

Acts of 1941, has been functioning in pursuance of that Law. You made appropriations for the fiscal years 1944 and 1945 to provide the money to supplement departmental budgets where this was necessary to give effect to the scale of salaries and wages prescribed by the Board, where it was not possible to absorb this additional cost in the regular departmental budget. The amount used for this purpose was \$592,851.00 in 1944, and it is estimated \$729,000.00 will be required in 1945.

Income Tax. This is our most productive tax for general purposes. I have included in this year's report a special income tax statement, showing the receipts of this tax since its beginning. The figures by years, both as to the tax years and the fiscal years in which received, should not be compared without understanding that the rates were not the same for all years and that other factors, such as personal exemptions, etc., are to be taken into consideration in any study which might be made of the figures. The first income tax law was passed in 1937. It provided for the taxing of incomes for the years 1937 and 1938, the rate being one-half of one per cent. The Session of 1939 enacted another income tax law, classifying income as either ordinary or investment income and taxing the former at two and one-half per cent and the latter at six per cent. The rate of tax on corporations was one and one-half per cent. At the same time the tax on intangible property, generally referred to as the securities tax, was discontinued—the tax on investment income being a successor tax.

The Session of 1941 amended the income tax law, reducing the rates on ordinary and investment income to two per cent and five per cent, respectively.

The Session of 1943 made further amendments to the law, and while not changing the basic rates of tax on the two classes of income, authorized the taxpayer to take a credit of thirty-three and one-third (33-1/3) per centum of the tax calculated on the basic rates. The session of 1943 also authorized the Board of Public Works to increase the credit to be taken by the taxpayer in the event the State's surplus exceeded the estimate; and the surplus having exceeded the estimate, the Board of Public Works duly prescribed an increase in the credit to fifty per cent on returns other than for corporations for the taxable year 1943.

Post-War Construction. At your 1943 session the Budget you passed appropriated \$2,000,000.00 to the Board of Public Works, for construction and other capital improvements at State Institutions, and for other Agencies, in connection with carrying out any program to be adopted by the State in providing for post-war projects, to be available July 1, 1943. You will find a supplemental statement showing the post-war construction fund following the regular budget statements in this report. The appropriation of \$2,000,000.00 has been supplemented to the extent of \$685,946.77 by transfers of the balances, at June 30, 1944, in the war emergency