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The Progress Toward a Better Tax System

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The Progress Toward A Better Tax System

UP TO the last decade, taxes were regarded by most people merely as a necessary evil. The public view was expressed by the proverb that "nothing is certain except death and the tax collector." Little heed was given to the rules governing the proper share of contributions to the public treasury, or the manner in which taxes were laid, and protests were confined usually to the amount collected.

This attitude of mind was an inheritance from the days when taxes were a tribute laid by rulers on their subjects, who realized that they received little return for their money and, of course, tried to pay as little as possible. Many were the rebellions against excessive taxes, and the devices of rulers to increase their revenues and keep peace led to the policy of concealing the actual amount paid by any one person. Thus arose indirect taxation, described by a French king's treasurer as "The art of getting the most feathers from the geese with the least squawking." This plan has certain advantages which have commended it to politicians of the present day.

But people are beginning to understand that the manner in which taxes are levied is more important than the amount. They see that the attempt to tax every form of property in the same way results in discrimination, injustice, evasions and hardships. They realize that the burdens of government fall too heavily on some people, while others escape. And so the old contentment with low taxes and the mere wild howl against an increase is being replaced by demands for changes in the system itself.

Unjust taxation checks the production of wealth and restricts the opportunities for employment. It lessens the rewards of industry and thrift, which are essential to progress. The countries where people are poorest and where industries languish are all suffering from oppressive taxation, but not so much from the total amount levied as from the foolish methods used.

If production and trade are hampered by foolish taxation, it is obvious that improvements in taxation will have the opposite effect, and increase the general prosperity.

For this reason, if no other, every one has a direct, personal interest in tax reform, especially during industrial depressions. Burdens that business could carry in good times, become unbearable when profits are curtailed. The indirect taxes shifted on the workers through increased prices may be borne, even though unequal and unjust, while wages are good and employment steady. But with reduced earnings, the shifted taxes become a serious item, and curtail purchasing power. This in turn holds back industry, since the workers are the great consumers.

When public revenues decrease because of slackening in business there is a hunt for new kinds of taxes rather than for economy. And in keeping with the old maxim, there is usually an effort to put the new taxes on some one who will shift them. Then those who first pay the tax will not protest, for they can add it somehow to price of goods or service. And those to whom the tax is shifted will not protest, because they do not realize the burden, or because it is so diffused that the exact effect cannot be shown and thus effective protest cannot be made.

To direct public attention to these general principles the New York Tax Reform Association was organized in 1891. An obnoxious listing bill that threatened annoyance and injury to commercial interests of the City of New York, and which would have reacted on the state at large, had been defeated only by great efforts and much public protest. The founders of the association believed that the best way to guard against future harmful legislation of this kind was to maintain public interest in the subject.

The principles that have guided the work of the association are stated in the following

PLATFORM

1. The most direct taxation is the best, because it gives to the real payers of taxes a conscious and direct pecuniary interest in honest and economical government.

2. Mortgages and other capital engaged in production or trade should be exempt from taxation; because taxes on personalty tend to drive it away, to put a premium on dishonesty and to discourage industry.

3. Real estate should bear the main burden of taxation; because such taxes can be most easily, cheaply and certainly collected, and because they bear least heavily on the farmer and the worker.

4. Besides real estate taxes, corporations should pay in taxes only the fair value of the franchises they obtain from the people.

5. No legislature will venture to enact a good system of local taxation until the people perceive the correct principles of taxation.

Therefore: We are uniting our efforts to keep up intelligent agitation of the subject, in order to improve the system.

A number of improvements in the law have been secured since the association was founded, as a result of its educational work and the co-operation of other civic organizations in arousing public sentiment. Among these changes are:

SOME RESULTS ACHIEVED

The Ford Special Franchise Tax Law, under which there have been added to the rolls nearly three hundred million dollars of values that formerly escaped taxation.

The mortgage recording tax, which yields several millions of dollars revenue annually, and has done away with the glaring injustice and inequalities of the old system.

Abolition of imprisonment for non-payment of personal taxes.

A uniform tax on banks and trust companies, that removed the discrimination due to under-assessment of other property, which bore most heavily on country banks.

The "separate assessment" of land and publication of real estate lists in the City of New York, which has greatly improved the assessment.

A number of administrative changes in the law have been secured, and injurious legislation has been successfully opposed.

The association is entirely non-partisan, and takes no part whatever in elections. It makes its appeal to the judgment of legislators and to public opinion. While opposing such legislation as seemed unwise, the association has always helped to improve even such measures, that they should do as little harm as possible. The members of the association represent every important line of wholesale and retail business, manufacturing, finance, real estate, and the legal profession.

The interest aroused in other states by this work has resulted in many requests for information and advice, which have been given, and work along similar lines has been undertaken in a number of states, either by existing civic bodies or associations organized for the purpose.

The successful conference on state and local taxation held at Columbus in November, indicates the present interest in taxation. Delegates appointed by the governors of 31 states, many of them state or local tax officials, and professors representing the universities, agreed unanimously in recommending a change from the old system of taxing all property in the same way.

In the last two years ten states have had special tax commissions. The six that have reported condemn the general property tax. In four states constitutional amendments will be voted on this fall, allowing the classification of property for taxation: Ohio, Missouri, Washington and California.

All these signs of progress are encouraging, but they are only a beginning. No state yet has anything like a perfect tax system, or even one that is fair as between various classes of citizens. New York is far from having the worst system, yet every official report points out absurdities and inequalities. Only by continued discussion of the subject can sufficient interest be aroused to have them removed. And only by "keeping everlastingly at it" will any state secure a tax system that will be fair to all its citizens.