

As a result of our fiscal policies, the State's public debt is rapidly declining. At the beginning of this administration, outstanding bonds amounted to \$48,157,000.00. I am recommending for your consideration a General Bond Issue of 1941 of \$4,172,000.00. I call your attention to the fact that, during the period January 11, 1939 to September 30th, 1943, bonds redeemed will amount to \$23,194,000.00, leaving a net debt on September 30th, 1943 of \$33,865,000.00, which is a reduction in the public debt during the period of \$14,292,000.00. This reduction of approximately 30% of the public debt in four years is unprecedented in the State's history. Since the taxable basis of the State is \$2,530,000,000.00, the bonded debt as of the end of the next biennium will be 1.4% of the taxable basis.

After having reviewed the situation from every angle, and having watched closely the fiscal developments in the past two years, I have decided to recommend for your adoption a program with two objectives in mind. These objectives are, (first) a sizable reduction in tax levies so as to afford a considerable saving to taxpayers of the State and (second), the maintenance of the State's strong financial position, and the grant of sufficient appropriations to all State agencies so as not to impair essential governmental functions.

In order that the necessary information would be available to the Tax Revision Commission created by your legislation of 1939, and of which Mr. William L. Rawls is Chairman, I gave notice, some time ago to the Commission that the present financial situation of the State would make possible a large reduction in income taxes. In addition, however, and in order to afford benefits to other classes of taxpayers, I have had in mind the possibility of reducing the State tax rate so that owners of real estate would obtain a saving over previous tax requirements to the State.

It is a pleasure to report to you that our hopes can be realized in this respect.

Accordingly, the plan which I now propose to you under the Budget accomplishes the following:

- (a) A reduction in the State income tax levy of up to 20%.
- (b) A reduction on the 1942 State tax rate of 5%.
- (c) A reduction on the 1943 State tax rate of 10% from the present levy.

In proposing the reduction in the income tax, I have suggested that it be made applicable to the calendar year 1940. Thus the present plan comprises savings for three fiscal years (1941, 1942, 1943) of approximately \$1,500,000.00 annually or a total of \$4,500,000.00 in income taxes.

In connection with the reduction of the real estate tax for next year, I propose that it be lowered from the present rate of 23.35¢ to 22¢. Inasmuch as 1¢ on the State tax rate represents \$253,000.00, the reduction for next year of 1.35¢ represents a saving to the tax payers of approximately \$341,550.00 per year. By making a further reduction of 1¢ in the 1943 tax rate an additional \$253,000.00 is saved to the taxpayers. Thus the savings now to be made possible will be as follows:

Income Taxes	\$4,500,000.00
1942 and 1943 Tax Rate reductions.....	633,100.00
Additional 1943 Tax Rate reduction	253,000.00
Total Tax reduction	\$5,436,100.00