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Some substitutes for the general property tax

Benjamin Sherman Asquith

State University of Iowa

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SOME SUBSTITUTES FOR THE GENERAL PROPERTY TAX

By

B. S. Asquith

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INTRODUCTION

The evolution of modern society that has been and is still going on has given us many problems not easily solved. Time and time again it has seemed to be a movement backward rather than forward. At such times, to the earnest and honest student of social progress, there has been doubt and perplexity as to the probable outcome. The movement at times has so clearly been of a retrograde character that those who were watching must have felt that there was no possibility of the race reaching that condition known as unanimity of the wise," or even anchoring within gun shot of it.

The condition of which I have written above would apply to many other lines of human effort, but it does apply, I think, with particular force to the subject of this sketch. To add in no small measure to the difficulties presented, the crank and the enthusiast each contributes his measure of prepared discord, hoping to persuade us by so doing that the way to a solution of this and many other problems lies in junk-heaping all the tried and true agents of past progress, along with those that are known to be weak, and start once more with clean tablets. They would, in fact, have us take from them certain governmental and social cure-alls that will, when properly shaken, so they

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tell us, do the work required.

Do not think that I am pointing the finger of scorn at any honest efforts to bring about reform in taxation or in any other line; I am only trying to utter a warning against attempting to do the obviously unwise, even though it is presented with much assurance, coupled with a fine array of flambouyant rhetoric.

Government is and always will be necessary, so we believe, and that being true, support must be derived from those whose servant it is or should be; so it follows that some form of forced contribution for the benefit of the state must always be made. This being true, and the general progress of society being known, we should not employ in gathering this support the methods of the cradle and the flail in the days of the submarine and the wireless.

But, says some one, are you not striking a very old and tried device when you seek to displace the general property tax? I at once answer that it is old; how old, I shall presently show you. I wish also to show that it works fully as poorly as its ancient origin seems to guarantee.
I

BRIEF HISTORY OF THE GENERAL PROPERTY TAX

The general property tax probably came into use in a crude form before we have a record of it; we do know that it was early in use in Greece and later in Rome. As wealth began to grow among the people, this method of raising revenue became less and less suited to reach the intangibles, and though torture was at times resorted to, this primitive system was at length abolished. During the middle ages that followed the breaking up of the world empire of Rome, there were almost no taxes collected. However, out of the scutages, carrucages, tallages and other taxes of this period came the land tax, and like the seed that tends to revert to earlier forms, so this simple land tax evolved or degenerated finally into the general property tax of the days of Solon and the period of the Roman empire.

The same history applies to the Saxon shipmoney and Danegeld land taxes. As wealth grew in the medieval town this form of taxation became fully developed. In Germany by the twelfth century the land tax and the general property tax had become consolidated from earlier and cruder forms. The Saladin tithe of 1188 at the time of the third crusade marks a distinct step in the tax evolution of the period. By 1275 there began to be some dissatisfaction with it.
At about this period Italy and France also made use of the general property tax, which they called by various names. During this early period it worked better, perhaps, than ever before, for the state of industrial development was quite well suited to it.

By 1514 some localities were paying a lump sum, and the new general property tax, or subsidy, as it was known, was in use in England. Raleigh and others noted its injustice about 1600; the subsidy had become an unequally borne land tax. In the days of the Commonwealth there was an attempt to revive the general property tax in a form called monthly assessments. About 1700 the tax was almost entirely upon land, and since 1798 it has been legally a general property tax. When the French Revolution broke out, it was abolished. It is interesting to know that the form used in Germany in the middle ages was not unlike that employed in parts of the United States today.

Machiavelli and others, in reporting upon this matter in Italy, present a statement that reminds us of our tax reports of 1895 or 1915. Note that in all the cases mentioned, the land tax becomes a general property tax, which shows its weakness with the increase of wealth, as the intangible form begins more and more to escape paying its
proper and just share of the burdens of supporting the state. I have said enough already, I think, to convince the reader that this tax is not an American product, but is a relic of the ancient and middle ages. Do not think that I object to the general property tax upon the ground of its age alone, nor do I think that a thing is good just because it is new. I will later on present statements as to the findings of practical men who have made it their business to examine this method of taxation, and from their testimony the tax stands condemned at the bar of expert opinion, so let us not delay giving sentence to the culprit and let us turn over his effects to a properly appointed successor.
II
VARIOUS CONCEPTIONS OF A TAX

The canons of taxation according to Adam Smith are: (1) equality; (2) certainty; (3) convenience; (4) economy. From the same source we get these principles: (1) Tax a small number of articles that are very productive. (2) A good system provides for a self-acting increase with wealth and government demands; the land tax might be cited as an example. (3) Taxes are best which yield a steady, calculable return, as these would aid in the formation of a budget. (4) Taxes that can be increased without new machinery or increased expenditures to collect them; e.g., the income tax. Since I prepared this part of the paper there has passed through Congress and received approval by the proper number of states an amendment making legal a Federal Income tax. (5) Old forms should be abandoned when the progress or complexity of society makes it needful. This is one of my reasons for advocating some substitutes for the general property tax, for it is worn out and should take its place in our social museum as a relic of the past, and no longer plague us with its crudities in a living, growing present.

Another set of ideas that may aid us in making this
subject clear are found in Dr. Henry Adams's *Readings in Taxes and Problems of Taxation*. He gives the following:

1. The Three Theories of a Tax.
   a. A price.
   b. A payment.
   c. A contribution.

   a. The state views it as a derivative income.
   b. The citizen views it as a coerced payment.
   c. The theorist views it as a contribution for common expenditure.

3. Analysis of the Power.
   a. Character of the power---law made by legislature. Note the struggle in England to get this power
lodged where its sovereign character must conform to established rules.

b. Grants bestowing the power for revenue—for incidental benefits; note also the taxing power in relation to revenue, and the machinery of taxation in its relation to and union with police power.

4. Limitations of Power.

a. Of method—limitless by sovereign power.

b. Revenue for public purposes.

c. Suited to unit of government imposing it.

d. Not to encroach upon people's rights (their own and others).

e. Not to impair the obligation of contract,---see Constitution of the United States.

5. The Pro Quo Theory.

a. Payment must be made on account of or in proportion to the benefits received; then the maimed and the lame and the halt and the blind should pay the largest taxes.

b. Rests upon the individualistic conception of society.

c. Things impossible under it would give us a very poor society indeed, for the public school system and our great and far-reaching charitable institutions would be cut off if this was really the basic and essential founda-
tion of taxation.

I have, under Limitations of Power, already suggested some phases of limitation, and cited the Constitution of the United States. Judge Thomas Cooley, of Michigan, in his 11 Cases on Taxation, speaks of limitations of the taxing power by paramount law. In a constitutional country these are:

1. Inherent limitations.
2. Some that spring from the form of government.
3. Some expressly imposed by:
   a. State constitutions.
   b. By the union.
4. Public use as a limitation.
5. Territorial limitations---Indians. Real property out of state not taxed to owner within the state.
6. Limited by representation; e.g. in England and in Colonies, '76.
7. Limited by legislative rules; also by local urban laws and by delegated power.
8. By formal pledges of state. Doubtful, and tends to cripple state. Exemptions are here in mind.
10. Limited by state liability.

11. City limits, from state.
   a. By its own contracts.
   b. By contract impairment.

   a. General liability.
   b. National and state powers exclusive.
   c. Federal agencies—-not banks.
   d. State agencies.
   e. Inadmissible personal taxes; e.g. tax railway travel.
   f. Public property—pledge of new state.
   g. Occasional agencies—railroad for war.

13. Taxes on commerce.
   a. Imports and exports.
   b. Tonnage duties.
   c. Foreign and interstate trade (See Constitution of the United States).

14. That abridge citizens' rights; e.g. traders' taxes from without the state.

15. Limitations of treaty over state law.

16. Not limited by implications.

From the enumeration above it will be seen that to get a tax law so framed that it will escape the dangers
above would require a knowledge of the law that few laymen possess. It would seem that to get a taxation law started safely upon its road would require the meeting of as many dangers as the famous Light Brigade met.

I have introduced this brief outline without much comment, to show that from the theoretical side may come many things to alter or confuse the practice that may be its outgrowth. We should not be hasty in our criticism of lawmakers, for they are often much at sea as to what ought to be done. The formation of commissions in many of our states is proof that the lawmaker is calling to his side the expert to help him solve the many problems that our increased fiscal needs are throwing upon nearly every commonwealth of our union.
III

INJUSTICE OF GENERAL PROPERTY TAX
VERIFIED BY OUR EXPERIENCE

Some one may tell us that taxation is not such a great
problem after all. To such, I present some arguments sug-
gested in Ely's Taxation in American States and Cities. Taxation is important because:

1. It may create or prevent monopolies.
2. May diffuse wealth or concentrate it.
3. May promote liberty and equality of rights or
tend to establishment of tyranny and despotism.
4. May bring about reforms or may foster dissention
and class hatred.
5. May be so contrived as to give free scope to
legitimate opportunity for creation of wealth or may be so
placed as to be a dead weight upon the community in its
race for industrial supremacy.
6. Taxation may build for the future or may tend to
mortgage the resources of a nation in advance.

Of interest in this connection is the developmental
idea of Dr. Henry Adams in his Public Finance, which has
a distinct relation to the question of keeping wealth
within a state or scaring it out by ill-advised and ill-
planned forms of taxation. This is a matter that because
of its basic importance should cause us to make haste slowly.

The Case Against the General Property Tax

The subject of taxation reform; i.e., substitutes for the general property tax, is not an entirely new one. It may be said that dissatisfaction with the general property tax because of evasions and undervaluations was commented upon as early at least as our second war for independence. We all know from our study of history that the years from 1815 to 1835 were years of transition and rapid change in many parts of our country: a continent was being subdued and the wealth of the people, which at first had consisted almost wholly of land, now began in places to be made up partly of the type that we call intangible property, which, like the quail, flies to cover at the mere suggestion of danger.

As this change in the economic condition of the older parts of our country became more and more pronounced, there began to be a feeling that all were not bearing their just and proper part of the burden of supporting the various forms of government; i.e., the national, state and local. This discontent, smothered at first by the onward rush of
a great westward wave of population coupled with prosperity, came to the surface soon after the panic of 1837, for six years later (1843), the state of Connecticut started a movement for reform by the appointment of a Tax Commission. What was thus commenced has been continued from time to time until in this year (1915), nearly every state in the union has had one or more of these commissions to look over the existing conditions and to propose some changes to remedy the evils that have been the source of complaint.

To show that the evils that are now mentioned are not new, let me mention a few of the questions that came up in the Connecticut Commission's report, viz: undervaluation, escape of corporate stock, fraud as to debt exemption, lack of supervision. These, with perhaps a few more, seem to appear again and again, like Banquo's ghost, in nearly all the later reports.

A short account of the history of taxation in the United States is necessary as a foundation for the study of the reports of Commissions. This history of taxation might be divided for study into three subdivisions: (1) Period of Colonial development to 1796; (2) From 1796 to Civil War; (3) Civil War to present time. Each of these will be briefly taken up for examination bearing upon our subject.

1. The Colonial period to 1796. In this period as
the needs were not large the people were more concerned with principles: the Revolutionary War was an outgrowth of what the colonists believed and what has been described as a tax problem going back to first principles. I can give space to but one short quotation: "That the Governor shall not lay any taxes or ympositions upon the colony, their lands or commodities other than by the authority of the General Assembly, to be levyed and ymployed as the said Assembly shall appoint." Many similar references could be given, but I hardly think that they are needed, as it is a matter well known to the student of government and history. There was a period in fact when a kind of voluntary system or no system at all was used in some of the colonies.

As time went on, the chief sources were fines, fees, forfeitures, quit rents, lotteries, tangible property and land sales. The poll tax was popular, while the income tax was used for equalization of burdens. As might be expected, land was the most important object of taxation in New England, and because of the fact that money was not very plentiful, payment in kind was often made. Things went on in a rather quiet way as far as taxes were concerned, as the needs were not great and the people were taxed almost entirely by their own representatives. The
Revolutionary War put heavier burdens upon them, and in 1796 Secretary Walcott calls attention in his report to what he names "dissimilarities in taxation." The characteristics of local taxation at the end of the eighteenth century may be stated as:

a. Specific objects selected rather than all property.

b. Visible property bore all or nearly all of the burden; but as intangibles were not a large part of the property, all was fairly well.

c. Taxes usually laid by arbitrary rule rather than by objects' selling value.

2. The second period was the one from 1796 to the Civil War. This was the period of great national expansion, for during this period an empire was developed in the great Mississippi Valley and our advance agents had reached the Pacific. I shall give some of the changes or tendencies of this period:

a. A period of change, and many states adopted present-day forms of taxation.

b. Rise of intangibles with the growth of corporations, etc.

c. Specific taxes abolished and a general property tax at a uniform rate came in.

d. With 1850 demands came on for heavier taxes.
In the State of Connecticut up to 1819 net revenue was the basis of taxation, and a fixed charge on all property; but in 1819 value was made the basis. Before 1850, personality was taxed at 6 per cent and realty at 3 per cent of true value. Then in 1843 the first tax commission was appointed to remove unfairness from the tax system. While Connecticut declared her dissatisfaction by means of this commission, it was nearly twenty years before New York began a formal protest against conditions there.

3. Civil War to present time. Some of the reasons for investigations were:

   a. Growth in state expenses.
   b. Multiplication of property.
   c. Growth of cities.
   d. Changes in industrial life.

The enormous debt of the Civil War and the other great industrial and economic needs, together with other forces perhaps, tended to lay bare the evils in the tax system, for it will not stand the unusual strains that are bound to come at times in any country and test out the fiscal machinery.

The assessments at this time varied from 50 per cent to true value, coupled with much irregularity of rates. With regard to personal property, there was much evasion,
and the personal property tax was either decreasing or else upon the increase slowly, and this notwithstanding the rapid rise in bank balances. The questions of mortgage taxation, double taxation, coupled with the effect of taxation and taxes on book accounts and merchandise, were discussed. The corporations were thought to be getting away from bearing their proper part of the burdens. Railways, insurance, telegraph, telephone, express, safety deposit organizations and other industrial enterprises were in the list of which complaint was made. The whole question of taxation was like a coat of many colors, as a recital of the various bases of taxation used will indicate:

2. Net receipts.
3. Franchise.

At the same time the relation of foreign and domestic corporations was discussed, together with how to handle the taxes on Savings and National banks. Tax discounts for prompt payment were raised for discussion, as well as the use and the certain abuse of the oath that was so frequently manifest. We can see that things during this last period were getting no better, and some of the reasons assigned
for it were:

a. Careless assessments.

b. Inadequate means to equalize.

c. Lack of supervision.
IV

STUDY OF THE PROBLEM BY TAX COMMISSIONS

After what has been said above, there need be no long dis-
cussion as to the reasons for the rise of the state tax
commissions, as they were called forth by the evils com-
plained of and already briefly pointed out. I have already
said that the year 1843 marks the formal genesis of state
tax commissions. The problems studied varied somewhat with
the location, wealth, and population of the individual
states, but in general they were these:

1. Injustice of laws.
2. Faulty administration.
3. Relation of tax laws to industries came in for the
major part of the discussion.

The Creation and Composition of
the Various Commissions

1. A creature of state legislature. This varied in
different states.
2. Appointed by state governor and his council at
times.
3. Members often represented specific classes of in-
dustries.
4. In some cases members of the legislature were the commission. In Pennsylvania Commission of 1889, the eight members were appointed, one each by Senate, House, Auditor General, Governor, Head of Stage Grange or rather by members and Secretary of Internal Affairs.

5. Provision for various parties to be represented is common.

6. Number varied from two to twelve.

7. Term at first one year, though the tendency now is to give a much longer term, as this matter has been kept up in the various states and as a clear need is recognized.

The duties of the commissions were:

1. Investigate alleged evils.
2. Find cause of evils and prescribe remedies.
3. Look up property valuation.
4. Discuss methods of reaching the invisible property.
5. Find out how to lower the rate.
6. Perfect taxation laws.
7. Improve tax administration.
8. Look up the legal phases of the subject.
9. Present opinions and suggestions in reports.
10. Be informed on every tax problem.

You can very readily see that if each member of the various committees did his duty as has been roughly outlined,
the subject would soon be adequately handled in its initial stages.

The powers conferred upon the commissions are, briefly:

1. Defined in part and in part implied.
2. Compel any who may be able to give information to attend their meetings.
3. Secure all needful reports.
4. Power to punish false testimony.

Methods to get results:

1. Officials asked to come before commission.
2. Prominent citizens summoned.
3. Men of all occupations asked for opinions.
4. Dates of meeting at large cities advertised.
5. Use papers to gain publicity.
6. Get reports from other states.
7. Laws of other states studied.
8. Visits of members to other states.
9. Books read and consulted on taxes.

Report of commission usually gave:

1. Act creating it.
2. Statement of tax conditions in the state studied.
3. Proposed remedies.
4. Account of the working of the committee.
5. Specific complaints stated.
6. Aims to educate the public.

List of early commission created:

2. Joint Select Committee of New York, 1862.
3. Tax Committee of Pennsylvania, 1867.
   a. Auditor General.
   b. Secretary of State.
   c. Treasurer of State.
5. Tax Commission of New Jersey, 1868.
7. Tax Commission of Massachusetts, 1874.
12. Tax Commission of West Virginia, 1884.
15. Tax Commission of Oregon, 1885.
19. Tax Commission of New Jersey, 1890.
20. Tax Commission of Oregon, 1890.
23. Tax Commission of Iowa, 1892.
24. Council (Tax Commission) New York, 1892.
25. Joint Commission of New York, 1892.
27. Special Commission of Massachusetts, 1893.
30. Tax Commission of Iowa, 1911.

While this list is not a complete one, yet I have given enough to show that this movement is widespread from Maine to Oregon. There is one thing that the reader will note, and that is that no southern state is included within this list. The reason for this seems to be that the South was yet far behind the North in many states, due, to the conditions of the ante-bellum period and the fact that the effects of servile days had not been entirely cast off by our Southern brothers.

List of questions sent out:

1. Can a better system than the present be devised?
2. What are the outlines of such a system?

3. What changes can be made in the present system to make it more equal and effective?

4. In what proportion should polls be taxed compared with taxable property?

5. Should mortgaged real estate be taxed at its full value to both the mortgagor and mortgagee?

6. How should railway property be taxed?

7. How tax deposits in banks?

8. What more effective provisions of law can be adopted to prevent concealment of property to evade taxation?

9. What provisions can be adopted to secure equality and uniformity in valuation of property in different towns?

10. Should property of educational and charitable institutions be exempted?

11. Should town, county, state property be exempted?

12. Should property in mines, quarries, etc. be taxed separately from real estate where located? How?

13. How tax vessels in inland and ocean trade?

14. What changes should be made in the classes of personal property taxed?

15. Changes in assessing and collecting? What?

16. Highway and school district taxes? What?
17. Should towns be authorized to exempt any property?

18. What general changes would you suggest in any provision of the laws touching the subject of taxation? These questions cover a wide field, and show how this subject of taxation touches all fields of endeavor or enterprise. It also suggests the great importance of having a good workable system, and should turn attention once more to the various basic conceptions given at the beginning of this paper.

There were at times variations in the form and matter given in the reports; e.g., the Massachusetts report of 1875 had appended to it reports in the shape of papers by President C. W. Eliot of Harvard and one by Mr. F. E. Abbot, President of the Boston Liberal League. There was also a paper by Professor A. L. Perry of Williams College and others. The New York report of 1893 had about six hundred pages of testimony taken from men of all occupations. In 1894 Massachusetts had something similar.

The report of Connecticut states that before 1819 an income and not a property tax was used. Real estate was assessed upon supposed annual earnings; houses, according to size, material, and interior conveniences (fire places,
etc.). The General Assembly made equalizations and assessment and lists were returned to them. In 1819 the general property tax came in and almost at once trouble began, for the Board of Equalization failed to perform its duties as the members had other official functions.

The report of the first Commission of 1843 was made in 1844. It recommended:

1. Every tax payer to list all his property item by item if realty, as a whole, if personalty (except bank stock) and lists to be sworn.

2. Lists open for public inspection.

3. Board of Equalization abolished.

To show that the people of the state of wooden nutmegs were not ready for reform of this kind I need only say that the recommendations were not adopted when given. After several other attempts at reform in the State of Connecticut, two reports were made in 1886-1887, and their chief recommendations looked to reform of old laws. The specific recommendations were:

1. Tax Commission chosen for four years with revisionary powers.

2. Listing system enforced.
3. Realty revalued every five years, and separate assessment for buildings.

4. Intangible property struck from the list.

5. Money on hand exempt.


7. Corporations to pay $100 for charter, and when entering business, one-tenth of 1 per cent on par value of shares issued.

8. Every corporation (except railways), express companies, telephone and telegraph, etc., not exempt by law shall be taxed on corporate shares of stock one-fiftieth of 1 per cent. 42

9. Railroad companies 1 per cent on the capital stock and tax on floating and funded debt, cash in hand deducted from assessed value.

10. Collateral inheritances (strictly public and charitable gifts excepted), 3 per cent on legacies over $1,000. This tax had never been levied in Connecticut.

The other commissions of Connecticut at length proved an opening wedge for the reforms that are now slowly coming in the other states.

The New York Commission of 1862. This Commission was more elaborate than any of the others, as the General
Assembly select committee was aided by one from the Senate that was known as a Special Committee. These joined their forces and made a digest of the United States laws relating to taxation. They looked after the mode and machinery of taxation, standard of valuation, and what property was liable and exempt from taxation. A digest of the tax laws of the United Kingdom was made for comparative purposes, but they did not draw recommendations from it, as there was enough to demand their attention at home.

The recommendations made in February of 1863 were:

1. Full value means actual local market value.
2. A listing system with oath.
3. Publicity of assessment rolls.
4. Board to supervise assessments abolished and a county board of three freeholders to take its place.
5. State assessor elected for three years to visit each county once in five years.
6. Comptroller apportion real estate between counties.
7. Debts to be deduced from the value of both real estate and personal property. This was opposed by the Committee, but citizens asked for it.
8. Both personal property and realty taxed— an exemption of $250 in deposits was allowed.
9. Banking and insurance companies taxed on aggregate
capital less all mortgages held as capital.

10. Life insurance companies taxed upon capital stock earnings less present net value of outstanding policies.

11. Railways compelled to return lists of taxable property. Real estate assessed by respective towns, personally at central office of the company.

There is, as will appear from what follows, a tendency to embody more and more features in the recommendations as the commissions came in contact with the taxpayers of the state.

The recommendations made in New York in 1892 are:

1. State and local revenues to be separated.

2. Powers of assessors to be increased and increased penalty for non-performance of duty, and an assessor proved guilty of it was to be disqualified to hold office thereafter.

3. Listing system to be kept from state tax code as it did not do the work required and increased rather than diminished dishonesty.

4. Personal debts deducted from assessed value of property bad for these reasons:
a. Blow at commercial system.

b. Commerce depends upon credit.

c. Increased cost of necessaries of life.

5. Mortgages to $200 on realty one-half of 1 per cent tax to county, and when 10 per cent is taken it is then to be turned in to the state comptroller. Mortgage tax paid by holder.

6. Local option opposed.

7. Estates held in trust under wills, levied upon at county where probated. These had been escaping by moving.

8. Graduated inheritance tax $1.00 per hundred over $10,000 and up to $100,000; $2.00 per $100 in excess of $500,000. Any realty or income less than $50,000 exempt, and $1.00 per $100 over this amount. There was also to be a collateral inheritance tax of $5.00 per $100 on real and personal property so inherited in excess of $500.

9. Foreign corporations one-eighth of 1 per cent of capital stock in proportion to business in and out of state.

10. Joint stock companies and public service corporations one-fourth of mill upon each 1 per cent of dividend upon part value of stock if 6 per cent or more was earned; less than 6 per cent, 1 1/2 mills upon each dollar at par.

The Pennsylvania Tax Commission of 1867. presents some
different elements, and there was both a majority and a minority report in the later report which grew out of the first. This Commission was to collect and digest all laws relating to the subject of taxation in the state, and recommend changes if needed. They emphasized inequalities of assessment and inefficient and injurious modes of collection. A brief statement of their recommendations follows:

1. Assessors to be appointed by courts and have power to administer the oath to all taxpayers. The rate on real property had varied from $\frac{1}{2}$ to $\frac{1}{5}$ of the value; i.e. the rate on which assessment was made. The personal property had largely escaped and the assessors were largely responsible. These men were controlled by political motives and not by ideas of justice. Appointment and not election should be the method of choice.

2. Township, ward and borough collectors for state and county abolished, and county treasurers to take their place. It should be noted that perhaps the best work done by this Commission was the revision and codification of the taxation laws of the state.

After this Commission had reported, there was little further done in the state for about thirty years. In 1889 eight members were put upon a Commission created May 25,
1889, and in 1890 their report came out. From the report it would seem that the leaven of the former report was working. They asked for uniform revenue laws for state and nation, together with the separation of state and local taxation in Pennsylvania. The state rate was light and the local one heavy, yet the local gave too little money, and we see then that under-valuation by assessors, coupled with the need for more money, was one of the reasons for this Commission.

There were four papers presented: a majority report by five members; and a paper by each of the other three members. The majority report concerned itself with local taxation, and recommended:

1. Strict listing system but no oath and listed where located, together with publicity of lists.

2. County Commission and Board of Revision to equalize in and between counties; false returns must be discovered and facts as to mortgages obtained.

3. Selling value basis of taxation, except that for transportation companies a local tax on gross earnings or income above $300.

4. Transit and transmission companies a local tax of 4 mills on valuation by State Treasurer, Auditor General and Secretary of Internal Affairs. Multiple average
valuation per mile by number of tracks, wires or mileage of companies, with heavy fine for incorrect reports.

5. Private, Incorporated and Savings banks, 10 mills upon each dollar of gross earnings of previous year. National banks to pay 3 mills per dollar of capital stock.

6. Moneys and credits pay a state tax of 3 mills and 2 mills local for school purposes, and bank notes together with moneys and credits of transportation and transmission companies to be exempted.

7. All over 21 years of age that have $300 gross earnings pay local annual tax of 25 cents. This was to offset the provision of the old law that farmers did not pay polls.

The Dissenting Reports. Mr. Thomas McCamant would not sign the majority report because of:

1. Severity of measures.
2. Not feasible.

His proposals were:

1. Net earnings tax upon private banks, brokers and savings institutions, etc., be repealed, and a county tax on gross earnings to take its place.

2. Full credit be allowed on tax levied on capital invested in mercantile licenses and state tax, 8 mills on the dollar in mercantile and commercial pursuits where
capital is over $1,000. There should be 8 mills on sales of butchers, drovers, dealers, where amount of such sales is over $1,000, with credit allowed in levy of this for mercantile license and state tax. To this he added a repeal of the law for 1/3 of collected state taxes to go to county. The oath required was effective, he thought.

3. State tax reduced from 3 to 2 mills upon the dollar on money in mortgages. This gives some of the chief recommendations of the first minority report.

Mr. John A. Wright said, in substance, the majority report bill was not just, not practicable, inquisitorial, and in many points illegal, and in the second version of his report he claimed that the proposed method would drive capital from the state and make much double taxation. With this last he embodied a memorandum and capitulation of taxation principles. The principles that he believed should apply as to state and local revenues were:

A. State Revenues.

1. All state taxes from earnings of invested capital or real estate.

2. Restrictions on industrial investments removed by taxing only above a certain amount.

3. Indebtedness a personal affair and not a concern of the state.
4. Churches, educational institutions, together with charitable institutions, should be taxed if profits arise.

5. Tax as few articles as possible and inquisitorial tax should be abolished.

6. Officials not elected but appointed.

B. Local Revenues; Separation of State and Local Taxes.

1. Real estate be taxed upon rental or productive value.

2. Retail liquor licenses local as local interests are affected.

3. Locality to tax local means of transportation, as wagons and horses.

4. Local amusement taxes.

Mr. Wright gave three reports in all.

Dissenting report of Albert S. Bolles:

1. Banks, manufacturing companies, licenses are local in interests so the locality should tax them.

2. Domestic and foreign insurance companies should be treated alike.

3. Reduce appropriations to charities.

4. Railroads to be the main source of revenue.

5. Income tax a just improvement upon the general property tax.
There was also in the report:

1. A paper by Mr. Rhones for the state grange as to assessment and valuation of all real, personal and corporation property for taxation for the various minor units of the state.

2. Report from farmers in the grange giving grievances of too great a taxation upon land, and remedies.

3. A memorial on evils of taxation at the time and suggestions as to remedy.

4. A digest of tax tables of all the states.

I have gone into detail in treating the suggestions and recommendations of a few of the earlier tax commissions. Such reports might be given from New Jersey, Massachusetts, the District of Columbia, Illinois, Minnesota, Oregon and other states. They would offer little that is new in principles, but would differ because of special local needs and interests. Each of the later commissions has profited more or less from former efforts at reform.

Iowa's Part in Taxation Reform. During the session of the Twentieth-fourth General Assembly of Iowa, an act was passed that provided for a commission "to studiously and carefully examine the revenue laws of the state and report necessary and desirable changes to the Twentieth-fifth General
It spoke of the burdensome, unequal, and unfair features by which revenue was raised in the state, and further stated that we should have a system which would command the people's confidence and respect. It also stated the need for a thorough revision of the laws by which the raising of revenue was carried on in the state.

The bill also provided for a Commission of four persons, who should be allowed $5.00 per day for the time they were actually employed in this work, and that their report should be filed with the Secretary of State by the first day of July, 1893.

This Commission named by the Executive Council began its work in August of 1892, and in order to do some really constructive work for the state, they requested the aid of the Secretary of State. By his aid many documents of other commissions were placed in their hands. They did not stop with our own country's experiences, but consulted some that referred to foreign countries. The following are some of the topics they considered:

1. The assessor and the work of assessment.
2. Rate of valuation together with the matter of exemptions.
3. Equalization and the work of the State Board of
Equalization.

4. The question of mortgaged property and how to deal with exemptions.

5. Taxes on corporations in relation to the need of the state and its working in other states of the union.

6. The inheritance tax was also up for discussion and some favorable comment given to it.

7. Collection of taxes with a change in the road tax and desire for light upon the single tax closed the statements made.

These ideas presented were put in a tangible working form in a bill which was presented to the General Assembly. This bill and the statements from which it came fared like many another such bill, viz: caused some discussion and died at the hands of the General Assembly. Nearly twenty years were to go by before another attempt was made to get at this subject of tax reform in a comprehensive and definite manner.

In May, 1911, Governor B. F. Carroll appointed the Special Tax Commission under provisions of Chapter 204 of the acts of the Thirty-fourth General Assembly of Iowa. This Commission was composed of the following persons: M. H. Cohen, Des Moines; Chas. N. Voss, Davenport; A. C. Ripley, Garner; M. B. E. Stonebreaker, Rockwell City; J. H.
McConlogue, Mason City. This Commission was organized by electing Mr. Cohen president; Mr. Voss, vice president; and Mr. Brindley of Ames, secretary. This Commission was not content to study the reports of what other states had accomplished through their commissions and the laws that were the outgrowth of such reports. To get practical light on the subject they made a trip to Kansas to see how that state administered her taxation laws. Members of the Commission also visited Minnesota, Colorado, Wyoming and California. Richmond, Virginia, was visited during the session of the Fifth Annual Conference of the National Tax Association, September 5-7, 1911. To get the matters that they had under consideration before the people as much as possible, they held meetings at several of the leading towns of the state. Delegates from seventy-four of the counties of the state were present at one of their most important sessions.

This favorable beginning was followed by a short introduction to the history of Iowa taxation, in which the history of tax development in Iowa is rapidly gone over in review. The present system and its defects are then pointed out and the question of exemptions is given a good deal of attention. Then followed a series of tables most of which are concerned with tables of land sales in counties in
various parts of the state. The principal purpose of these tables is to show the variations between sale value and taxing value not only in the various counties mentioned above but also variations in the same county. These are based upon reports of transfers. What is shown in the counties of Adair, Boone, Cerro Gordo, Hancock and Wayne, was found to be true of the fifty or more counties visited by the Commission.

They then proceeded to make a comparative study of assessments and equalization. While doing this they noted what had been done in other states east, west, north and south of them. To do the work which the Commission considered needful, they favored a permanent state tax commission to take the place of the present executive council in the work of assessment and equalization. They believed that the office of County Assessor should be created, to have general supervision in the county, as they found that the township method of handling equalization had been dropped in all but six states in the United States.

They reported in favor of the income tax, but said that we should revise our taxation machinery before we make a serious attempt to use it. The inheritance tax in its collateral features is now in use in the state and has been since 1896, and they desired the state to give it a good
fair trial. It will be noted from a table compiled by the author that all the states except Alabama, Florida, Georgia, Mississippi, Nevada, New Mexico, Rhode Island and South Carolina have this form of tax.

This Commission, like its predecessor, closed its report with an elaborate bill to rearrange and reform the taxation system of Iowa. On the whole, this is one of the best and most comprehensive reports that we have examined. It calls for reform, but with it all the desire is shown to go carefully and to introduce only tried principles into the taxation scheme of our state.
FURTHER ARGUMENTS AGAINST THE GENERAL PROPERTY TAX

Lest some one may still be unconvinced as to the failure of the general property tax through the escape of intangibles largely, let me present some figures taken from Dr. R. T. Ely's *Taxation in American States and Cities*:

<table>
<thead>
<tr>
<th>City</th>
<th>Date</th>
<th>Realty</th>
<th>Personalty</th>
</tr>
</thead>
<tbody>
<tr>
<td>Philadelphia</td>
<td>1868</td>
<td>$445,563,317</td>
<td>$7,954,169</td>
</tr>
<tr>
<td></td>
<td>1878</td>
<td>577,548,328</td>
<td>9,439,769</td>
</tr>
<tr>
<td></td>
<td>1887</td>
<td>618,059,987</td>
<td>10,619,325</td>
</tr>
<tr>
<td>Providence, R.I.</td>
<td>1867</td>
<td>45,027,200</td>
<td>40,017,200</td>
</tr>
<tr>
<td></td>
<td>1877</td>
<td>85,789,800</td>
<td>32,085,000</td>
</tr>
<tr>
<td></td>
<td>1886</td>
<td>97,975,900</td>
<td>32,281,500</td>
</tr>
<tr>
<td>Cincinnati, O.</td>
<td>1867</td>
<td>68,569,040</td>
<td>68,412,285</td>
</tr>
<tr>
<td></td>
<td>1877</td>
<td>128,820,270</td>
<td>50,609,372</td>
</tr>
<tr>
<td></td>
<td>1886</td>
<td>129,373,370</td>
<td>42,571,661</td>
</tr>
<tr>
<td>Boston</td>
<td>1867</td>
<td>250,587,700</td>
<td>194,358,400</td>
</tr>
<tr>
<td></td>
<td>1877</td>
<td>481,407,200</td>
<td>205,433,386</td>
</tr>
<tr>
<td></td>
<td>1886</td>
<td>517,503,275</td>
<td>193,118,060</td>
</tr>
<tr>
<td>Ohio</td>
<td>1875</td>
<td>1,062,915,044</td>
<td>535,660,818</td>
</tr>
<tr>
<td></td>
<td>1886</td>
<td>1,173,106,705</td>
<td>515,569,463</td>
</tr>
</tbody>
</table>

Here follow a few figures from the New York Report of Commissioners of Taxes and Assessments for the City of New York:

<table>
<thead>
<tr>
<th>City</th>
<th>Date</th>
<th>Realty</th>
<th>Personalty</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manhattan</td>
<td>1898</td>
<td>1,754,982,400</td>
<td>509,022,449</td>
</tr>
<tr>
<td></td>
<td>1907</td>
<td>4,391,970,951</td>
<td>432,654,158</td>
</tr>
<tr>
<td>Brooklyn</td>
<td>1899</td>
<td>609,822,267</td>
<td>100,052,348</td>
</tr>
<tr>
<td></td>
<td>1903</td>
<td></td>
<td>88,576,775</td>
</tr>
<tr>
<td></td>
<td>1904</td>
<td>1,181,221,910</td>
<td></td>
</tr>
</tbody>
</table>

41
Queens
1899  $40,264,692  $6,314,032
1907  52,931,236  11,191,262
1902  10,176,900
Richmond
1899  40,264,692  3,838,890
1901  9,655,620
1907  4,062,205

Seager, in his *Introduction to Economics*, says California had a rise in her real estate value from 417 to 701 millions in 1872-1887, while personalty decreased from 220 to 164 million dollars.

But why should any more space be taken to show that personalty steadily grows smaller and escapes more and more the part of this burden that it should bear? Why should any fair-minded person advocate the general property tax in the face of the facts that have been cited?

Dr. Charles J. Bullock states some reasons for the failure of the general property tax, which I will quote, in substance at least:

1. This property is largely intangible, easy to transfer and conceal.
2. Does not admit of valuation by any common standard.
3. Moted law points involved in situs, etc.
4. Character of a large portion of this property: negotiable instruments, book accounts, etc.
5. Lack of cooperation of taxing forces.
   a. Love of gain.
   b. Desire to avoid publicity of private affairs.
6. Valuation of some require expert knowledge to determine value.

From what has gone before, the general property tax stands condemned, as it is clearly incapable of doing what a system of taxation should do in this twentieth century with its manifold and pressing needs.

A Few Quotations as to the General Property Tax

1. "In a complex community of modern times, however, such as all European countries have come to be and as most of our own states have come to be, the general property tax proves hopelessly impracticable. It tends to glaring inconsistencies and inequalities, and fails completely of attaining its proposed object." 58

2. "The widespread concealment of intangible property, increasing in amount year by year, is the most convincing proof of the failure of the general property tax." 59

3. "No economist who has ever written upon the subject, and no state officer who has had to do with the administration of the tax, has ever been able to speak of it except in terms of the severest condemnation." 60

4. "The general property tax is the cause of such
crying injustice that its alteration or its abolition must become the battle cry of every statesman and reformer.

"It puts a premium on dishonesty and debauches the public conscience; it reduces deception to a system, and makes a science of knavery; it presses hardest on those least able to pay; it imposes double taxation on one man and grants entire immunity to the next."

5. "This general property tax, as it is called, has never worked satisfactorily, and its shortcomings have led to the appointment of numerous tax commissions to investigate the problem of state and local taxation."

6. "In practical operation the system is neither American, Democratic or just."

7. "There cannot probably be found a single instance in the whole state, unless possibly in the case of certain unoccupied land, the property of nonresidents, where the law as respects the valuation of real property is fully complied with, and where the oaths of assessors are not wholly inconsistent with the exact truth."

8. "Economists of the United States, like the economists of Europe, have come to recognize the absolute failure of any just or equitable administration of the general property tax."
Resume' of the Faults of the General Property Tax

Under the general property tax all property is taxed and valued at a uniform rate. The only exception to this statement, that I recall, is found in Savannah, Georgia, where the rate for personal property is much lower. This plan of uniformity is unjust, for all property ought not to pay at a uniform rate. There are so many conditions affecting property that to put a uniform rate and value upon all is to do the greatest injustice to many owners. Then about one-half of the stocks, bonds, credit instruments, can not be found. This is a common complaint. In Boston, competent business men say personalty is four times as valuable as real estate, but is assessed for only one-fourth as much. There are, in short, two problems: (1) better adjustment of the burdens of state and local taxes (and one way to aid in this is to get the invisible and concealed property to pay its share); (2) get the proper amount in taxes from the income classes.

One reason why one state can not proceed in this
matter alone is that to put a working plan into the system will tend to drive the intangible out of one state into another with more liberal laws. To make it workable in the best sense of the word would require uniformity in many matters in the various states. The question of a just and proper rate comes in at this point and is a problem that cannot be hastily settled for all time.

A Bill of Complaints

1. The general property tax has long been outgrown.
2. Forty states are trying to find a remedy.
3. Great irregularity in methods used in the various states at present.
4. The problem presents many difficulties that the present system seems powerless to remedy.
5. The various state commissions are making an attempt to reach common and firm ground as to taxes.
6. It will pay us to go slow in this matter and not do anything rash.
7. The great difficulty is how to reach the intangibles that now escape.
8. Equalization, together with greater potential power to get money from tax plan, is the crying need.
9. The general property tax has been abandoned in all countries except the United States as antiquated. It works
best in North Carolina, says Professor G. E. Barnett, but it has many faults there, and is used only because they have found no better way.

As a formal summing up of the defects of the general property tax, I refer to the defects pointed out by Dr. Seligman. While this article was written some years ago, yet it is in substantial accord with what has recently been written upon this question, and I have given the five practical defects of this tax in nearly the language of the author of Essays in Taxation:

1. Lack of uniformity or inequality of assessment.
2. Lack of universality or failure to reach personal property.
3. Incentive to dishonesty.
4. Regressivity or an increase in rate as property or income decreases.
5. Double taxation.
VI
PROPOSED SUBSTITUTES FOR THE
GENERAL PROPERTY TAX

In the pages that follow, I give a set of substitutes for this outworn system that are working in places where they have been tried. They are perhaps not entirely faultless, yet they are so much better suited to our present day needs that we should not hesitate to give them a fair and impartial trial, remembering all the time that no system is perfect that man may devise, but that improvement is nearly always possible; and in no line does this hold any better than in the matter of taxation and tax reforms.

I wish now to propose the following substitutes for the general property tax:

1. The Corporation Tax.

"It is believed no argument is needed to vindicate such impost."\(^{69}\)

"We are rapidly trending to the point where the two greatest sources of public revenue will be found in land and in the corporation tax."\(^{70}\)

The quotations given above are straight to the point, and as the men who made the report are from two of the most progressive of our North Central States, Iowa and Minnesota, we can get from this an idea that newer and better things
are looked for in these two states in the matter of taxation.

This plan is found in Pennsylvania, New Jersey, New York and Massachusetts, together with all the other states of the Union except Nevada, as may be seen by consulting chart compiled from a Census Bureau publication of 1912. The plan is applied in many cases to domestic corporations only. In Massachusetts the plan is briefly as follows: A general franchise tax on corporations chartered and organized under the laws of Massachusetts. It is intended to reach all property of corporations once, and once only. Those who have observed it claim that it is unique in the tax experience of the United States.

The real estate and machinery of corporations is assessed by local authorities and taxes paid to cities and towns. All the other property of corporations is taxed by Massachusetts under corporation and franchise tax, and then divided with cities and towns. There is also a yearly tax upon the corporation franchises of all corporations that are for profit in the state. This tax is assessed by the tax commissioner, aided by corporation returns and local assessors' reports. The corporations give returns under oath of all property, owners, residence, number of shares, amount of capital stock, and all other facts as to property. Upon the first of August the assessors get the names of new
corporations, while the commissioner is empowered to examine the books of the corporations.

The part in and out of the state are separated, and that out of the state exempted, as is also that subject to local taxation. The corporation excess that remains is taxed at the average state rate. The yield of the tax in 1896 was as follows: Net amount assessed by tax commissioner, $3,829,528.02; while the amount certified to cities and towns was $2,729,665.65; thus the amount remaining to the state was $1,099,862.17. This tax works well, and there are no complaints, and evasions are few.

2. The License or Business Tax. This tax is now very generally used throughout the United States. This is one of the best arguments that may be given in support of it, for to be used under such widely differing conditions as are found in our vast country with many and varied industrial conditions is a good test for the tax.

The plan as used in the State of Maryland, where it was started in a crude form about 1819, is as follows: Brokers were taxed by means of a license at $500 per year if they dealt in bank notes and lottery tickets. In 1827 traders, auctioneers and the ordinary licenses from business for a quarter of a century
was the chief source of the state's revenue.

During the years from 1877 to 1898 about one-third of all the taxes were from this source. Some of the forms of this tax are:

a. Auctioneers in Baltimore pay $450 to $750, the exact amount being determined by their sales. There is also a traders' license in the counties.

b. Brokers pay a license and are divided into exchange and produce brokers.

c. Hawkers and peddlers pay from $100 to $200 for county.

d. There is a traders' license, determined by stock and other facts regarding the business.

e. Liquor dealers are taxed in accordance with their stock.

f. Billiard tables pay $50 each and ordinary keepers pay from $25 to $450.

g. In the country, the saloons and oyster houses pay $50.

h. There is a license also for oyster dredgers, tongers, and canners.

In some cases the license goes to aid and foster the industry from which it is taken, as the license charged oystermen goes to keep up the beds, etc. There is one
feature that may cause monopoly; i.e., the auctioneers' license. The high rate to peddlers is at the behest of the firms with a fixed location. The clerk of the court grants the licenses, and with a heavy penalty, the law is well enforced. The problem is not their retention, but how shall we apportion the funds that these taxes bring in. This tax is akin to the franchise tax.

These and other forms of license taxes are found in Maryland, and they seem to yield a good revenue. These taxes are all of such a nature that the evasions and other injustices found in connection with the general property tax do not occur in their administration.

3. The Capitation or Poll Tax. This is another tax that may be used to take the place, in part, of the general property tax. This tax was used in the colonies long before the Revolutionary War. Coupled with a gross products tax the poll tax was in very early use in the eastern part of the United States. We are told that the great campaign of 1756 in the French and Indian War was supported, as far as the colonists were concerned, by the colonial poll tax of that period.

A glance at my chart will show that a large number of our states are using it today. The tax may be from $1.00 to $2.00 per head, with an exemption for the very poor, old
and infirm. This tax cannot be evaded, and with the exemption stated above, would work no hardship. The income from this in Massachusetts in 1896 was $1,434,629, and in 1904, $1,676,726.

4. The Inheritance Tax. "The inheritance tax has become so essentially a part of the system of public finance in every civilized country that its desirability and justice is now universally acknowledged and consequently laws imposing such a tax no longer need any defense." You will also note from the table referred to above, that over thirty states now use the inheritance tax.

This tax was first used in Pennsylvania, in 1826, and its use has grown much since that time, as the wealth of the country has grown. The years from 1890 to 1900 showed great activity in the development of this tax. We may take Pennsylvania and New York as models, where over one-half the taxes apply only to collateral heirs. Seven of the states apply the method of progression. The years from 1901 to 1903 brought a good many changes to this tax:

a. Progressive principle resorted to more extensively than ever before.

b. Rates were made higher.
c. Exemptions to direct heirs lower.

d. Applied now to both personal and real property. The 5 per cent on collateral heirs was for years the model of other states, as this method was used in New York as early as 1885.

5. The New York Plan of 1904 a Type of Coming Taxation. This tax, combining as it does most of the kinds that I have already enumerated, is a type of the kind of tax that will be developed when all of these newer or better forms are correlated into a well rounded and consistent whole.

The entire income of the State of New York for 1904 was $25,500,000, and of this, $21,500,000 was from the following:

a. Tax on corporations, $7,030,000.
b. Tax on inheritances, $5,430,000.
c. Tax on licenses, $9,040,000.

The various corporation taxes January 1, 1905, were:

a. Incorporation tax of 1/20 of 1 per cent on the authorized capital.

b. A general corporation or franchise tax equal to 1/4 of a mill for each 1 per cent of dividend if in excess
of 6 per cent of var value of stocks. If the dividends were below 6 per cent, 1 1/2 mills upon the value of capital employed in the state.

c. A tax of 1 per cent upon the capital and surplus of banks and trust companies, and on surplus and undivided profits of savings banks.

d. A tax of 1 per cent on gross receipts of insurance companies.

e. A tax of 1/2 of 1 per cent on gross receipts of business done within the state, of steam surface railways, canal, steamboat, ferryboat, express, telegraph, telephone, palace car and sleeping car companies, etc.

f. Tax of 1 per cent on gross receipts of elevated and surface railroads not operated by steam, and an extra tax of 3 per cent upon dividends in excess of 4 per cent.

In addition, New York has a special franchise tax that gave four and a half millions in 1905 with a 1 1/2 per cent rate.

Some Advantages of These New Taxes

1. Easy to collect. This is a very important consideration, for the question of collection is perhaps the most vital of all to the success of a tax.

2. They are hard to evade. Take for example the
inheritance tax: a man may go through life, grubbing and cheating and lying about his taxes; but when he at last gives up things mundane, the facts as to his holdings are pretty sure to come to light in the probate of his will or in the strife of the heirs in case there is no will.

3. Help to place the burden of taxation where it belongs. This is a very needful thing, and the general property tax failed utterly to do this.

4. Serve as a means of reform. The various statements that we have given about these taxes say that evasions are few or none, and we know how the old tax was a great temptation to the man with an India rubber conscience.

5. SUited to our present political and economic needs as the very forms used are a recognition of the recent industrial developments.

6. Will dispose of the problems of which the commissions are complaining, for they are the outgrowth of fifty years of agitation for better methods of taxation.

7. Through such forms of taxation we would provide for our future needs as they can be increased as needed. Do not think that there will be no more trouble in taxation
when we change to these, for any plan must be worked to work properly.

Some of the arguments brought out for the above taxes are reinforced by the following table:

**Taxation and Revenue Systems of State and Local Governments**

<table>
<thead>
<tr>
<th>States</th>
<th>General Property</th>
<th>Poll</th>
<th>Inheritance</th>
<th>Corporation</th>
<th>Business Licenses and Fees</th>
<th>Income Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alabama</td>
<td>x</td>
<td>x</td>
<td>-</td>
<td>x</td>
<td>x</td>
<td>-</td>
</tr>
<tr>
<td>Arizona</td>
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<td>-</td>
<td>x</td>
<td>x</td>
<td>x</td>
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</tr>
<tr>
<td>Arkansas</td>
<td>x</td>
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<td>-</td>
</tr>
<tr>
<td>California</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>-</td>
</tr>
<tr>
<td>Colorado</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>-</td>
</tr>
<tr>
<td>Connecticut</td>
<td>x</td>
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<td>x</td>
<td>x</td>
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<td>-</td>
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<tr>
<td>Delaware</td>
<td>x</td>
<td>-</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>-</td>
</tr>
<tr>
<td>Dist. of Col.</td>
<td>x</td>
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</table>

This table shows the use of the various taxes in the forty-eight states and the District of Columbia. The "x" means the state has the tax in question; the "-" means that the state does not have it.

Lest some one should think that the newer taxes that I advocate play an unimportant part in comparison with the general property tax, I invite their attention to a couple of short tables in which the corporation, general property, and inheritance taxes are placed side by side for purposes of comparison, first in three groups of states, and second in one state alone, for an intensive view of the subject.

The reader may, in comparing the larger table with the two small ones, note what may appear at first sight as disagreements as to the states that use the general property tax. Before you decide that the tables contradict each
recall the fact that I am dealing with the general property
tax for state purposes in the last two tables, and with
the use of that tax in all forms in the first or long table
of the states. Without further arguments, I will present
the tables which will speak for themselves:

<table>
<thead>
<tr>
<th>Corporation</th>
<th>General Property</th>
<th>Inheritance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>New England Group</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maine</td>
<td>$1,270,794</td>
<td>$667,807</td>
</tr>
<tr>
<td>New Hampshire</td>
<td>302,751</td>
<td>456,689</td>
</tr>
<tr>
<td>Vermont</td>
<td>924,952</td>
<td>739</td>
</tr>
<tr>
<td>Massachusetts</td>
<td>5,981,335</td>
<td>4,500,000</td>
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<tr>
<td>Rhode Island</td>
<td>878,529</td>
<td>748,307</td>
</tr>
<tr>
<td>Connecticut</td>
<td>3,866,681</td>
<td>461,936</td>
</tr>
</tbody>
</table>

| **Middle Atlantic Group** |
| New York    | 9,442,933        | -----------| 6,962,615  |
| New Jersey  | 6,791,794        | 1,042,780  | 569,450    |
| Pennsylvania| 16,839,338       | -----------| 1,739,853  |
| Delaware    | 292,596          | 1,255,360  | 3,444      |
| Maryland    | 1,198,405        | -----------| 257,989    |
| Dist. of Columbia | 903,195    | 4,298,398  | -----------|

| **East Central Group** |
| Ohio        | 5,298,544        | 2,687,272  | 45,139     |
| Indiana     | 1,429,849        | 6,109,254  | -----------|
| Illinois    | 2,329,255        | 4,836,592  | 556,257    |
| Michigan    | 5,387,539        | 6,112,436  | 258,329    |
| Wisconsin   | 4,155,492        | 1,254,561  | 233,567    |

Figures given include state's share of general prop­
erty tax collected locally from certain corporations in the
states of Indiana, Ohio and Illinois. The following figures
give a nearer view of the subject from the single state of
**New York:**

| Corporation taxes | $10,349,164.76 |
| Corporation organizing tax | 472,959.81 |
| Total to state from corporations | 10,822,124.57 |
| General property tax for state purposes, 1912 | ----------- |
| Inheritance tax | 12,153,188.84 |
In the richer states which are also the states where there is the greatest need for money, the general property tax is paying a smaller part than the other taxes that I have advocated. What is the lesson that the great, new, and rapidly growing states of the Mississippi Valley should take from this? It is, "Go, thou, and do likewise."

Some Arguments Drawn from the Table of States

This compilation from official sources gives us some rather significant arguments for the new taxes that I have been advocating:

1. Note that all the states are using the general property tax, and yet, by their own admission, as given in the various tax commission reports, they do not like it. They charge it with serious faults, as I have shown, and have made many recommendations for changes. On the other hand, all of the new taxes advocated are used in a very large number of states. Then why not dispense with this old and faulty form, the general property tax, and take up the new one entirely, and thus a better and more perfect instrument will give to each commonwealth a means to meet the great and ever increasing fiscal needs.

This is an age when taxation should be governed not by sentiment but by sense. The income tax, which but few
states use now, may be adopted at length, and then we shall have a full, perfect and balanced system of taxation. By change the states will lose the old and take on the newer forms more fully, and by so doing, become fitted to better carry out the purposes for which they were created and for which the fathers of the republic wrought so ably and so well in the dark and trying days of the nation's genesis.
VII
CONCLUSION

I have thus briefly tried to give a birds-eye view of some of the problems of taxation reform as they now begin to loom large to many writers and thinkers in public finance and economics. We are advancing upon almost every line of endeavor, and why not upon this? We pride ourselves upon our progress and our alertness along all lines, and yet we still use the general property tax, a remnant of the cruder conditions that have passed away. We have made progress that has astonished the world in other fields of endeavor, and shall we not move forward with our taxation system to a point more nearly abreast with our progress in economic and industrial matters. The answer of the true progressive should, it seems to me, be a decided affirmative.

Great things are before us in this newest and best of centuries; let us improve our state and national government in this important particular, and with an optimism born of knowledge and power, move forward as a nation until all shall admit that, with us, government by and for the people is a fact and not an experiment.
REFERENCES

1 Seligman, Essays in Taxation, p. 23.

2 Seligman, Essays in Taxation, p. 43.

3 Seligman, Essays in Taxation, p. 43.

4 Seligman, Essays in Taxation, p. 48.

5 Seligman, Essays in Taxation, p. 49.

6 Seligman, Essays in Taxation, p. 51.


10 Adams, Taxes and Problems in Taxation, pp. 298-300, 301-327.

11 Cooley, Cases on Taxation, pp. 5-102.


23 Ely, *Taxation in American States and Cities*, Part II, Chapter III.


28 See various United States Census Reports, under Revenues, etc., 1860-1880.


34 New Jersey State Board of Taxation Report, 1892, p. 34.

35 Maine Commission Report, 1890, p. 4.


43 *Tax Commission of 1892 for New York*, p. 89; see also pp. 16-18, 22, 97; p. 16, annual reports of savings banks; p. 18, appeal to state board; p. 22, foreign and domestic corporations; p. 97, foreign bankers tax 1/2 of 1 per cent.

44 *Tax Commission of 1892 for New York*; see also *Taxation for State Purposes in Pennsylvania*.

45 Eastman, *History of Measures and Cases That Bear*
on Taxation, pp. 257-261.


51 For brief review of problems of the states named and others, see Johns Hopkins University Studies, Vol. XV, pp. 54-85.


65  Bullock, *Selected Readings in Public Finance*, p. 204.


71 Chart from Government Report of Taxation and Revenue Systems of State and Local Governments Relating to Taxation in 1912.


75 Bullock, *Selected Readings in Public Finance*, --- Massachusetts, pp. 337, 338; Maryland, pp. 338-344; Mississippi, pp. 344-349.

76 Bullock, *Selected Readings in Public Finance*, --- Poll Tax in American Commonwealths, p. 193; Poll Tax in
Massachusetts, pp. 194, 195; Poll Tax in North Carolina, pp. 195-199; Poll Tax in Mississippi, pp. 199, 200; Poll Tax in Georgia, pp. 200, 201.


80 Report of Special Tax Commission of Iowa, 1912, pp. 73, 74.

81 Reference to table, pp. 41, 42.

82 Bullock, Selected Readings in Public Finance, p. 380.

83 Bullock, Selected Readings in Public Finance, Development of Inheritance Taxes, pp. 373-383; Financial Significance of Inheritance Taxes, pp. 384-393; tables, pp. 394, 395.

84 Seager, Principles of Economics, pp. 504-509.

85 Table of Taxes for State Purposes, from Bureau of Taxation and Revenue Systems of the Various States, 1914.
86 Table of three groups of states and three kinds of taxes compared; see Lyons, *Principles of Taxation*, p. 100.
An irregularity in the handling of state general property tax in Connecticut, 1908-1909.

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Report of Commissioners of Taxes and Assessments of City of New York; Clarence S. Nathan. 1914.


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