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E. H. Vickers

LIMITATION OF TAX LEVIES.

An Address Delivered Before the State Board of
Trade at Its Session in Elkins on October
9th, 1907,

BY

ALBERT B. WHITE,
State Tax Commissioner.

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MR. PRESIDENT AND GENTLEMEN OF THE STATE BOARD OF TRADE:—

I have no new theories of taxation to expound to you to-day. I desire, however, to direct the attention of this body of business men to a phase of the taxation question, the solution of which merits the active co-operation of all the business interests of our State and especially of the great corporate interests. We may take it for granted that the present system of valuing property for taxation—all property—by one standard of value has come to stay. It is the only system possible under our present State Constitution. The standard of value for taxation purposes adopted by the Legislature of 1904, upon the findings of the Tax Commission, is the full or “true and actual value.” This has resulted, together with a general re-assessment of the real estate in 1905, in a total tax duplicate for the State in excess of \$900,000,000 for 1907, as against \$278,829,659. in 1904, or over three times as much.

Many millions of dollars of property have been put on the books in the past three years, which property was not previously taxed; and, of course, there has been much new capital and growth in values in the past three years. Indeed, the real estate valuations of 1904 were the valuations made in 1900, or four years before. The increase in total values, from using the yard stick of measurement known as the true and actual value, probably swelled the tax duplicate, independent of newly found property and the increase of value from 1900 to 1904 in real estate, over two-and-a-half times.

The Legislatures of 1904 and 1905 endeavored to protect the tax payers from undue or extortionate rates of taxation, by limiting the amount of taxes to be collected to those of the year 1904, with a small per cent. additional for natural increase, for the years of 1905, 1906 and 1907. Those increases over 1904, you will remember, were five per cent. for 1905; seven per cent. over 1904 for 1906, and nine per cent. over 1904 for 1907. The Legislature of 1907, however, saw

fit to fix the levies at a certain definite maximum rate for 1907, and hereafter.

As the counties, prior to 1904, had laid their levies within the constitutional limit of 95 cents, and as the tax duplicates, or total assessment of property, were three times as great on the average as in 1904, the Legislature fixed the limit of county levies at 35 cents on the hundred dollars, with a special provision for outstanding indebtedness.

The average city levies in 1904 were limited to \$1.00, with a few special charters allowing an additional levy for debts. The Legislature of 1907 fixed the city maximum levies at 40 cents, with a provision as to indebtedness.

As to the school levies and limitations it may be said that, though there are school tax limitations, there are too many exceptions to note in this brief statement. The sharp increase in teachers' salaries, the lengthening of the minimum school year for this year by 20 per cent. and the rapid growth of the State with demands for school buildings have made the task of limiting school levies by statute a very complicated one.

Leaving out school taxes from discussion, at this time, and limiting ourselves to a consideration of county and municipal taxation, it might be said that the maximum tax rates fixed by the Legislature of 1907 were on the whole too high rather than too low. But the remarkable fact in connection with this matter was the indifference of the great railroad, mining, manufacturing and other great corporate interests to the question, when it was pending in the Legislature. The eyes of the business world were seemingly only fastened on the valuations of their properties for taxation, with a supreme indifference toward the rate of taxes to be levied. They have not co-operated, as they should, in the efforts to relieve the property holders of the direct burdens of taxation.

It is because of that indifference that I presume to address this representative body of business men of our State. The average rate of tax of the largest tax payer in the State, in the year 1906, was 67 cents on the hundred dollars for all purposes. This corporation had property in nearly one-half the counties of the State and in every large city and town north of Kenova and the Big Kanawha. And yet in 1906 it paid taxes which averaged at the low rate of 67 cents on the hundred dollars or two-thirds of one per cent. Under the laws of 1907 it will not find the average tax rate as low by possibly 10 cents or more. And this corporation will, possibly, pay \$100,000 more taxes, because it did not co-operate with the State authori-

ties at the Legislative session of 1907 and help secure laws which would limit the maximum tax rates to a lower figure.

The average rate of levy for 1906 for the entire State was 76½ cents, or about one-third the average rate for the year 1904. Last year West Virginia had the lowest average tax rate, out of 35 States examined. It should be kept that way. This year, with a still lower State levy, reduced from 8½ to 5 cents, the average for the State will be greater. And why? Because the great tax payers and business interests have let the people who want to have liberal funds at the disposal of city and county governments have their own way. The rates of taxation have in too many cases gone up to the maximum of the new rates as fixed by the Legislature of 1907, when in many of these cases a less rate would have sufficed. Let me illustrate a little:

There are about four hundred school levying bodies in the State. All of these bodies were communicated with by the State Tax Commissioner and reports required. Then these reports were analyzed and figured. Correspondence looking to reducing levies made was had with one hundred and fifteen districts. In about twenty-five districts reductions from the levies originally laid were made, effecting a saving to the tax payers of about twenty-five thousand dollars. In several other districts reduced levies are being urged. In no instance where reductions were made have the interests of the schools been affected disadvantageously. In quite a number of cases larger school levies are laid, within the limits of the law, than are deemed necessary by the Tax Commissioner's office; but the levies were allowed to stand upon the representation of the school boards that the amounts levied would be needed.

In the laying of the county levies, including road taxes, more or less sharp controversies arose in ten counties as to what is the limitation of the levy as defined by the law of 1907. The law was held by the State authorities to mean that the limitation of thirty-five cents on the hundred dollars for county purposes included the necessary levies for district road purposes. In all instances, however, but two, the county courts ultimately complied with the rulings of the Tax Commissioner's office. The county of Wirt decided to test the law and at the September term of the Supreme Court, held at Charles Town, Jefferson county, the matters involved were argued and a decision of the court is expected shortly. Should the ruling of the Tax Commissioner's office be sustained the aggregate saving to the tax payers of the State, from what would be held to be illegal or excessive county taxes, will amount for the current tax year to fully fifty thousand dollars—possibly much more. If the court decides against the ruling

of the Tax Commissioner's office, the effect will be to throw down the bars and permit county courts to levy from fifty to sixty cents on the hundred dollars for district road purposes, in addition to the thirty-five cents for general county purposes, or a maximum of ninety-five cents on the hundred dollars. The effect of such a decision would greatly strengthen the need for the hearty co-operation of the tax-paying interests of the State in securing such legislation as would limit absolutely and beyond question the levies for county and district road purposes to a maximum amount, such as contemplated by the framers of the Act of 1907, or even less, with the provision for additional levies when needed and voted on and approved by the people.

In the case of municipal taxation the same vigilance has been exercised. The effort has been to keep the levies within reasonable limits and certainly within the maximum limits. There have been one or two stubborn municipal taxation nuts to crack.

But I have been surprised, in my work, at the attitude of certain great corporations and business interests. One newspaper, controlled by certain railroad interests, abused the State officials as busy-bodies and meddlers because the County Court of a certain county was not permitted to violate the law, as construed by the State authorities, limiting the tax levying powers of county courts to thirty-five cents.

It is time for the business interests of the State to get awake and begin to watch the tax levying bodies. Unnecessary taxation is surely unjust taxation.

The magisterial districts in the country, as a rule, do not get far wrong in their total tax levies, though there are some forty-one magisterial districts, out of the three hundred and forty-two districts in the State, where the combined State, county, and district (school) taxes for 1907 will run from \$1.00 to \$1.35 on the hundred—but included in this forty-one are quite a number where a special levy was voted or laid, including some where road levies were laid in excess of the limitations as held by the Tax Commissioner, which excess levies were not voted on and approved by the people. The highest taxed district in the State is Forest Hill district, Summers County, where it required a seventy cent levy to pay the school teachers.

The twenty-five magisterial districts with the lowest total combined State, county and school levies, run from 39½ cents for Meade district, Marshall County, to 51 cents for Cacapon district in Morgan County. The counties having one or more of the twenty-five magisterial districts with the lowest levies, are Marshall (4), Harrison (5), Marion (4), Morgan (3), Doddridge (1), Lewis (2), Barbour (1),

Greenbrier (1), Braxton (1), Taylor (1), Boone (1) and Monongalia (1).

But when we come to the municipalities the need of the active, intelligent co-operation of the large business interests of the State becomes much more marked. I will lay it down as an axiom, which does not have to be demonstrated, that when the total rate for taxation, exclusive of State taxes, but inclusive of city, county, district and school taxes, exceeds in our cities one per cent. or \$1.00 on the \$100 the tax becomes unjust and confiscatory, because something is wrong. In such cases the government is weighed down, probably, by burdensome and in part foolish debts, or by extravagant administration and an unnecessarily costly organization, or has had some preventable fiscal calamity. Of course, when the people vote additional taxes for any purpose, the tax rate could be higher—thus giving home rule in the matter of tax levies and meeting emergency demands.

Comparisons are odious, but sometimes they are practical object lessons which tell their own story. I have taken the four leading cities of the State and have compiled some interesting facts and figures for your information. You can get your own city figures, if not included herein, and make further comparisons. When you do this you will surely take a keener interest in the manner in which tax levying bodies do their work, hereafter.

Valuation of Property and Rates of levy for 1907, in the cities of Charleston, Huntington, Parkersburg and Wheeling.

NAME OF CITY	VALUE OF PROPERTY				RATE OF LEVY.						
	Personal	Real	Public Utility	Total	State	County	Co. Debt	District R. R.	School	Municipal	Total
Charleston . . .	\$ 6,066,420	\$15,675,940	\$1,837,364	\$23,549,724	.05	.30	.10	.02½	.43	.50	1.40½
Huntington . .	5,819,306	9,734,840	2,367,591	17,421,737	.05	.30	.1035	.52*	1.32
Parkersburg . .	5,687,575	16,008,620	2,079,558	23,775,753	.05	.17	.10	.05	.41	.40	1.18
Wheeling	16,370,550	36,496,635	4,452,000	57,319,185	.05	.1926	.38½	.88½

*This includes a levy of 12c specially voted by the tax payers, for an incinerator.

Why should there be a difference of 52 cents in the rate of taxation between the highest and lowest of the two cities above named? It is not answered by saying that one has a larger tax duplicate than the other. Not at all. The causes are deeper and go to the bottom of the question of taxation. In one city the tax levies are kept down and always have been below the legal limit. In the other they are

always at the limit and great debts have been incurred. An outsider coming to the State to do business would naturally prefer to go where his taxes are the most justly laid. The question of taxation sometimes involves more than the pocket-book—it is the index to the character of government. I do not make these criticisms or comparisons in a spirit of unfairness. I believe that commencing in 1909, all four of these cities should be limited to a maximum rate, exclusive of State tax, for all purposes to \$1.00 on the \$100.00 or one per cent. It can be done. It ought to be done. The business interests of the State should see that it is done.

Now, why do I say in 1909?

For three reasons:

First, there will be no Legislature, probably, until then to act on these matters. If the Supreme Court decides that taxes for county purposes, which are limited to thirty-five cents, do not include district road taxes, then additional legislation will be imperative.

Second, commencing in 1909 we have an entire reassessment of all real estate, as well as personal property, and *annually* thereafter. The law of 1904, as re-enacted in 1905 and 1907, goes into effect in 1909, calling for regular annual assessments of all property, with county boards of review. The increased values in real estate of the past four years will go on the duplicate in 1909 and the tax duplicates will no doubt be very largely increased—especially so in the growing and developing cities.

Third, the rate here indicated will be ample, and in many cities, like Wheeling, should be considerably under \$1.00. The people could upon submission of the question vote more, if needed.

Commencing in 1908 bank property will be taxed very differently than in the past, adding millions of dollars to the tax duplicate. The stock of all banks will hereafter be assessed at its market or true and actual value, in the name of every stockholder, and will not be taxed as a whole, subject to deductions for government bonds owned by the banks. Bankers and business men generally should support every movement to get all property on the tax duplicate and then see to it that the levies are reduced to legitimate figures by legislative enactment and kept there.

I might say, in this connection, that I do not believe that we will ever get the fairest system of taxation until we amend our State Constitution to permit the Legislature to classify property for the purposes of taxation. In the meantime, however, we have to work under our present constitutional limitations and in my judgment the great tax paying interests of the State should co-operate cordially in get-

ting the lowest tax levies consistent with good government and necessary public improvements.

I have my own views as to how some of our city improvements should be made. I will not trespass further on your time, but will close by asking you a question: which city is pursuing the wisest course and the one destined to put and keep itself abreast of the times, with the least strain on municipal resources, the city of Huntington, which improves its streets (except street intersections) at the cost of the abutting property; the city of Parkersburg, which pays one-third of the cost, as well as the street intersections; or the city of Wheeling, which, as I understand it, improves the streets at the cost of the tax payers of the entire city?

