

ARIZONA STATE MINING TAXES (PROPERTY, PRODUCTION (SALES) AND INCOME)

COMPARED WITH TOTAL PROPERTY AND INCOME TAXES

Compiled by: Arizona Department of Mineral Resources

YEAR	STATE MINING TAXES				TOTAL STATE PROPERTY & INCOME TAXES			MINING% of Total
	Property	Production (Sales)*	Income	Total	Property	Income	Total Property, Income & Mining Production Tax	
1941	\$ 1,591,040	\$ 738,811	\$ 535,926	\$ 2,865,777	\$ 6,459,668	\$ 1,996,489	\$ 9,194,968	31.17
1942	1,316,634	855,892	424,583	2,597,109	5,118,796	2,887,801	8,862,489	29.30
1943	1,557,582	845,711	416,748	2,820,041	4,860,026	3,514,688	9,220,425	30.58
1944	399,478	745,736	348,912	1,494,126	1,249,163	3,315,598	5,310,497	28.14
1945	1,225,425	579,133	337,770	2,142,328	4,061,477	4,021,990	8,662,600	24.73
1946	468,470	1,271,978	936,333	2,676,781	1,619,754	5,204,296	8,096,028	33.06
1947	1,680,936	1,605,442	2,431,217	5,717,595	5,694,950	8,243,930	15,544,322	36.78
1948	-	1,838,178	2,568,780	4,406,958	-	8,279,103	10,117,281	43.56
1949	1,267,959	1,359,838	1,039,517	3,667,314	4,763,966	5,640,501	11,764,305	31.17
1950	3,017,548	2,155,165	2,386,680	7,559,393	11,721,403	6,091,595	19,968,163	37.34
TOTALS	\$ 12,525,072	\$ 11,995,884	\$ 11,426,466	\$ 35,947,422	\$ 45,549,203	\$ 49,195,991	\$ 106,741,078	33.68

* This is the 1% production tax applied against metal production only; no other state product is similarly taxed.

The ten-year average state valuation of mining property was \$154,993,208, which is 28.17% of the total State property valuation average for the last ten years. The above table shows that the Mining Industry paid 33.68% of the total state property, income and production (sales) taxes. The value of the total product, output or gross income of all industry in Arizona is conservatively estimated at \$658,472,000 average for the past ten years. The average value of metal output was \$141,531,000, or only 21.5% of this total output.

Source: Arizona Tax Commission Reports.

October, 1951

TABLE SHOWING DIRECT STATE TAXES PAID BY PRIMARY PRODUCING INDUSTRIES

Compiled by: Arizona Department of Mineral Resources

AGRICULTURAL CROPS

LIVESTOCK & ANIMAL PRODUCTS

	State Property Tax Pd.			State Property Tax Pd.		
	Value	Amount	per 10,000 Value	Value	Amount	per 10,000 Value
1941	\$ 43,839,000	\$ 843,354	\$ 192.38	\$ 31,536,000	\$ 172,434	\$ 54.68
1942	52,849,000	663,937	125.63	44,338,000	156,321	35.26
1943	83,163,000	540,977	65.05	47,703,000	126,494	26.52
1944	80,388,000	147,595	18.36	44,602,000	32,720	7.34
1945	89,648,000	497,739	55.52	51,310,000	105,463	20.55
1946	102,955,000	202,018	19.62	58,796,000	40,386	6.87
1947	112,192,000	681,405	60.74	72,392,000	120,326	16.62
1948	143,065,000	-	-	81,229,000	-	-
1949	177,276,000	535,735	30.22	69,029,000	77,475	11.22
1950	186,037,000	1,322,334	71.08	89,858,000	180,475	20.08
TOTAL	1,071,412,000	5,435,094	50.73	590,793,000	1,012,094	17.13
Avg.	107,141,200	543,509	50.73	59,079,300	101,209	17.13

MINE PRODUCTION OF COPPER, GOLD, SILVER, LEAD & ZINC

	State Prop. Tax Pd.			Production Total prop.		
	Value	Amt.	per 10,000 Val.	Amount	(Sales) Tax Paid per 10,000 Val.	Total prop. Sales Tax Paid per 10,000 Val.
1941	\$ 97,638,000	\$ 1,591,040	\$ 162.95	\$ 738,811	\$ 75.67	\$ 238.62
1942	114,526,000	1,316,634	114.96	855,892	74.73	189.69
1943	121,213,000	1,557,582	128.50	845,711	69.77	198.27
1944	113,095,000	399,478	35.32	745,736	65.94	101.26
1945	95,963,000	1,225,425	127.70	579,133	60.35	188.05
1946	114,986,000	468,470	40.74	1,271,978	110.62	151.36
1947	182,753,000	1,680,936	91.98	1,605,442	87.85	179.83
1948	196,208,000	-	-	1,838,178	93.69	93.69
1949	177,894,000	1,267,959	71.28	1,359,838	76.44	147.72
1950	201,034,000	3,017,548	150.10	2,155,165	107.20	257.30
TOTAL	1,415,310,000	12,525,072	88.50	11,995,884	84.76	173.26
Avg.	141,531,000	1,252,507	88.50	1,199,588	84.76	173.26

The crop and livestock values shown above are given in the Valley National Bank's "Arizona Statistical Review".

The value of mine production is from the U. S. Bureau of Mines "Minerals Year-Book".

The State property and sales taxes are from annual reports of the State Tax Commission.

The mining industry in Arizona has paid in the last ten years (1941-1950) an annual average of \$173.26 in direct taxes for each \$10,000 of production as compared with \$50.73 paid by agriculture and \$17.13 by the livestock industry, according to statistics compiled by the Arizona Department of Mineral Resources.

These figures include the levy of one percent on the value of metals produced after deducting the value of silver and gold sold to the Federal Government. This is called a sales tax but is really a production tax. No comparable tax is levied on the production of either the farmers or the stockmen. In addition to this production tax, normal sales taxes are paid by the mining industry the same as everybody else.

At a recent hearing conducted by the special legislative committee on taxation, the County Assessors advocated a severance tax or royalty tax on the mines. They evidently failed to realize that the mining industry is already saddled with such a tax, only under another name. If this production tax were imposed on the production of other industries besides mining, enough revenue would be raised to permit dropping the property tax on the State level, and there would be no more griping about the failure of equalization by the various counties. For example, if a one percent production tax were applied against the average value of the agricultural crops (\$107,141,200) and the average value of livestock and animal products (\$59,079,300), a total annual production tax of \$3,077,515 would be received from these three industries alone, as compared with an average of \$3,096,813 actually received from the combination of property tax and production tax as shown in the table. If, in addition, this production tax were also applied against manufacturing production (which was valued at over \$130,000,000 for the fiscal year 1949-1950, there would be additional revenue of \$1,300,000. All production would be treated alike, and there would not be the marked discrimination against the mining industry which is evidenced by the table above.

It was brought out rather forcibly at the taxation hearing that the mining industry is seriously in need of encouragement, if new ore bodies are to be discovered and developed. The lack of encouragement to the chief industry of the State as compared with that shown by the four other big mining states, Utah, Montana, New Mexico and Nevada, was demonstrated in Mr. O'Neil's "Forty Years of Mine Taxation" published in December, 1946. He showed where the valuation placed on the mines of Arizona was $2\frac{1}{2}$ times the average of the other states, when applying the other states' taxation methods to the Arizona mines.

A simple production tax would eliminate this sore spot of mine valuation, which is unanimously agreed to be impossible of achieving on a fair and equitable bases.

TABLE SHOWING COMPARATIVE VALUATIONS
OF ARIZONA'S PRIMARY PRODUCING INDUSTRIES

Compiled by: Arizona Department of Mineral Resources

Based on State Tax Commission Reports

and Valley National Bank's "Arizona Statistical Review"

Ten-year averages (1941-1950)

	<u>Assessed Valuation</u>	<u>Value of Product</u>	<u>Product Value % Assessed Valuation</u>	<u>Property tax Paid</u>	<u>Property Tax % of Product Value</u>
Mining Industry	\$ 154,993,208	\$ 141,531,000	91.3	\$ 1,252,507	.88
Agricultural Industry	64,807,184	107,141,200	165.3	543,509	.51
Livestock Industry	12,128,450	59,079,300	487.1	101,209	.17

From the above table it is noted that the value of the mining industry's annual production is almost equal to the assessed valuation of the industry's property (91.3%) whereas the average annual value of agricultural crops is 165.3% of the assessed valuation of agricultural property and the average annual value of livestock products is 487.1% of the assessed valuation of the livestock industry.

Based upon relative product values, the mining industry is paying a property tax that is more than 72% greater than the agricultural industry, and more than five times the tax paid by the livestock industry.

The 64 dollar question: Why is this ?

August, 1951