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"TAXATION AS AFFECTING COMMERCE AND MANUFACTURES" *

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Over and over again in the history of the world industries have been destroyed, and States and cities brought to the verge of ruin, by unwise taxation. At this very time much of the misery of Italy is due to the taxation of food products, and in a rich country starvation is the doom of many. On the other hand, taxation may be so controlled as to give the fullest opportunity for industrial prosperity.

One of the first principles of taxation is that it should be so laid that persons owning the same class of property should compete on equal terms; and persons owning the same class of property must be on an equality before the law, not only within the State, but must not be put at a disadvantage with persons owning the same class of property in other States.

The burdens of taxation must be so laid that they can be confidently anticipated and provided for. Our system of taxation in this State, so far as the taxation of personal property is concerned, is uncertain, unequal as between citizens owning the same class of property, and burdensome as compared with taxation in neighboring States.

One need only glance at the last report of the State Board of Tax Commissioners to be convinced that taxation upon personal property in this State is as bad as any lottery. It is obvious that the value of personal property in any community must always be proportionate to the value of real estate, for real estate owes its value to the presence of population, and the productive power of that population, which is evidenced by the volume of personal property. We should confidently expect, if real estate and personal property were fairly valued, that the proportionate value of the one to the other would be nearly the same in any community and town, and nearly the same in each town or city from year to year.

The report of the State Board of Tax Commissioners for 1898 shows the most extraordinary variation in the percentage of the assessed value of personal property to the assessed value of real property. There are towns

in this State where it is the boast of the assessors that manufacturing industries are not taxed at all; there are other towns where the assessors load every dollar on the manufacturing industries that they can impose.

It needs no argument to show that competition between manufacturers of the same product is unfair when one pays taxes on his machinery, goods, and credits and another pays no such taxes at all; yet the figures reported by the State Board prove this must be the case.

It may be worth while to hear testimony from other States as to the advantages of encouraging industry by exempting manufacturing plants. The brief of the "Merchants and Manufacturers' Association," published in the *Baltimore Sun* of December 2, 1896, states: "That the exemption of manufacturing plants has been one of the greatest sources of prosperity to Baltimore, and that the impetus thus given to the establishment and extension of manufacturing industries in our city has far exceeded in value the taxes which have been abated. In some lines Baltimore now ranks among the leading manufacturing centers of the country, and this is mainly the result of the growth in the last fifteen or sixteen years. Employment has been furnished to thousands of our citizens, and it would be difficult to estimate the addition, either to the number of inhabitants or to the amount of taxable basis directly due to the development of our manufactures."

In 1894 the Legislative Committee of the New York State Grange made a valuable report on the taxation of mortgages. They showed plainly that not more than 3.28 per cent. of the mortgages in this State are actually taxed, although the law provides for the taxation of all mortgages. Every one here has probably heard of cases of extraordinary hardship where one-half the income of widows and orphans has been confiscated under the guise of taxation, and the injustice is appalling of taxing all of one man's property when less than 4 per cent. of the same class of property is taxed throughout the State. The grange committee reported that the abolition of the

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tax on mortgages "means a saving of \$5,359,-58¢ a year to real estate owners, at a cost to the State (if not made good by additional building and improvements, as in Boston) of 1½ per cent. of the mortgages now taxed, or \$737,512."

Massachusetts, Connecticut, New Jersey, Pennsylvania, Maryland, and Idaho all give us an object lesson in the benefits of exempting mortgages from taxation. The report of the State Grange above referred to says: "The Massachusetts law exempting mortgages from taxation was passed in 1881. All attempts since its passage to repeal the law have failed. In 1894 the vote was 118 to 21, ninety-four members being from agricultural districts. It is therefore submitted that the tax on mortgages is paid by real estate owners, who now bear the brunt of our taxes; that it is double taxation; that it keeps interest rates up; that the loss to the State from exemption is trifling (the State of Massachusetts lost no revenue as the result of exempting mortgages), and the gain to the borrowers very considerable; that as a question of public policy this drain on the producing class of the Commonwealth should be remedied, and the remedy is not by taxing the debts of this class, which results in making them and necessarily the whole Commonwealth poorer."

Finally, to sum up, the interest of trade and commerce demands the abolition of taxes upon personal property, because: Taxes are unequal upon property of the same kind and upon persons owning the same class of property within the State; they are burdensome as compared with the conditions in neighboring States.

Taxes upon manufacturing plants are necessarily unequal, prevent their establishment and

drive them away. They tend to increase the cost of goods and to place the burden of taxation upon those least able to bear it.

Taxes upon merchandise are unequal and tend to obstruct trade.

Taxes on mortgages either fall upon a small part of the community, and are therefore confiscatory, or, being imposed on all mortgages, increase the burden of those in debt. The tax on mortgages in this State costs real estate owners in increased interest at least seven times as much as the State receives. It checks improvement and drives capital from the State.

The tax on banks discriminates against them in favor of trust companies, as evidenced by the number of trust companies recently formed. The remedy is not to increase the tax upon trust companies, for taxes upon banks and trust companies must finally be paid by the business community. The true remedy is to abolish the taxes upon both, with a resulting benefit to the entire community.

The organization tax tends to prevent incorporation within this State, and should be reduced to a nominal sum.

A more effective law for the taxation of personal property increases the inequality, as shown by the experience of all States which have listing laws; farmers and the rural population pay far more than their share, as in Ohio and Missouri; capital is driven from such States in greater volume and the value of real estate declines.

Industry is discouraged, the cost of goods increased, the demand for labor lessened, wages tend to be reduced, both in money value and purchasing power.

As Professor Seligman has well said: "The general property tax is the worst tax known in the civilized world."

TAXATION OF BUSINESS CAPITAL *

F. B. THURBER

The business interests of the State are the breadwinners of the State, and should not bear more than their share of the burdens of taxation—in any case not more than competing business interests in neighboring States. Legislators, as a rule, act upon the principle that scientific taxation consists in "plucking the goose so as to produce the most feathers with

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the least squawk," and in following the line of least resistance they sometimes kill the geese that lay the golden eggs. Steam transportation has placed the products of the fertile lands of other States in direct competition with those of our own State, and thereby lowered the value of our farms and their products, and the only remedy seems to be to build up our manufacturing and commercial interests so that we may have a home market for a class