during the five-year period 1928 to 1932. An examination of this table reveals

Table 4. Percentage of farm acreage in each of 120 selected counties of Texas allowed to become delinquent annually, 1928 to 1932

County	Percentage delinquent acreage is of assessed acreage				
	1932	1931	1930	1929	1928
Anderson	43	38	24	21	15
Atascosa	50	40	29	19	14
Austin	21	13	7	4	3
Baylor	25	28	20	6	3
Bee	34	32	19	8	6
Bell	41	34	27	12	11
Bexar	32	22	18	8	5
Blanco	29	25	21	9	-
Bosque	39	30	20	8	9
Brazos	48	35	24	12	8
Burleson	44	35	18	16	4
Burnet	37	26	13	3	1
Carson	24	11	1	-	1
Castro	58	44	19	3	1
Cherokee	49	38	26	11	13
Childress	70	51	20	4	1
Clay	30	23	6	2	3
Collin	31	16	7	3	8
Collingsworth	43	38	25	4	2
Colorado	25	12	6	3	2
Comal	14	8	2	1	-
Coryell	26	23	18	4	4
Crockett	16	16	7	1	3

Table 4. Percentage of farm acreage in each of 120 selected counties of Texas allowed to become delinquent annually, 1928 to 1932—Continued

County	Percentage delinquent acreage is of assessed acreage				
	1932	1931	1930	1929	1928
Crosby	36	25	13	4	5
Culberson	28	25	17	9	5
Dallam	41	22	10	3	2
Dallas	39	28	22	8	10
Dawson	22	34	24	8	8
Deaf Smith	57	36	26	4	4
Denton	25	11	5	11	6
De Witt	35	23	8	5	4
Dickens	34	26	33	10	5
Dimmit	51	29	32	11	9
Duval	29	25	15	14	6
Edwards	37	21	9	2	2
Ellis	37	31	28	6	6
Falls	10	7	5	2	1
Fayette	20	16	10	8	4
Fisher	52	35	21	10	2
Foard	39	44	32	6	5
Fort Bend	26	20	17	14	13
Frio	42	24	13	4	1
Gillespie	9	6	4	1	-
Goliad	19	10	13	3	5
Gonzales	34	17	12	3	3
Gregg	16	13	10	28	20
Grimes	50	45	41	26	22
Hale	55	50	26	7	4
Hamilton	36	35	16	3	2
Hardeman	49	37	68	6	6
Harrison	38	31	25	12	11
Haskell	30	18	17	5	1
Hays	44	36	27	12	6
Henderson	40	35	30	16	16
Hill	19	18	16	4	5
Hockley	52	41	28	9	9
Hood	50	39	28	12	10
Hopkins	38	24	8	1	—
Houston	37	38	32	11	22
Hunt	34	18	9	2	1
Irion	4	2	1	—	—
Jeff Davis	25	12	7	5	3
Jones	44	43	32	9	7
Kaufman	49	40	43	16	13
Lamb	35	29	21	6	7
Lavaca	27	19	8	5	4
Leon	86	79	35	16	13
Liberty	29	17	14	13	14
Limestone	39	29	19	7	6
Llano	21	8	2	—	—
Lubbock	34	20	10	8	3
Lynn	43	37	16	9	3
McLennan	37	30	19	6	7
Madison	48	42	26	9	5
Mason	16	15	8	2	—
Medina	26	17	10	5	2
Menard	33	36	7	1	—

Table 4. Percentage of farm acreage in each of 120 selected counties of Texas allowed to become delinquent annually, 1928 to 1932—Continued

County	Percentage delinquent acreage is of assessed acreage				
	1932	1931	1930	1929	1928
Montague	36	25	25	12	9
Nolan	37	73	32	4	3
Nueces	51	38	14	9	3
Ochiltree	42	20	4	—	—
Palo Pinto	22	19	14	5	3
Parker	33	29	22	11	11
Pecos	43	28	10	4	5
Polk	40	37	33	14	11
Potter	8	5	3	1	—
Presidio	36	41	12	4	4
Randall	50	30	27	15	16
Reagan	13	9	4	4	5
Robertson	49	40	36	21	15
Rockwall	55	35	23	11	2
San Patricio	48	29	15	7	4
San Saba	46	35	32	6	4
Schleicher	23	21	14	1	1
Scurry	39	41	26	6	1
Shackelford	18	16	17	3	1
Sherman	46	26	14	3	1
Smith	42	30	20	24	11
Sterling	8	2	4	—	—
Stonewall	61	58	24	10	4
Sutton	27	23	15	—	—
Swisher	52	22	11	2	1
Tarrant	37	28	18	10	11
Taylor	40	45	35	8	5
Terry	46	36	18	5	9
Titus	57	52	54	25	24
Tom Green	19	13	12	2	1
Travis	39	29	19	14	12
Uvalde	44	36	23	4	2
Van Zandt	31	27	22	11	11
Walker	42	28	24	11	9
Waller	37	31	26	17	15
Washington	27	18	10	5	3
Wharton	17	11	4	4	4
Wichita	39	29	21	11	10
Wilbarger	55	20	13	3	2
Williamson	32	20	9	2	1
Wise	38	33	25	8	8
Wood	48	40	33	21	17
Jim Wells	61	56	11	3	9
Average	41	28	18	12	6

wide variations in the percentage of acreage becoming delinquent from county to county, and wide differences from year to year in the same county. With two exceptions the acreage becoming delinquent in 1932 was considerably higher than that in 1928. For the State the percentages were 41, 28, 18, 12, and 6 respectively for the years 1932, 1931, 1930, 1929, and 1928.

Tax Delinquency as Related to Type-of-Farming Areas

In studying the situation of tax delinquency on farm real estate in Texas, it should be helpful to analyze the data on an area or regional basis.

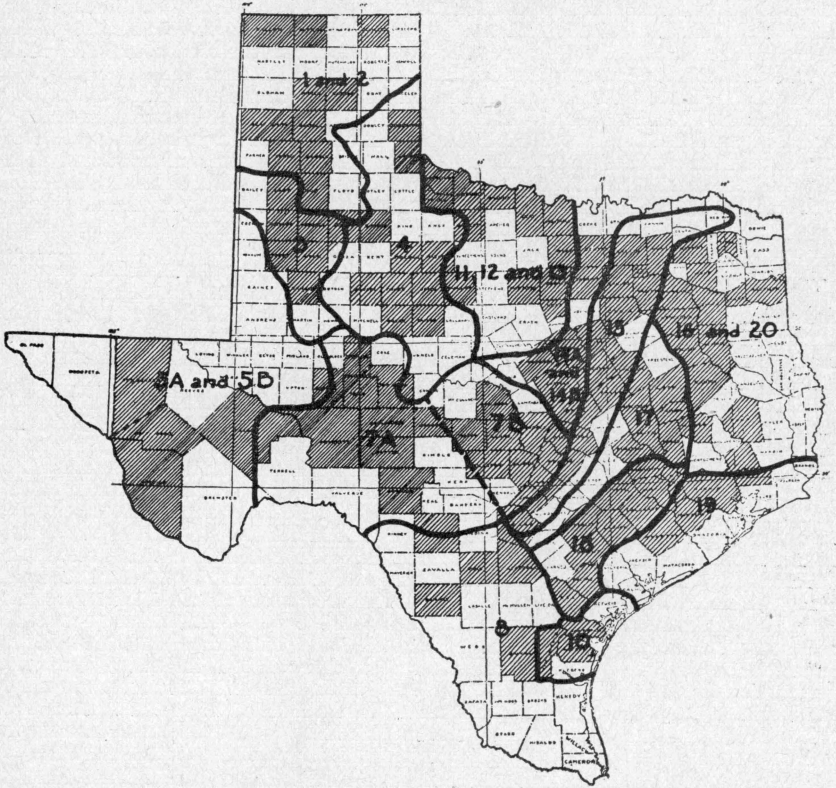


Fig. 2. The heavy lines outline the several different type-of-farming areas of the State. The shaded counties are those included in the survey. The names of the areas with corresponding numbers are as follows: Panhandle Wheat and Canadian River Grazing Areas (1) (2), High Plains Cotton Area (3), Low Rolling Plains (4), High Plains Grazing Area (5A) & (5B), Edwards Plateau Grazing Area (7B), Rio Grande Plain (8), Corpus Christi Cotton Area (10), Upper Red River Valley (11), North-Central Grazing Area (12), West Cross Timber Farming Area (13), Grand Prairie (14A) & (14B), Black Prairie (15), Piney Woods Farming and Lumbering Areas (16) & (20), Post Oak Strip (17), Upper Coast Prairie (18), Coast Prairie (19).

In Bulletin No. 427 of the Texas Agricultural Experiment Station the State has been divided into type-of-farming areas. These divisions are based largely on similarities of soil, climate, topography, and the type of farming followed. Farm tax delinquency data have been summarized according to these areas or a combination of the areas. Figure 2 shows the location and extent of type-of-farming areas.

Table 5 shows, for the five-year period 1928 to 1932, the total farm acreage assessed, the total acreage delinquent, and the percentage of the

assessed acreage delinquent, by type-of-farming areas. The lowest percentage of delinquent acreage was 12.5 in the Edwards Plateau Grazing Area (7A), and the highest for the period was 34.1 per cent in the

Table 5. Total farm acreage assessed for taxes and delinquent, by type-of-farming areas, 1928-1932, inclusive

Name and number of area ¹	Total acreage assessed ² (in thousand acres)	Total acreage delinquent (in thousand acres)	Percentage assessed acreage delinquent
Panhandle Wheat and Canadian River Grazing Areas—1-2	32,861	6,110	18.6
High Plains Cotton Area—3	20,340	4,294	21.1
Low Rolling Plains—4	28,369	7,004	24.7
High Plains Grazing Area—5A and B	31,321	5,126	16.4
Edwards Plateau Grazing Area—7A	59,247	7,397	12.5
Edwards Plateau Grazing Area—7B	22,487	2,951	13.1
Rio Grande Plain—8	24,958	5,233	21.0
Corpus Christi Cotton Area—10	4,732	1,117	23.6
Upper Red River Valley—11			
North-Central Grazing Area—12			
West Cross Timber Farming Area—13	31,930	6,010	18.8
Grand Prairie—14A and B	14,587	2,651	18.1
Black Prairie—15	40,605	7,605	18.7
Piney Woods Farming and Lumbering Areas—16 and 20	36,558	11,589	31.7
Post Oak Strip—17	14,233	4,839	34.1
Upper Coast Prairie—18	26,314	3,620	13.7
Coast Prairie—19	10,351	1,512	14.6
Totals	398,893	77,058	19.3

¹For location of the areas see Figure 2.

²Acreage assessed from Annual Reports of the Comptroller of Public Accounts of Texas.

Post Oak Strip (17). The average acreage delinquency for the period for all areas was 19.3 per cent.

Table 6 shows the amount of general tax delinquency, State and County, as accumulated from year to year beginning 1928 and ending with 1932, by type-of-farming areas. It also shows the payments and their percentage of the outstanding cumulated delinquency. It is to be noted that a marked increase in cumulated delinquency characterizes all areas. The amount paid on the cumulated delinquency from year to year increased absolutely but in many cases declined relatively. The effect of low prices and poor crops undoubtedly explains much of the relatively low payments in the wheat area of the Panhandle. Low prices, particularly of cotton, evidently explains the relatively low payments for the year 1931.

Table 6. General taxes delinquent from February 1, 1928 to end of year stated and amount of accumulated delinquent taxes paid, by type-of-farming areas, 1928-32

Area	1929			1930			1931			1932			1933		
	Amount delinquent	Amount paid	Payments as percentage of amount delinquent	Cumulated amount delinquent	Amount paid	Payments as percentage of amount delinquent	Cumulated amount delinquent	Amount paid	Payments as percentage of amount delinquent	Cumulated amount delinquent	Amount paid	Payments as percentage of amount delinquent	Cumulated amount delinquent	Amount paid	Payments as percentage of amount delinquent
1 & 2	20,722	7,804	37.7	257,820	9,736	3.8	999,958	37,040	3.7	943,323	63,594	3.3	3,243,493	115,242	3.6
3	29,649	10,321	34.8	57,431	12,743	22.2	141,212	13,951	9.9	292,996	50,106	17.1	424,080	87,143	20.5
4	37,353	13,990	37.4	105,397	17,608	16.7	394,761	51,390	13.0	793,789	210,633	26.5	1,000,631	293,948	29.4
5A & B	7,993	873	10.9	20,575	3,294	16.0	41,486	2,927	7.0	85,032	12,737	15.0	121,542	16,626	13.7
7A	12,951	5,540	42.8	23,970	8,831	36.8	91,007	18,188	20.0	227,296	57,403	25.2	342,426	104,076	30.4
7B	12,611	4,949	39.2	41,576	5,810	14.0	127,631	26,470	20.7	228,664	76,310	33.4	294,428	77,948	26.5
8	74,867	21,542	28.8	167,420	39,245	23.4	320,000	33,131	10.3	577,032	80,025	13.9	779,102	82,949	10.6
10	13,866	66	0.5	56,735	19,237	33.9	65,478	6,284	9.6	281,664	24,967	8.9	515,112	108,618	21.1
11-12-13	78,181	18,344	23.5	163,394	26,962	16.5	527,070	59,156	11.2	1,073,877	196,881	18.3	1,259,081	198,779	15.8
14A & B	100,350	16,034	16.0	164,700	31,132	18.9	273,978	32,606	11.9	449,860	54,260	12.1	655,632	102,308	15.6
15	202,071	46,739	23.1	404,336	72,999	18.0	991,537	136,955	13.8	1,742,673	372,193	21.4	2,539,419	469,927	18.2
16 & 20	240,840	25,107	10.4	494,260	55,686	11.3	952,809	66,226	7.0	1,475,830	140,462	9.5	4,008,742	177,313	4.4
17	67,673	14,456	21.4	158,882	24,793	15.6	329,930	38,290	11.6	538,437	79,490	14.8	697,752	79,783	11.4
18	45,278	8,260	18.2	127,992	21,505	16.8	220,197	25,092	11.4	389,414	75,814	19.5	568,515	134,719	23.7
19	59,283	25,783	43.5	105,906	34,265	32.4	143,905	20,487	14.2	240,905	32,061	13.3	317,837	42,755	13.5
Total	1,003,694	219,802	21.9	2,350,394	383,846	16.3	5,620,959	568,193	10.1	10,340,792	1,526,936	14.8	16,767,974	2,092,134	12.5

Problem of "Unknown" Properties in Tax Delinquency on Farm Real Estate

Ninety counties out of 119 carried "unknown" lists of delinquent farm properties. Of the 72,841,242 acres that became delinquent during the period, 7,037,333 acres, or 10 per cent, was assessed as "unknown".

"Unknown" assessments result largely from either a lack of an adequate inventory, or from no inventory at all of real property. In a great many counties the practice is common for the assessor to summarize the acres rendered in a given survey, and, if the total is short of the acreage originally granted to the county, to assess the unrendered acreage on the "unknown" roll. If a taxpayer appears at the collector's office and desires to pay the taxes on a given acreage in a certain survey for which there is no specific assessment he is permitted to do so and the "unknown" acreage is credited by the amount of his payment. Another source of discrepancy results in the case of Spanish grants which have subsequently been partially covered by junior grants and the total guaranteed acreage of all grants is carried on the assessor's rolls. Apparently no adjustment has ever been made by the assessor's office for some of these junior grants. The recent survey revealed cases in which such acreages as 8,500, 5,700, and 4,400 were assessed as unknown in certain surveys and entered on the delinquent rolls.

A number of counties have been able to eliminate entirely or to reduce materially the "unknown" list by what is commonly referred to as a map and plat system. This is a system by which each separate tract is located and mapped by survey and identified as to abstract number and owner. Such a system is very useful provided it is kept up to date. A few counties after having gone to the expense of installing this system have employed someone to record current transactions. El Paso County seemed to be doing a good job at the time the survey was made. Without further discussion of the general aspects of the "unknown", statistics are presented which should help one to visualize more objectively its extent and scope.

Table 7 summarizes by counties, for the period 1928 to 1932, "unknown" delinquency relative both to the total number of farms becoming delinquent during the period, and to the total acreage involved.

Of the 119 counties included in Table 7, ninety had "unknown" delinquent acreages ranging from one to forty per cent of the total delinquent acreage. Twenty-nine counties had no records of "unknown" delinquencies according to the survey. In sixty counties the number of "unknown" delinquent properties ranged from a small fraction of one per cent to twenty per cent; in eighteen counties the range was from twenty to forty per cent, and in twelve counties the number of delinquent properties was forty per cent and over. This situation has real significance in the fact that of the total amount of "unknown" delinquent taxes during the five-year period only 13.2 per cent was collected, while 29 per cent of the total known tax delinquency was paid. Of 175,276 farm properties that became delinquent during the five-year period, 19,281, or 11

Table 7. Summary, by counties, for the period 1928 to 1932, of "unknown" delinquency relative to number of farms and acreage involved

County	Number of farms becoming delinquent			Acreage becoming delinquent		
	Total	Unknown	Percentage of total	Total	Unknown	Percentage of total
Anderson	4,178	1,309	31	1,008,190	237,351	24
Atascosa	2,119	658	31	1,162,499	394,534	34
Austin	995	26	3	197,831	1,554	1
Baylor	671	125	19	469,595	25,576	5
Bee	1,642	2	—	545,112	30	—
Bell	2,556	445	17	884,725	214,003	24
Bexar	2,206	77	3	632,915	29,009	5
Blanco	394	39	10	377,799	6,386	2
Bosque	1,085	35	3	647,079	14,966	2
Brazos	1,192	—	—	460,384	—	—
Burleson	2,384	—	—	505,919	—	—
Burnet	640	—	—	515,114	—	—
Carson	216	—	—	211,566	—	—
Castro	1,435	369	26	717,410	162,367	23
Cherokee	4,074	403	10	993,112	126,785	13
Childress	780	60	8	636,893	10,417	2
Clay	1,195	108	9	444,336	10,935	2
Collin	2,999	—	—	367,787	—	—
Collingsworth	1,335	—	—	648,649	—	—
Colorado	1,108	—	—	290,061	—	—
Comal	208	—	—	90,904	—	—
Coryell	1,386	294	21	505,431	48,665	10
Crockett	128	70	55	599,227	92,935	16
Crosby	708	—	—	478,359	—	—
Dallam	909	153	17	754,280	89,982	12
Dallas	5,289	—	—	565,005	—	—
Dawson	1,877	557	30	560,299	223,700	40
Deaf Smith	1,097	10	1	1,206,953	2,353	—
Denton	2,164	307	14	543,840	72,785	13
DeWitt	1,183	—	—	417,734	—	—
Dickens	1,084	276	25	645,568	88,205	14
Dimmit	3,274	1,500	46	1,205,670	115,261	10
Duval	2,282	17	1	1,013,904	6,106	1
Edwards	1,244	50	4	924,883	22,931	2
Ellis	4,553	166	4	645,157	42,819	7
Falls	1,607	—	—	132,606	—	—
Fayette	1,287	—	—	347,309	—	—
Fisher	1,250	104	8	695,526	21,515	3
Foard	582	130	22	610,473	96,447	16
Fort Bend	1,259	144	11	490,466	41,073	8
Frio	1,403	71	5	604,708	26,712	4
Gillespie	269	7	3	128,063	1,065	1
Goliad	457	—	—	267,831	—	—
Gonzales	1,231	164	13	452,300	75,211	17
Gregg	1,109	—	—	174,110	—	—
Grimes	2,242	261	12	930,481	136,105	15
Hale	1,435	5	—	891,199	669	—
Hamilton	1,048	1	—	480,679	30	—
Hardeman	1,141	57	5	583,428	15,725	3
Harrison	3,173	360	11	655,887	64,103	10
Haskell	802	43	5	413,846	8,972	2

Table 7. Summary, by counties, for the period 1928 to 1932, of "unknown" delinquency relative to number of farms and acreage involved—Continued

County	Number of farms becoming delinquent			Acreage becoming delinquent		
	Total	Unknown	Percentage of total	Total	Unknown	Percentage of total
Hays	838	6	1	519,658	5,441	1
Henderson	3,140	735	23	1,009,856	351,272	35
Hill	2,888	445	15	388,623	127,256	33
Hockley	1,465	314	21	803,807	237,776	30
Hood	886	154	17	377,617	44,577	12
Hopkins	1,915	215	11	374,580	25,782	7
Houston	3,013	603	20	1,081,805	219,766	20
Hunt	3,242	—	—	346,716	—	—
Irion	161	—	—	60,156	—	—
Jeff Davis	131	—	—	760,422	—	—
Jones	2,024	470	23	802,217	158,750	20
Kaufman	2,390	7	—	817,804	1,157	—
Lamb	2,053	—	—	620,148	—	—
Lavaca	1,303	55	4	381,213	27,357	7
Leon	2,290	584	26	1,618,544	395,963	24
Liberty	1,196	—	—	736,776	—	—
Limestone	1,834	242	13	604,850	129,844	21
Llano	231	35	15	213,608	9,651	5
Lubbock	1,711	706	41	456,255	125,075	27
Lynn	1,274	103	8	600,114	38,881	6
McLennan	2,126	10	—	630,573	6,773	1
Madison	1,104	85	8	394,501	24,036	6
Mason	319	28	9	228,060	3,022	1
Medina	785	13	2	491,694	3,673	1
Menard	204	—	—	423,766	—	—
Montague	2,178	46	2	609,340	6,746	1
Nolan	743	19	3	851,564	3,061	—
Nueces	1,893	14	1	587,017	681	—
Ochiltree	394	—	—	392,529	—	—
Palo Pinto	1,201	434	36	383,470	49,682	13
Parker	2,340	1,236	53	634,056	229,973	36
Pecos	1,032	54	5	2,535,885	22,400	1
Polk	2,040	403	20	1,048,273	232,600	22
Potter	222	1	—	98,400	—	—
Presidio	442	78	18	2,387,343	741,245	31
Randall	699	—	—	795,897	—	—
Reagan	132	30	23	156,053	12,750	8
Robertson	2,002	129	6	919,741	91,192	10
Rockwall	902	49	5	119,195	4,666	4
San Patricio	1,732	33	2	458,038	8,978	2
San Saba	988	1	—	877,284	11,160	1
Schleicher	144	3	2	457,638	1,344	—
Scurry	1,069	77	7	645,712	19,202	3
Shackelford	423	—	—	317,476	—	—
Sherman	480	—	—	532,464	—	—
Smith	4,129	447	11	765,232	69,960	9
Sterling	133	—	—	76,654	—	—
Stonewall	844	208	25	908,661	116,517	13
Sutton	100	1	1	611,250	392	—
Swisher	635	19	3	508,905	11,544	2
Tarrant	4,263	207	5	546,849	15,066	3

Table 7. Summary, by counties, for the period 1928 to 1932, of "unknown" delinquency relative to number of farms and acreage involved—Continued

County	Number of farms becoming delinquent			Acreage becoming delinquent		
	Total	Unknown	Percentage of total	Total	Unknown	Percentage of total
Taylor	1,497	25	2	760,861	2,733	—
Terry	924	85	9	639,847	28,412	4
Titus	1,706	247	14	578,961	52,968	9
Tom Green	777	176	23	455,466	38,566	8
Travis	1,749	322	18	716,391	186,946	26
Uvalde	681	46	7	1,096,188	17,775	2
Van Zandt	2,306	557	24	642,853	147,468	23
Walker	1,764	301	17	647,666	120,919	19
Waller	1,370	156	11	417,059	98,813	24
Washington	1,036	—	—	247,138	—	—
Wharton	1,416	—	—	288,774	—	—
Wichita	572	358	63	419,334	122,849	30
Wilbarger	1,136	50	4	657,464	19,311	3
Williamson	1,410	81	6	457,936	42,127	9
Wise	2,087	151	7	656,855	40,146	6
Wood	2,804	—	—	698,487	—	—
Jim Wells	1,473	24	2	763,631	5,807	1
Total	175,276	19,281	11	72,841,242	7,037,333	10

per cent, were classified as "unknown". Ten per cent of the total delinquent acreage was "unknown". It seems absurd for a county to go to the expense of assessing "unknown" property, and later spreading much of the assessment on the delinquent roll, when the chances of collecting are so meager.

Some of the More Important Causes of Tax Delinquency

No effort will be made to treat the causes of tax delinquency exhaustively. Only the more apparent causes, and particularly those more specifically related to the situation in Texas will be discussed. The personal or human aspect is inherently a part of all social and economic problems. Taxes often become delinquent because of the indifference, procrastination, or misfortune of the taxpayer. An unfavorable economic situation with low prices and vanishing incomes such as we have experienced during the past four years render it difficult to pay taxes; consequently those who habitually live on, or near, the subsistence level will become delinquent in their tax payments. From the legal point of view it is felt that the fault is not so much with the law, but with the failure to enforce it. Lax and lenient administration of the tax laws together with an exacting and technical interpretation of the legal requirements in case of tax titles has undoubtedly encouraged tax delinquency. A deep and somewhat remote cause of tax delinquency is the failure of our tax system to include and properly harmonize the two

fundamental bases of taxation—benefit and ability to pay. Let us examine somewhat more in detail the more important of these causes.

Declining agricultural prices and rising taxes have made it more and more difficult for farmers to pay taxes. This situation from year to year during the past two decades is fairly clearly revealed in Table 8, which shows the relative trends of taxes and prices paid for farm products. On

Table 8. Index numbers of farm real estate, farm prices in Texas, and trend of farm taxes relative to farm prices

Year	Index numbers		Ratio of tax index of farm real estate to index of prices received for farm products
	Farm real estate taxes in Texas	Prices paid producers farm products in Texas ¹	
1913	100	100	1.00
1914	99	95	1.04
1915	118	93	1.27
1916	115	120	.96
1917	137	177	.77
1918	145	220	.66
1919	188	222	.85
1920	193	217	.89
1921	200	105	1.90
1922	219	132	1.66
1923	232	167	1.39
1924	243	166	1.46
1925	255	156	1.63
1926	258	126	2.05
1927	276	129	2.14
1928	277	150	1.85
1929	292	145	2.01
1930	296	109	2.72
1931	310	70	4.43
1932	250	51	4.90
1933	233	64	3.64

¹Farm Economics, Cornell University, New York

the assumption that the level of farm prices approximates rather closely the farmer's ability to pay taxes, a ratio of the tax index to the farm price index is calculated which indicates the trend of farm taxes in terms of farm prices. An index of farm income would have been better suited for measuring this trend but such an index is not available. One will observe from the ratio that the trend has been decidedly upward. A wide variation in the real weight of the tax is at once apparent. For example, during this period, the tax was relatively lowest in 1918, and relatively highest in 1932. A tax bill that would have been paid by one bale of cotton in 1918 would have required about seven and one-half bales to have satisfied the obligation in 1932. Obviously, farmers that were barely able in 1918 to pay their taxes would find it impossible to pay their taxes in 1932. The situation also provides a convenient excuse for those who could pay but are prone to delay and procrastinate. Natural hazards such as drouth, flood, insect pests, etc. often cause temporary and localized farm tax delinquency.

Faulty assessment, resulting specifically in disparity of assessment, over-assessment, and failure to assess, is one of the primary causes of delinquency. It was pointed out in Bulletin No. 458 of the Texas Agricultural Experiment Station that the assessed value of farm lands varied widely, ranging from 10 to over 100 per cent of the sales value. Such a disparity leads to both under- and over-assessment. In the case of over-assessment coupled with a high tax rate, it is easy to see how the tax may equal or even exceed the current income. Delinquency is inevitable if such a situation persists for a period of years. Temporary over-assessment may result from declining prices, but such a condition will right itself with an improvement in prices.

A failure of the tax system to adequately reach vast sources of wealth having tax-paying ability is another element of disparity in taxation and, indirectly, a cause for tax delinquency. Not many decades ago land made up most of our property, and was a fairly good measure of ability to pay taxes. This is not the case today. Modern industrial development characterized by a high degree of specialization, has brought with it a great expansion in the kinds of property, and in the development of personal-service activities. A century ago it would have been difficult for one to enjoy an income of any significance without the use of real property. Today a man may enjoy a substantial income, even a large income, without owning any real estate, nor even property of any kind. If he owns no real estate he will not be called upon to pay taxes to support his local institutions. In fact, he may pay nothing to support State institutions. In Bulletin No. 505 of Texas Agricultural Experiment Station it is stated that intangible property constituted 46 per cent of probated estates in 47 selected counties. Not more than one or two per cent of intangibles is placed on the tax rolls. This wholesale escape places an ever-increasing burden on real estate and undoubtedly is a real cause of delinquency.

Faulty collecting practices no doubt may be blamed for a certain amount of tax delinquency, especially short-time or temporary delinquency. It is rather uncommon for the tax collector to send out notices of taxes due on the opening date for payment and a statement for each month thereafter. If private business concerns were as negligent or unconcerned regarding bills due them as our county collector's office they would show a very poor record of collection. The lack of certainty in the enforcement of the law, as well as the periodic liberality of the legislature in remitting penalties and interest on delinquent taxes, is a constant invitation to delinquency. It is not the severity, but the certainty of penalty that is effective in tax collections. It is a grave injustice as well as demoralizing to those who willingly pay their taxes to periodically remove the penalty and interest on those who for various reasons permit their taxes to become delinquent.

The delay, as well as the play of technicalities in court procedure, discourages certainty in the enforcement of tax laws. The procedure in tax sales and tax titles is so cumbersome and expensive as to discourage

proper and prompt action. The loss of property in Texas through a tax sale is an uncommon occurrence.

Suggestions for Improvement

Thus far statistics have been presented showing the scope, nature, and trend of tax delinquency in general, and of tax delinquency of farm real estate in particular, for 120 selected counties in the State for the period 1928 to 1932 inclusive. Some of the more important causes of tax delinquency have been discussed. At this juncture it should be helpful to consider briefly a few suggestions as to steps that may be taken to improve or remedy the situation.

1. There is real need of an active and responsible participation by the State in the assessment and collection of taxes. Particularly is the assistance of the State needed in supervising and equalizing of assessments as between different forms of property and as between counties. The State could render invaluable aid in the collection of taxes, particularly in the collection of delinquent taxes. This is contrary to the contention that there should be a separation of State and local sources for purposes of taxation. A close coordination and joint participation and responsibility should strengthen both State and local units of government. A State Tax Commission or a commission with sufficient authority and financial support, is perhaps, best suited for such an important undertaking.

2. There is urgent need in many counties for a complete and continuous inventory of real estate including tax exempt real estate. Such an inventory should practically eliminate "unknown" assessments. In order to insure uniformity and continuity in such a service it should be a joint service of State and County.

3. The collection of taxes should be made as simple, certain, convenient, and regular as possible. In this connection the following procedure should prove effective:

- a. Statements of taxes due should be mailed just prior to opening due date and at regular intervals until paid. Special notice should be given calling attention to penalty date.
- b. Taxes of all jurisdictions should be combined in one bill and allocated by the tax collector's office. A multiplicity of assessments and collections adds to confusion, duplication, and inefficiency.
- c. Collectors should be appointed on a competitive basis determined by civil service examinations, and paid strictly on a salary basis. The value of such a change would be to remove the tax collector insofar as possible from political influences.
- d. Penalties should be reasonable and certain, and remission of penalties and interest should be avoided.

4. Court procedure relative to tax titles should be simplified. A tax sale should involve the actual transfer of the real estate encumbered, or a sufficient amount of it to satisfy the tax. The State should guarantee the title.

5. Finally, the full solution of the delinquent tax problem must go beyond the immediate administrative and legal aspects to certain fundamental economic and political factors. This includes, according to a preliminary report of the committee of the National Tax Association on tax delinquency, "(1) such revision of the whole tax system as is necessary to harmonize benefit and ability as bases of taxation with each measure of ability given its proper weight; (2) a reappraisal of the functions and services of government to determine whether they have expanded beyond the point of legitimate need and willing support; (3) changes in the organization of political units, in the distribution of functions, and in the methods of administration calculated to insure the greatest efficiency; and (4) in addition to these fiscal and governmental adjustments, correction of such economic ills as grow out of unwise land utilization."¹

¹Proceedings of Twenty-Fifth National Conference, 1932, pp. 292-329.