

# THE STANDARD

EXTRA. No. 35.

PUBLISHED WEEKLY, AT THE OFFICE OF THE STANDARD, 32 UNIVERSITY PLACE.

[Entered at the Post office in New York as second class matter.]

Price 2 Cts. NEW YORK, FEBRUARY 13, 1892. \$1.00 a Year.

Price of this number in quantities, 25 copies 10 Cts.; 50 copies 10 Cts.; 1,000 copies \$2.00

## HOME RULE IN TAXATION.

By Thomas G. Shearman.

The taxation of personal property has for many years been a subject of dispute and conflicting opinions. Generally speaking, farmers are determined that personal property shall be taxed, and they constantly demand more and more rigid laws for this purpose. Generally speaking, also, the residents of cities and large towns are opposed to such taxation, and resist all attempts to make the laws more stringent. It is in vain that proof is given that wherever rigid laws for the taxation of personal property exist the farmers pay a larger share of the taxes than they would if it were not taxed at all; the farmers refuse to listen and persist in taxing themselves. It is equally in vain that the farmers appeal to the owners of city land to join in their demand for listing and inquisitorial laws. The city landowners know that such laws only drive away capital and population, and so reduce the value of real estate. The result is a deadlock, leaving the tax laws in an absurd condition, reaching only a small part of personal property, and therefore taxing that small part twice or thrice as heavily as it ought to be taxed.

This is especially true of the State of New York. The taxation of personal property there would be a farce, if it were not more like a crime. The State assessors have repeatedly reported that practically nothing is reached by such taxes except banks and the property of widows and orphans held by trustees, whose consciences are of course much too tender to allow them to take a false oath, from which they would derive no profit, and who have not the power to evade taxes as everybody does whose property is in his own hands. The farmers want to make the laws more searching and effective. The cities want to repeal them altogether. Between the two conflicting interests nothing is done.

Is there no way out of this difficulty? Surely there is. The farmers do not care how the cities raise their taxes for city purposes, nor do the cities care how the farming counties raise their

taxes for county purposes. What the farmers do care for is that the cities shall pay such share of the State taxes as both their real and personal property would justify. The natural way out is by the adoption of the simple principle of home rule for each county in matters of taxation as well as in other things.

Thus, if the city of New York should be allowed to decide for itself whether it would or would not tax personal property, yet should be required to assess it as now, the result would be that it would pay at least the same share of the State tax as it does now, although it might decide to collect all taxes from real estate alone. There is very little doubt that the city would so decide or that the same decision would be made if the question were left to the owners of real estate alone to settle. And what possible injury could such a proceeding do to the interior counties? Personal property would be assessed even more fully than it is now, because its owners would have no motive for swearing off. The city would therefore pay a larger share of the State taxes than it does now. It is positively to the direct interest of the farmers of New York that the cities should exempt personal property, while continuing to assess it. It is the only possible method by which any larger share of the State taxes can be thrown upon the cities.

But it will be asked: "How can this be to the advantage of the cities?" It would be a sufficient answer to say that the cities would not exempt personal property from taxation unless they were satisfied that they would benefit thereby. But we may as well look into the merits of the question at once. A city adopting this system would attract capital and population from all its neighbors. Banks would multiply; factories would spring up; merchants would crowd in; labor would be in greatly increased demand; and the value of land would rise to an extent far exceeding any addition which might be made to the city's share of State taxes. Having the figures for the city of Brooklyn for 1891, let us see what would be the effect there. Using round numbers only, the valuation of real property was \$449,000,000, and of personal property \$18,000,000, while the share of State tax was \$589,000. If personal property should be exempted under a home rule law, and twice as much should be consequently returned for assessment, this would not increase Brooklyn's share by more than \$22,000. But the benefit which would accrue to Brooklyn by such an exemption could not possibly be less than \$500,000 a year, while, if New York city did not adopt the same system, Brooklyn's gain would be not less than \$2,000,000 a year. Most of this benefit would accrue to the owners of real estate, who would be thus compensated in overflowing measure for the little increase of taxes placed upon them. This they well understand; and, therefore, they would favor the exemption of personal property. But some of the benefit would accrue to all the rest of the people; and for that reason the mechanics and laborers favor this proposition.

If any city authorities object to this plan, on the ground that

the removal of all motive for swearing off personal taxes would lead to an excessive increase in the amount of personal property assessed, and thus to an unfair increase in the cities' share of State taxation, this objection may be met in either of two ways. The city assessors could be induced to take greater precautions against overvaluations than they do now; or personal property might be subjected to the State tax, although exempted from city and county taxes. This could be left to the discretion of the county authorities; and, if they found that a total exemption from taxation led to an excessive valuation of personal property, they could apply this remedy. In either case, the agricultural counties would gain something over the present system; because, in any event, the valuation of personal property in cities which exempted personal property, in whole or in part, would be greater than it is now.

It may be urged, as an objection, that the exemption of personal property from taxation in one or more counties would lead to a removal of such property from other counties. This is no sound objection. The property thus removed would be included in the valuation upon which the State tax is based, just as much in one county as in the other; and therefore the county from which it was removed would suffer no disadvantage in that respect. It would, of course, lose the benefit of such property for local taxation; and it ought to do so. The theory of taxing personal property is that the protection of such property costs at least as much as the tax. Indeed, as not more than one-third of the real value of personalty is supposed to be assessed in any county in the State of New York, it must follow, if there is any truth in the theory, that any county would make a great saving in the cost of government by getting rid of personal property as much as possible. The rural counties ought to be thankful to the cities for relieving them of this expensive burden; and the cities will cheerfully make the sacrifice.

On the other hand, the opponents of taxation on personal property maintain that the repeal of such taxes would greatly increase the prosperity of every county which should adopt such a measure. If it is found, upon trial, that such is the actual result, all the counties will, one after another, dispense with such taxation, and all will share alike in the prosperity ensuing. If the result is the other way, the counties which exempt personal property will be the only ones to suffer, and they will speedily retrace their steps.

The question is one which can only be settled by the test of actual experience. Is it not far better to apply that test in a few counties at a time, than to apply it to the whole State at once? And is it not clearly vastly better to apply the test in this manner, than to go on under the present system, which is neither one thing nor the other, combining all the disadvantages of both methods, without the advantages of either? For we do not and cannot succeed in reaching one-quarter of the personal property which we pretend to tax, while we keep its owners in a constant state of apprehension lest they should be taxed.

There remains one objection—the usual one advanced against all similar propositions by the advocates of centralization—that taxation must be administered upon uniform principles throughout the State. This objection needs much better support in argument than it has ever yet received, before it can carry much weight. Such uniformity is not now enforced by law, and it never has been. The city of New York makes its assessment in January; the city of Brooklyn in June; most of the counties at still another date. Different rules and methods of assessment and of collection of taxes are prescribed for different counties. The city of New York has methods of enforcing the collection of personal taxes which are much more effective than those allowed in Brooklyn. Brooklyn has much more effective methods of collecting taxes on real estate than those which exist in other counties; yet, only a few years ago, Brooklyn's methods were perhaps the most inefficient of any. Special and local laws on this subject abound.

Nor is this without reason. In rural counties the value of real estate is much higher at one season of the year than at another, because the assessors are bound to include the value of all improvements and growing crops; and most of these (buildings, of course, excepted) are removed in the summer and autumn. In cities and towns one date is as good as another, except that it is desirable to choose a date at which there are not many changes of residence.

But to pass at once to the case in hand. The reasons in favor of allowing a system of local option and self-government to counties, in matters of taxation for local purposes, are immensely strong; and the reasons against it are purely theoretical. Local taxation is vastly heavier than State taxation; and no county has the slightest concern with the methods by which another county raises its taxes, other than such as the people of one State have in the methods of another State. In strictly rural districts local expenditure is small, personal property is easily found, and its owners cannot readily evade taxation. No objection is made to such taxation, especially as the ownership of both real and personal property is substantially in the same hands. In cities the case is widely different. The tax on personal property is easily evaded, and its collection is unpopular with all classes, including the owners of real estate, who are supposed to benefit by it. There are many more reasons why the tax laws of cities should differ from those of rural counties than why the tax laws of New Jersey should differ from those of Pennsylvania.

The broad principle of home rule or local self-government, which has been applied with such magnificent success to the United States of America, which has reconciled the bitter antagonisms of Austria and Hungary, and which will be applied, next year, to the reconciliation of Great Britain and Ireland, is the one, and the only one, under which the conflict of interests and opinions between the cities and the rural districts, with respect to methods of taxation, can be settled to the satisfaction of all sides.