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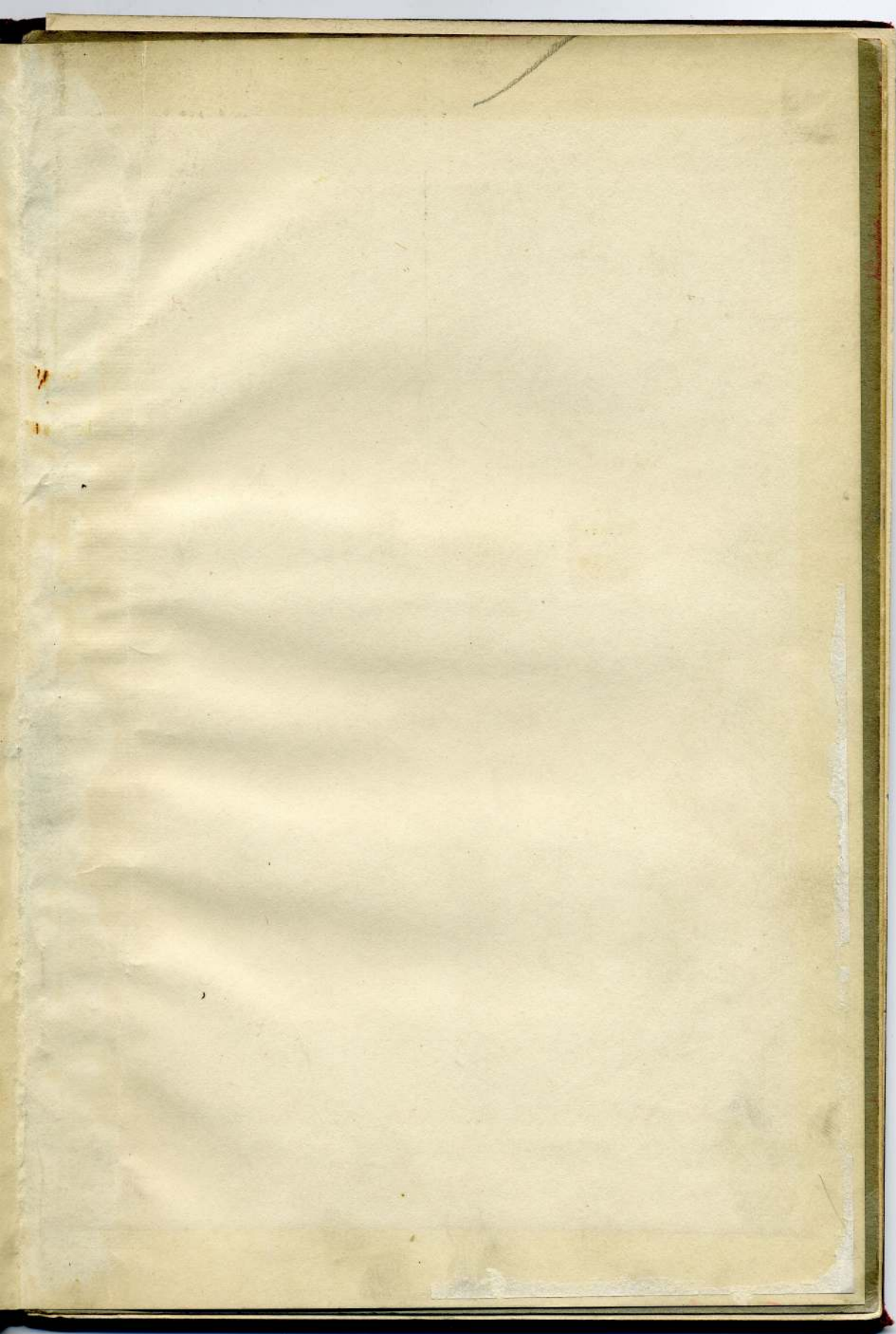


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ADDRESS

OF

WALTER S. HALLANAN

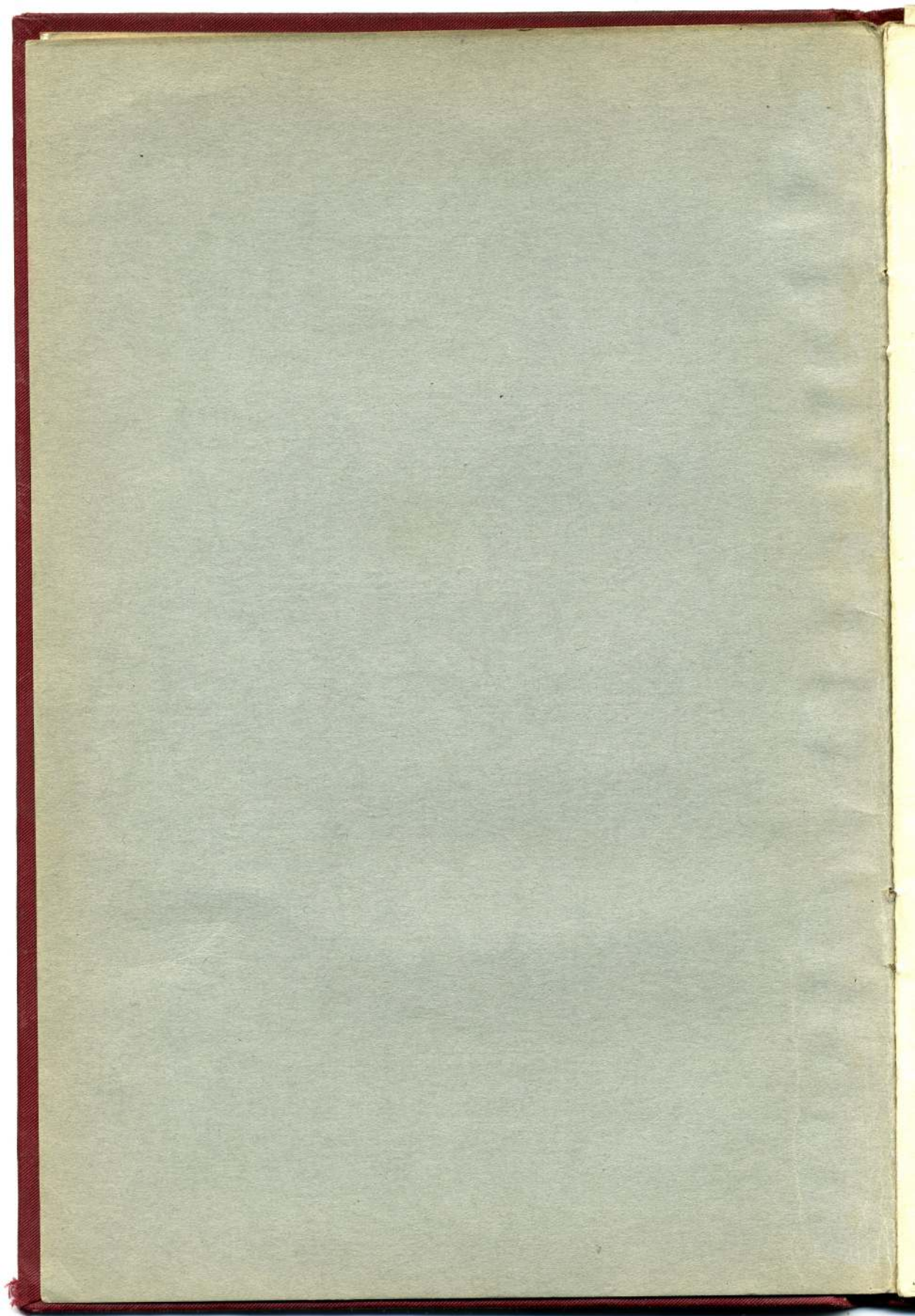
State Tax Commissioner

BEFORE THE

Parkersburg Board of Commerce

PARKERSBURG, W. VA.

FEBRUARY, 1922



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WALTER S. HALLANAN

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ADDRESS

LADIES AND GENTLEMEN OF THE PARKERSBURG BOARD OF COMMERCE:

One who is identified with the administration of tax laws in these days and times of heavy tax burdens feels doubly honored in being accorded the privilege extended upon an occasion of this kind. That is the exact measure of appreciation I have in being afforded this opportunity to appear before this distinguished body of representative business men tonight.

The City of Parkersburg has always occupied a distinctive and unique position, in my mind, in its relationship to the State of West Virginia. It was so fixed in my ideals even before my entrance into public life and the few years I have spent in the service of the State has tended to make me feel the certainty of the enviable position of your city more definitely. We have had in the State of West Virginia many cross-currents of thought. This has been true of business, political and industrial activities. Perhaps we have had more than any other state of the same size. It seems logical that in seeking the cause that we should consider the extremely varied activities that go to make West Virginia the wonder state of the Union.

We are supremely great in the production of coal—our oil and gas resources have made us famed and likewise have our timber, lime-stone and other natural products placed us in the front rank; our agricultural and horticultural resources are bountiful, and lastly our growth as a manufacturing state within the last few years has brought us into distinction as a state of tremendous possibilities along this line.

Many states claim distinction because of some one particular line of development. West Virginia's greatest greatness lies in the wealth that arises from the multiplicity of its industrial activities. But, in the variance of our business activity, we have found variance of

thought and difference of opinion bearing upon matters touching the public weal. It is revealing no private conception to say that as between the various business interests of the state, there has not existed the amity of relationship that should exist. Why that has been true I have never been able to understand, except as I recently made the public statement that I felt that ninety percent of this situation was due to misunderstanding of facts and purposes. I want to reiterate that statement here.

Particularly has this line of dissension found expression in our legislative halls and generally the spark has emanated from the one vital issue of taxation. There has been evidenced too freely a disposition to say that "the other fellow should pay."

I am pleased to say that I have always found Parkersburg and the community contiguous to it free from such methods. It has given expression to a fairness and a generous consideration for the public welfare that I admire most heartily. I wish for the day when the Parkersburg spirit will be exemplified in every other community of the State. If misunderstanding, misrepresentation and prejudice would give way to friendly understanding and co-operation among all the business interests of the State, the future of West Virginia would be definitely settled.

Your atmosphere has been free from the so-called "bloc" domination. That accounts for the splendid position your influence occupies in the State's affairs at this time when we need a reconciling factor to make possible a policy of "West Virginia first" and the group interest secondary. My hope is that you will recognize the strategy of your position in this respect and that while you will always be mindful of the direct obligation to your potential manufacturing interests and likewise of the responsibility to the great oil and gas development that has been directed from your city, that your concerted efforts will be given to those things which mean the growth and development of your state. You are standing in the twilight zone between the great manufacturing districts of Northern West Virginia and the coal-producing empire lying South of the Great Kanawha. I want to see your influence given to a policy

that will know the advancement of no group or clan but that of West Virginia's family group. I say to you that if you can exercise that influence as I believe you are in a position to do, that the future West Virginia will owe to you an immeasurable debt of gratitude.

From the rumblings of the times, it is indicated that we are approaching a campaign in the State that is to be pursued strictly on the basis of "the outs" against "the ins." We have already had too much of that kind of politics in West Virginia and I wish for the realization of the time when campaign issues will be based upon broad principles of government rather than upon efforts to deceive, misrepresent and to prejudice. And, if I do not miss my guess, that day will come forth soon from a repudiation of pettifogging political buncombe. Great issues of public policy are constantly arising in this State which should constitute the fundamentals of political platforms and the old order of "the outs" using any kind of abuse or deception to misrepresent "the ins" should be relegated to the political ark.

May I analyze more definitely just what I have directly in mind? I hear the cry coming up about extravagance in our State Government. Governor Morgan has taken hold of the reins of State Government at a time when our financial demands have been tremendously heavy and he has shown a keen alertness to every situation that would permit a reduction in public expenditures without serious detriment to the State's interest. His problems have been aggravated because our normal revenue yield, upon which appropriations of the legislature were predicated, have been materially affected by the acute business depression. I am confident that I can prove to any fair-minded man in West Virginia that the State government is not now, or has it ever been, conducted on an extravagant basis. On the other hand, I believe that some phases of our State government have been conducted in a policy quite too niggardly and that the incidental cases always revealed in a business such as of the size of the State's business where excessive amounts may have been expended in some particular activity, will be found in less degree in this State than in any other state of relative size.

We had a campaign in West Virginia a few years ago that was dominated by the charge of "gross extravagance" made by "the outs" against "the ins." It resulted finally in a change in the political complexion of the State administration and a Democratic Governor succeeded a Republican Governor. I have no disposition to give any political color to this address, but as business people interested in West Virginia, I want to see your support given in the direction of crushing the kind of insidiously narrow politics of which we have already had too much for the general good of the State.

In the change of administration at Charleston a Democratic Governor succeeded a Republican Governor and the pledge was given that expenditures of State Government would be reduced. Things went along for a time and when we took inventory we found that the last year of the administration of Governor Hatfield of 1917 cost the State of West Virginia for all purposes, \$4,034,835.06, while the last year of the administration of Governor Cornwell ending July 1, 1921, cost the State of West Virginia, eliminating Federal Aid for Roads, \$10,115,010.58. Thus you can note to what extent the administration that went into office on the pledge to reduce expenditures of government succeeded.

I want you to have these facts so you may understand that the office seeker who comes around and tells you that he is going to reduce the expenses of government in a state like West Virginia that has just begun to develop, is wholly reckoning without his host. To Governor Cornwell I concede a sincerity of purpose in giving promises of performance during a time of keen political strife, but those promises were made without a full realization of the tremendous financial demands from every avenue which come to a state that has been going forward in such an unprecedented era of development. Likewise, many extraordinary expenditures were made necessary during the war period—the educational and eleemosynary institutions of the State were unable to function on the appropriations of previous years and although an Efficiency Committee was appointed early in the administration of Governor Cornwell to inquire into possible "leakages" in the management of the State

institutions, the Committee never did submit its report because it was understood that if any criticism was to come from it that it would have been along the line of our institutions being conducted too economically rather than too extravagantly. Consequently the Efficiency Committee appointed by the Governor and responsible only to the Governor died "a-bornin'."

Effects of "Budget System" ✓

At the election of 1919, the people approved an amendment to the constitution designated as a "Budget Amendment." The effect of it was to take away from the legislature, coming direct every two years from the people, the authority to fix appropriations of public moneys and transferred that authority to the executive officers of the State—the men whose duty it is to expend a considerable part of the State's money. I have never felt that the people fully understood the effect of the Amendment or else it would never have been ratified. I think it thoroughly impractical that the authority for the fixing of appropriations should be vested in the executive officers of the State—that such authority is inherently within the legislature and as a matter of State policy should be wholly vested in the legislative branch of government.

✓ I have read recently an editorial criticism of the so-called appropriation extravagance of the last legislature written by the man who retired as Governor of West Virginia on March 4th last, and who, as Chairman of the State Budget Commission, certified the Budget Bill to the legislature of 1921. Under our present constitutional system of appropriating money, the legislature could not increase any item of the Budget Bill and its authority only could be directed toward a reduction of the items therein submitted. I have failed to see any improvement from the "Budget System" as it is in effect in West Virginia and so far as concerns economy in public expenditures, I believe we should experience far more satisfactory results by an adherence to the old law, which placed the authority for appropriation

of public moneys wholly within the legislative branch of government.

Although the expenditures of State government increased tremendously during the four years from July 1, 1917 to July 1, 1921, and even eliminating the extraordinary charges such as the first Virginia debt payment and the State Road Fund, jumped for general government purposes from \$4,000,000 to more than \$7,150,000, I am not here to offer criticism of this apparently astounding increase. Considering the difficulties that were common to the war period, I think the State government was conducted with negligible loss in each administration and that both Governor Hatfield and Governor Cornwell kept their eyes alert to every economic interest of the State. I say that the increase of government came naturally to a growing State in the same identical proportion that it touched each growing family in the State during the past few years.

Cost of State Government

I want to answer the critics of West Virginia government and those who would make it appear extravagant by citing the fact that even at the high peak of our expenditures—the fiscal year ending June 30, 1921—when there was a grand total disbursement of \$11,042,482.38 that West Virginia stood at the bottom as compared with other states of practically the same population, both in respect to total expenditures and also the per capita cost of State government. Our per capita cost for the fiscal year of 1921 was \$6.79.

Our neighboring State of Maryland, with less population, expended for state government last year \$16,440,663 or a per capita cost of \$11.34.

Connecticut expended for state government for the last fiscal year \$19,382,293.44—a per capita of \$14.04 or more than double of West Virginia.

The State of Washington expended for the nine months ending December 31, 1921, \$17,611,485.70 or a per capita of \$12.79 for nine months. In addition to said amount the State of Washington expended \$10,440,824.66 as a bonus to soldiers.

Nebraska expended for nine months ending December, 1921 \$8,458,333—a per capita of \$6.52 for nine months.

These are states of a 'most the same population as West Virginia and in different sections of the country. Not any one could be classed as possessing the potential resources which are found in West Virginia, but in practically every case, the cost of government so far exceeds that of our State that we might fittingly be described as yet being in our "swaddling clothes."

The State of West Virginia expended during the fiscal year ending June 30, 1921, for:

General government purposes.....	\$ 6 995,057.75	a per capita of \$4.70
State Road Fund—		
State.....	820,285 98	a per capita of .55
State Road Fund—		
Federal Aid.....	927,471.80	a per capita of .63
Department of Public Safety.....	211,925.69	a per capita of .14
Virginia debt payment.....	2,087,741.16	a per capita of 1.40
Making a grand total of.....	\$11 042,482 38	a per capita of 7.42

Eliminating from the grand total the amount disbursed from the State Road Fund out of moneys received from the Federal Government, the total would be....\$10,115,010 58 a per capita of \$6.79

Of the amount expended for General Government Purposes 41½% was used for education.

The latest figures available which are compiled by the Census Department of the Federal Government, are for the year 1919 and show the per capita cost based on governmental cost payments for states of practically the same population as West Virginia, as follows:

West Virginia.....	\$3.05
Washington.....	7.48
Maryland.....	8.23
Connecticut.....	9.84

The report shows only four states with a smaller per capita cost than West Virginia; the four states being North Carolina, South Carolina Georgia and Mississippi. Each one of these four states expends practically no state funds for educational purposes.

While we were taking care of our State and local governments, there was paid into the federal treasury from residents of the State in income and excess profits taxes for the fiscal year ending June 30, 1921, the sum of \$35,800,000. This does not include the huge sums earned within the State but reported by persons living outside the State. This is vastly more than the money raised in the State last year for all government—State, county, municipal and district. This to my mind, shows two things—First, that the earning power of the State is tremendously large and that the tax burdens of the Federal Government have tended to aggravate the burden of local government.

The Realities of Our Financial Situation

We all earnestly want to see economy in our public affairs. The cost of government must be reduced before the cost of living can be reduced. That is fundamentally true. It is the earnest desire of the present State administration to get back to the pre-war status as nearly as may be possible. It is idle to expect the cost of government in West Virginia ever to be brought back to the basis of 1917. That can never be attained; for the reason that West Virginia is a vastly different state than what it was five years ago. Perhaps no state in the Union has developed by such leaps and bounds as we have. And while we were in the acme of industrial growth, the people of West Virginia decided upon a policy of progressive internal development. In this connection, permit me to bring to your attention that within the short period of three years, our State has

gone from one extreme position it had long occupied—that is, being the only state in the Union without a dollar of State debt to the other extreme of having today an authorized State debt of approximately sixty million dollars. The legislature of 1919, acting under a special provision of the Constitution, authorized the issuance of over thirteen million in bonds to liquidate the Virginia debt judgment, and in 1920 the people of the State by an overwhelming vote, decided upon an elaborate system of road improvements at a cost not to exceed fifty million dollars of which fifteen million has already been sold. I cite these facts that you may understand clearly that West Virginia's government is destined to cost a great deal more than it has ever cost before. No smooth political orator can eliminate the cold facts of the situation. The people have given the mandate that they desire to see these things done and the officials of your government are agencies to carry out those orders.

Normal Demands Increase

The normal demands of state government, particularly with respect to educational and law enforcement agencies have been increasing and with the extraordinary situations, such as the liquidation of the Virginia debt bonds annually; the providing of a Sinking Fund and interest charges for the road bonds and the necessity for a large outlay in the construction of a new capitol building, no reasonable man is going to tell you that the expense of government may be lessened. Fixed charges of government, to which I have referred, must be met.

Equality of Assessment

That being true it follows that the subsequent major problem is that of providing a method that will distribute equitably on all classes of property our burdens of government. The inequality of our property assessment system is notoriously known. We have drifted along in this State in a most discreditable way in the assessment of property values. With fifty-five assessors

and with no central supervisory authority over them we have had no less than fifty-five standards of assessment. The inequalities have been gross as to be actually criminal. The policy that has apparently been pursued heretofore was for each assessor to hold down property valuations in his own county, some being actuated by selfish political motives and others have only caught the spirit of wilful disregard for the plain provision of law relating to the assessment of property. The result has been evident in that while our valuations have been practically standing still for a number of years—in fact since the re-valuation of real estate in 1905—our levies have been increasing at an alarming rate. In the year of 1919 our average rate of levy in the State increased almost forty percent, while the assessors made negligible increases in the assessment valuations. In the meantime, property that was assessed at anything like a fair valuation has been groaning under the high rates of levy and millions of dollars of intangible property has been driven into hiding and taken entirely away from the tax duplicates. It is the history of taxation that when intangible property is subject to excessive tax rates, that it will disappear from the assessment books. This is exactly what has been happening in this State. Particularly so in the larger towns and cities where the tax rate has been going skyward year after year. Banks have keenly felt the tendency of the public to take money out of active commercial channels and place it into tax-exempt securities. People hesitate to place their savings in bank at a three or four percent interest rate and subject their money to local taxation at a rate approximating the earning power of it when tax-exempt securities at four and a half percent have been available. In this way, the State has through its tax policy, been creating a serious economic problem and one that has been growing more acutely.

These inequalities in property assessment were not so acutely felt when only the support of local government was involved. But, it has passed that stage now and the State Tax Commissioner must consider the constitutional duty owing to every taxpayer in this State to see that his tax assessments are made equal and pro-

portionate with every other taxpayer in the State. We all know that there has been no guarantee of that under the assessment system that has heretofore obtained in which each county has been a standard unto itself.

But, there is a state viewpoint to our property assessment system now. Our road bonds and our Virginia debt bonds must be provided for by a direct levy on property. Not by revenue from an indirect tax but by a levy on every hundred dollars worth of property in the State. With this situation confronting, I am determined that property valuations in the various counties shall be placed on one standard and that is, the standard definitely fixed by our law—"the true and actual value." Because of the efforts being made to enforce the law, relating to the assessment of property, some criticism has been directed towards me and all other assessing officers. Many who have profited from the laxity of our assessment system would prefer to continue the same old haphazard plan. Well meaning persons are often misled because they are not in possession of all the facts affecting the question in hand; or having full information, they are frequently the victim of fallacious reasoning. No public problem can be rightfully solved without a consideration of all the elements or principles involved.

This is a government of laws, and the law must reign supreme. It is crystalized public sentiment expressed in statutes and judicial precedents. The law, when contemplated in the abstract, is an interesting conception; but it is concrete and effective only when applied through human agencies, called officers. Sovereignty can only speak through this human agency.

✓If an officer, an instrument of sovereignty, unjustly performs some act which he has no right, or has obligated himself not, to do, he is guilty of malfeasance; if he performs an act which might lawfully be done, in an improper manner to another's injury, his act is misfeasance; and if such an officer fails to perform a duty imposed by law, he is guilty of non-feasance in office.

Section 12 of chapter 29 of the Code of West Virginia, requires that all property, both real and personal shall be assessed at its true and actual value. Who are duty

bound by this law? In answer, the assessor, the assistant assessors, the members of the Boards of Review and Equalization, judges of the circuit courts on appeals in assessment cases, the State Board of Public Works, the State Tax Commissioner and the property owners.

In view of the foregoing provisions, principles and penalties of the law, how can any self-respecting citizen consistently obstruct or oppose them? He is either a very bold or a very thoughtless person who would advise against the enforcement of the plain mandates of the law, whether the command be to assess property at its true and actual value for purposes of taxation, or that thou shalt not steal, or thou shalt not kill.

The time has come in West Virginia when property must be assessed on a uniform legal standard. As Tax Commissioner, I do not propose to sit idly and see a condition continue wherein property is assessed in one county on a thirty percent basis and in another county on a ninety percent basis of its actual value if I can possibly avoid it.

While I realize that many taxpayers feel that their valuations should not be increased during a time that earnings of property are low, it is my idea that when all the property of this State is assessed on a uniform and equal basis that we can have a reduction of levies that will mean, even under increased valuations, a considerably less amount of taxes for the average small taxpayer.

In nearly every county of the State with which I have been in touch the assessors at their work of re-valuation have found hundreds of thousands of dollars worth of property that has been entirely omitted on the tax books. That has meant that the property on the assessment books has been bearing an unequal share of the burdens of government from levies that have been increased from year to year at an astounding rate. It is a most ignoble fallacy that a holding down of valuations of property holds down taxes. It simply means that the levying bodies pile on additional levies every year, and while your valuation may have remained the same for the past ten years, which is true in most of the counties in this State, you are nevertheless paying

more than your share of taxes through the tremendous increase in local levies. This has been particularly true in the municipalities. I am sure that it will be interesting to you to know, however, that Parkersburg enjoys the distinction of having the lowest tax levy of any city in the State—your total rate being \$2.11. It has the record also of being the only city in the State that reduced its levy this year over the preceding year.

In the sixteen cities in West Virginia having a population of over five thousand, the aggregate levy laid for all purposes for 1921—including state, county, district, school and municipal—on each \$100.00 of assessed valuation, was as follows:

Wheeling.....	\$2.12
Huntington.....	3.04
Charleston.....	3.20
Clarksburg.....	3.11
Parkersburg.....	2.11
Bluefield.....	2.99
Martinsburg.....	2.64
Morgantown.....	3.21
Moundsville.....	2.68
Grafton.....	2.77
Williamson.....	3.76
Elkins.....	3.18
Princeton.....	3.27
Keyser.....	3.30
Fairmont.....	3.30
Weston.....	2.11

Over fifty percent of the aggregate levy in the Cities of Huntington, Parkersburg and Williamson was used for school purposes.

More than one-third of the aggregate levy laid in the Cities of Charleston, Clarksburg, Bluefield, Martinsburg and Moundsville, was used for municipal purposes.

The highest levy by a county court in any of the sixteen cities heretofore referred to, was in Keyser; the levy being 80 cents out of a total levy of \$3.30. The lowest levy laid by a county court was in the City of Parkersburg; the levy being 33 cents out of a total levy of \$2.11.

The lowest levy laid by a school board was in the City of Wheeling; the levy being 81 cents out of a total levy of \$2.12.

The highest levy laid by a municipality was in the City of Charleston; the levy being \$1.21 out of a total levy of \$3.20. The lowest levy laid by a municipality was in the City of Parkersburg and the city of Weston; the levy being in each instance fifty cents out of a total levy of \$2.11.

The total amount of direct taxes assessed in Wood County for all purposes (including state, county, district, school district, and municipal) for the years 1918 and 1920, are as follows:

1918.....	\$ 752,600
1920.....	1,109,469

Increase in two years..... \$ 356,869
The increase in 2 years is 48%.

The total amount of direct taxes assessed in the City of Parkersburg for the years 1918 and 1920, are as follows:

1918.....	\$ 504,249
1920.....	747,314

Increase in two years..... \$ 243,065
The increase in 2 years is 48%.

The total amount of direct taxes assessed in the State as a whole for the years 1918 and 1920, are as follows:

1918.....	\$20,605,450
1920.....	35,371,568

Increase in two years..... \$14,766,118
The increase in 2 years is 72%.

It will therefore be seen that the taxes in Wood County and the City of Parkersburg have not increased as much during the last two years as the taxes for the State as a whole; the increase for Wood County and Parkersburg being only 48% as compared with an average increase of 72% for the entire State.

Out of each dollar collected in Wood County for the year 1920:

- 5. cents was used for state purposes
- 5. cents was used for Virginia debt purposes
- 21.2 cents was used for county and district road purposes
- 3.7 cents was used for other county purposes
- 49.2 cents was used for local school purposes
- 15.9 cents was used for municipal purposes

100.0 cents Total

Out of each dollar collected in the City of Parkersburg for the year 1920:

- 4.5 cents was used for state purposes
- 4.5 cents was used for Virginia debt purposes
- 14.9 cents was used for county and district road purposes
- 3.4 cents was used for other county purposes
- 50. cents was used for local school purposes
- 22.7 cents was used for municipal purposes

100.0 cents Total

Out of each dollar collected in the State as a whole:

- 4.5 cents was used for state purposes
- 4.5 cents was used for Virginia debt purposes
- 24.4 cents was used for county and district road purposes
- 11.1 cents was used for other county purposes
- 44.7 cents was used for local school purposes
- 10.8 cents was used for municipal purposes

100.0 cents Total

It will be seen that out of each dollar collected in Wood County and the City of Parkersburg 50 cents, or one-half, was used for local school purposes; while in the State as a whole only 44.7 cents was used for local school purposes. 3.7 cents out of each dollar collected in Wood County and 3.4 cents out of each dollar collected in the City of Parkersburg, was used for county

and district purposes other than roads; while in the State as a whole 11.1 cents was used for similar purposes.

Necessity for Levy Limitation

"I consider the tendency to hold down valuations and to continue to pyramid the local levies as the most serious economic menace that confronts the development of West Virginia today. Millions of dollars yearly are being taken out of banks and being invested in Government Bonds, Treasury Certificates and various forms of non-taxable securities, because they who have money to invest do not propose to have the earning power of the money entirely taken away by exorbitant tax levies when there is any way to avoid it. To just that extent legitimate business is suffering today because money cannot be had through the regular banking channels as it has been taken away from these sources of deposit.

"When a just valuation is made there can be submitted to the people of this State a constitutional amendment providing for a limitation of levies of \$1.50 on the \$100 in municipalities and \$1.25 outside of municipalities, and I have no misgivings as to what the verdict of the people would be on this issue. I feel that this safeguard would be more assuring than to depend upon a limitation by statute. In fact, with the tendency of succeeding legislatures to pass special levy acts for all kinds and sorts of purposes, there would be little security in statutory limitation. I want to see this limitation bullet-proof, because I recognize that there would be serious disaster unless the levying bodies were brought within the scope of effective limitation. There can only be one real effective method and that is through our constitutional limitation. When this limitation is once written into our organic law, and there can be no escape from it, then, and then only, will we be able to solve the tax problem of this State.

"Briefly I want to summarize my position in this way: I am seriously advocating a thorough re-valuation of all property for these reasons:

“First—Because the law of the State requires a ‘true and actual value’ assessment.

“Second—Because it is economically sound and fair.

“Third—Because it is the only way under the present circumstances whereby there can be an equality of taxation among the various fifty-five counties comprising the State.

“Fourth—Because it will permit of an effective limitation of levies for all purposes, so that no class of property will be unduly burdened, and that our taxation responsibility will be equally and fairly distributed.

“I have discussed this matter at some length for the reason that I want the citizens of the State of West Virginia to have a proper perspective of this whole subject of taxation, and in order to expose some of the loose and fallacious reasoning of persons hostile to my policy of adhering to the law.

“In conclusion I feel that I am fully supported in my position by law, principles of justice, and sound economic theory, as well as by the sympathy of all right-thinking people.”

