

David C. Flynn

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The Road To Land Tax Relief

By THOS. O'B. FLYNN
(of Wheeling Intelligencer)

The Only Remedy

Constitutional limitation of total tax levies on all property
to—

Not more than \$1.00 on the \$100 valuation on all farm
land and on homes occupied by their owners;

Not more than \$1.50 on the \$100 valuation on all other
land and buildings situated outside of municipalities;

Not more than \$2.00 on the \$100 valuation on all such land
and buildings within municipalities;

Abolition of the gross sales tax, except as applied to utili-
ties;

Increased rates under the gross sales tax on utilities, par-
ticularly those involving depletion of natural resources.

TAX PRIVILEGE



RELIEVE LAND

The Road To Land Tax Relief

By THOS. O'B. FLYNN

TH**ERE** is but one hope of achieving land tax relief in West Virginia. It lies in adoption of a program of tax reduction and tax reform, embracing the following constitutional provisions:

1. Limitation of the total tax rate on farm land and homes occupied by their owners to not more than \$1 on the \$100 valuation;
2. Limitation of the total tax rate on all other land located outside of municipalities to not more than \$1.50 on the \$100 valuation;
3. Limitation of the total tax rate on all land within municipalities to \$2 on the \$100 valuation;

Also—

Abolition of the gross sales tax except as applied to public utilities;
Increase under the gross sales tax of rates on public utilities, particularly those depleting natural resources.

This is the substance of a constitutional amendment and a tax reform program, drafted and advanced by State Tax Commissioner T. C. Townsend and accorded wide commendation and support throughout the State.

The author of this pamphlet believes this program offers the most practical solution of the West Virginia tax problem at this time—

First, for the purpose of forcing tax levying and tax spending bodies to limit their expenditures;

Second, for the purpose of accomplishing a redistribution of the tax burden, so that those persons and interests best able to pay taxes and most favored by the laws of the State, will take over some of the load now carried by property and by persons long oppressed.

A Broken-Down System.

It is generally recognized that West Virginia's tax system has collapsed.

Confiscatory tax rates and almost unbelievable extravagance in the expenditure of public funds have driven the State's fiscal structure upon the threshold of bankruptcy.

Farms and homes are being abandoned. Mercantile and manufacturing concerns are going out of business. Banks are failing because money is being hidden or deposited outside of legitimate channels.

In 1930, 120,000 pieces of West Virginia real estate were returned delinquent for non-payment of taxes. In 1931, the list will total more than 140,000 tracts.

The present system hasn't a single defender in the entire State. No one cares to defend a system that is making cheaters and perjurers and disgruntled land owners of the people of West Virginia.

A general election will be held in West Virginia next year. The tax question will be the chief issue. Party pledges made in 1928 were not kept. Citizens of the State should apprise themselves of the situation in all its phases, so they may be guided accordingly when they go to the polls in 1932.

Shall Wealth Be Favored, or Overburdened Land Relieved?

TWO constitutional amendments bearing upon taxation have been proposed and will be major issues in the campaign of 1932.

One would favor wealth. It would limit the tax rate on money, on notes, on bonds, etc., upon intangible wealth in general. It would leave all other property wholly unprotected.

The other would protect all property. It would limit, as outlined above, tax rates on farms, on homes, on business property as well as on money and notes and bonds. In other words, this amendment, as proposed by Mr. Townsend and others, would say in effect to the tax gatherers: "Here is a limit beyond which you cannot tax any property in West Virginia; a limit written into the fundamental law of the commonwealth, where it cannot be altered or set aside."

The first of these amendments is what is known as the "narrow classification" proposal. It was convincingly rejected by the voters of West Virginia when submitted for their approval in 1926. A significant feature of that vote was the overwhelming adverse majority rolled up in the rural sections, dominated by farmers and home owners.

A Contrast.

The second amendment, commonly called the "broad classification" proposal, was adopted by the House of Delegates in the 1931 Legislature but killed in the State Senate. A significant feature of this test was that a combination of Republican and Democratic Senators, dominated by a lobby of public utilities and special interests in general, voted solidly against the amendment.

The first of these amendments would say to a certain class of taxpayers: "We are going to relieve you of the average tax rate of \$2.65 now existing in West Virginia and ask no more than 50 cents for each \$100 of money or bonds or other intangibles you may return for taxation. We are going to do this despite the fact that you have concealed at least nine-tenths of this property in the past."

The second would say to the great mass of West Virginia taxpayers: "Because you have borne a burden of taxation far beyond your ability to pay and far beyond the dictates of common justice, we are going to fix a definite, reasonable limit, beyond which levying bodies cannot go in taxing your property. We are going to enforce economy among the local tax levying bodies of this State."

Now Who Is In Favor of Which?

The narrow or "wealth preferred" amendment, is being sponsored by a recently formed organization known as the West Virginia Taxpayers' Association. Its spokesman is D. A. Burt, Wheeling stock broker. Its organizers comprise chiefly investment bankers, railroad attorneys, utility lobbyists, oil and gas agents and power company representatives. It is a group of advocates of special privilege usually found around the hotel lobbies in Charleston whenever the Legislature is in session.

The advocates of the amendment that would limit all tax rates include the West Virginia Farm Bureau, the West Virginia Building and Loan Association, many county taxpayers' associations formed by owners of real estate, and thousands of individual farm and home owners who are fearful of the day when excessive tax burdens will mean complete confiscation of their holdings by the State. They do not have an elaborate organization such as the West Virginia Taxpayers' Association. They have no high salaried lobbyists and legislative agents with unlimited expense accounts.

A Few Questions

Now why the West Virginia Taxpayers' Association? Who are the men composing it who now display such feverish interest in tax revision? What are their underlying motives?

The questions are easy to answer.

The West Virginia Taxpayers' Association was created for the purpose of preventing the limitation of land taxation.

The men composing it are, for the most part, the hirelings of special privilege.

They are engaged in this enterprise because they know and those who hire them know that limitation of tax levies means lower land taxes; that lower land taxes mean less public revenue; that less public revenue means agitation for new tax sources; that this agitation, with land raiding forever stopped, means the taxation of privilege enjoyed by power companies, by gas producers and distributors, by railroads and by all the other favored interests.

The men promoting this narrow classification proposal don't expect their scheme to be adopted. They are informed men, skilled men in politics and experienced in the interpretation of public sentiment. They know that West Virginia has awakened at last to the immediate need for complete revision of its tax system. They are the men who have had a hand in shaping State policies ever since Henry D. Hatfield retired from the office of governor in 1917. They have been baffled at the polls, but scarcely ever in the legislative halls. They view election returns with disdain and then concentrate their efforts on "taking over" those in whom the electorate has imposed the sacred trust of public office.

The Strategy Of Obstruction.

They are quite willing, these gentlemen, to let West Virginia have tax reform, provided it is their kind of reform. If it won't have their brand, and they know from experience it will not, they will advance it anyhow, and rely upon a muddying of the waters to prevent real reform. And so they were willing to leave busy desks and lend their presence, their efforts, their time and their check books to a recent reorganization of the West Virginia Taxpayers' Association, undertaken in the city of Charleston.

A year ago, efforts to effect such reorganization met with scant success. This year, with a change of administration impending, the situation assumed more serious proportions. Accordingly, we find an active and very serious group of men assembled in Charleston for the important business of revising West Virginia's tax system.

Who Are the Men Interested In Cutting the Tax Rate On Wealth?

WHO are these tax saviors? Conspicuous among the sixty odd who gathered for the preliminary meeting were the following:

D. A. Burt, of Hazlett & Burt, Wheeling investment brokers, dealers in stocks and bonds.

Wallace Gribble, Clarksburg, official of the Hope Natural Gas Company.

Anthony McCue, Clarksburg, gas attorney and agent.

Kemble White, Fairmont, attorney for many years for the South Penn Oil Company.

Edwin Robinson, Fairmont, chief legislative agent of the oil and gas interests and a conspicuous lobbyist in Charleston for many years.

James A. Meredith, Fairmont, former supreme court judge and now attorney for the West Penn interests.

G. M. Alexander, Fairmont, president of the West Penn Monongahela Power Company.

John M. Crawford, head of the Parkersburg Rig & Reel Company, suppliers of equipment for oil and gas activities.

J. G. Bradley, Dundon, well known coal operator, conspicuous for his opposition to union labor, and promoter of E. F. Morgan in the gubernatorial race in 1920.

J. V. Sullivan, Charleston, secretary of the West Virginia Coal Association, publicity promoter and legislative agent for the southern West Virginia coal interests.

Dr. Gory Hogg, Lewisburg, one time Democratic candidate for governor, with important oil and gas backing.

Harold A. Ritz, Charleston, former supreme court judge, now chief counsel for the United Fuel Gas Company.

A. Bliss McCrum, Charleston, secretary of the West Virginia Utilities Association, utility legislative agent, spokesman of the opposition to equalized tax and rate valuations for utility property and opponent of water power reform before the 1931 Legislature.

Phil M. Conley, Charleston, editor of the West Virginia Review, which publication has assumed the role of utility apologist and which has carried a large volume of power company advertising of late.

John M. Dice, of Lewisburg and Richmond, (Va.), for many years legislative agent for the Chesapeake & Ohio Railroad.

H. C. Weller, Bluefield, attorney and agent for the Norfolk & Western Railroad.

E. W. Knight, Charleston, representative of the Virginian Railroad.

Leroy Allebach, Charleston representative of the New York Central Railroad.

E. J. Ford, of the Chesapeake & Ohio Railroad Company's Huntington office.

Senator Clyde B. Johnson, Charleston, attorney for the Baltimore & Ohio Railroad.

Senator C. O. Weissenburger, Point Pleasant, who wrote the famous letter to a Mason County constituent, in which he described the Townsend plan as unsound, "because, while it no doubt would relieve agriculture, it would place an undue burden upon other people of the State."

Senator W. Edwin Wells, of Hancock County, who, along with Senators Johnson and Weissenburger, was a member of Mont White's ruling faction in the 1931 Legislature, which opposed water power reform, tax revision, equal rate and tax valuations for utility property and other progressive legislation.

Former State Senator Wright Hugus, Wheeling, author of a "narrow" classification amendment some years ago and the guiding spirit in enactment of the now rejected water power act of 1929.

Houston G. Young, Charleston, former secretary of state, lobbyist during the 1931 legislative session for various privileged interests and particularly active in resisting the limitation of levies on land.

Now why should these men be interested in a plan to revise West Virginia's tax system? Why, particularly, should they be interested in a plan to limit the tax on wealth and violently opposed to a plan which would limit the tax on land?

A Few Examples

Specifically, why the interest of Mr. Dice?

In 1929 the Chesapeake & Ohio Railroad was assessed at \$62,000,000. This represented, according to standards accepted everywhere in arriving at railroad assessment, about 44 per cent of the actual value of the road's holdings within West Virginia. This, in the face of the law which provides that "all property shall be assessed at its true and actual value." In 1930, the Board of Public Works raised the C. & O. assessment to \$75,000,000, and added another \$3,500,000 in 1931. In spite of Mr. Dice's lamentations over the grievous wrong that had been done his railroad, the C. & O. continued to pay dividends during the past 18 months, notwithstanding the unparalleled business depression the Nation has been experiencing.

The 1931 assessed valuation of \$78,500,000 of the C. & O. represents about 50 per cent of actual value in West Virginia.

The 1931 average assessed valuation of farm lands and real estate, other than utility owned, represents about 65 per cent of its actual value in West Virginia. The 15 per cent difference was paid in dividends to stockholders of the C. & O. Railroad.

Why the interest of Mr. Ritz?

The 1931 assessed valuation of the United Fuel Gas Company in West Virginia was fixed at \$39,000,000. What percentage this represents of the company's actual value in this State no one ever has been able to determine. The amount is much more than the company says it is worth for taxation purposes, but only about half of what it says it is worth for rate making purposes.

The Commission Bobs Up.

Why the interest of Wright Hugus, of water power fame? Of E. W. Knight of the Virginian Railroad? Of Kemble White, of the oil and gas interests? Of G. M. Alexander, of the West Penn Power Company? Of J. G. Bradley, of the non-union coal industry?

These five gentlemen were members of the State Constitutional Commission. The Commission was created by legislative enactment to study the Constitution and recommend changes. It spent most of its time studying taxation. It called in persons interested in the subject to express their views. For the "narrow" classification, D. A. Burt and Grant P. Hall, former tax commissioner, appeared. For the amendment to "limit all tax rates", T. C. Townsend appeared.

After extensive deliberation, the Commission concluded that a limited tax rate upon homes "does not appeal to either reason or emotion"; that a limited tax rate upon farm lands would present many difficulties in its application and administration. It declared that the principle of "equal and uniform" taxation was sound, and then proceeded to recommend a constitutional amendment which would give wealth the preference by limiting the rate to 50 cents on the hundred upon intangible property, with no protection whatever for farms and homes!

Is Land Overtaxed?

Why the interest of—? The list might be carried on indefinitely. Stripped of the camouflage of its campaign language, the West Virginia Taxpayers' Association doesn't want tax reform. It was created and is being kept alive as previously asserted for the very purpose of preventing tax reform. The gentlemen responsible for it know that whether the voters of West Virginia endorse their amendment, or whether the Constitution stands as it now is, thousands of farms and homes and building lots will be sold for taxes every year. They know that whether or not their campaign succeeds, no one ever will hear of one hundred dollars in the bank or a good six per cent bond being sold for taxes. And they know that the only way in which real estate tax sales can be stopped or materially reduced is to limit the taxes that may be levied upon real estate.

That there is great and urgent need of this limitation is proven clearly by the record of valuation and levy increases.

In 1906, real estate in West Virginia, other than utility owned, was valued for taxation at \$475,000,000. The average levy on this property was 77 cents on the \$100 valuation.

In 1930, real estate in West Virginia, other than utility owned, was assessed at \$1,107,000,000. The average tax rate was \$2.65 on the \$100 valuation.

In other words, while the value of real estate was increasing two and one-half times, the rate of levy was increasing three and one-half times!

Does this not clearly demonstrate the necessity for strict levy limitation? Could anything prove more strikingly the folly, the absolute social and economic suicide of a policy which permits City Councils, School Boards, County Courts and the Legislature itself to keep whittling away at the property of the public in order to meet the extravagant demands of modern government?

What It Means

The so-called "narrow" amendment of the West Virginia Taxpayers' Association is all that its name implies. It is narrow in its limits of relief, in selecting but one class of property—intangibles—for a favorable low rate. There may be some minor additions made when the association's policy committee submits its final report, but these will not fundamentally change the tenor of the amendment, which is to deny any relief to land.

Proponents of this "wealth preferred" amendment are fearful of the public reception awaiting their proposal. They remember the drubbing it got at the polls in 1926, particularly in rural communities. They probably will throw out a little sop in this direction. They probably will decide, as the Constitutional Commission decided, that some farmers might be caught by a provision fixing a favorable low rate—not to exceed 50 cents upon the \$100 valuation—on live stock and products of agriculture. What support the amendment will get in the rural districts when the farmer learns that they propose to reduce the taxes on the corn in his crib by putting it on his corn field, or cut the tax on his hogs and steers by putting it on his meadows or grazing lands, remains, of course, to be seen.

What Will It Mean To Limit Tax Rates On Intangible Wealth Only?

NOW as to the arguments of these gentlemen in support of their amendment. They say that a rate of more than 50 cents upon the hundred for intangibles is confiscation; that the attempt to impose taxes under the "true and actual" value theory has failed, driving great quantities of intangibles into hiding or into other states for deposit; that a 50-cent rate actually will result in more revenue from this source, because intangibles now in hiding will be returned for taxation under a limited levy, and that land and other tangible property will benefit indirectly thereby.

In 1930, the total assessed valuation of all property in West Virginia was, in round numbers, \$2,000,000,000. Total taxes on this property amounted to \$53,000,000. Of this public utilities paid \$14,700,000; real estate, other than utility owned, \$29,400,000; personal property including both tangible and intangible, \$9,000,000.

For that year the assessed valuation of utility property was fixed at \$564,000,000; real estate, other than utility owned, at \$1,107,000,000, and personal property, at \$337,000,000.

What Wealth Pays

The report of the tax commissioner showing recapitulation of personal property assessments for 1930, places the total valuation of intangible wealth at \$75,000,000, made up of \$47,000,000 in money, credits and investments and \$28,000,000 in bank stocks. Representing a little less than one-fourth of all personal property assessed, intangibles paid about \$2,225,000 in taxes in West Virginia last year.

What percentage of the intangible wealth of West Virginia this \$75,000,000 represents is unknown. Likewise there is no definite way of knowing how much more of actual intangible wealth would be returned for taxation under a 50-cent rate than is being returned now. It is hardly reasonable to believe that everybody who finds it possible to hide intangible wealth now, would quit hiding it if the levy were reduced to 50 cents.

As long ago as 1927, when Mr. Burt was chairman of a tax commission appointed by Governor Gore in response to a resolution adopted by the Legislature in 1925, he and his associates estimated that personal property in West Virginia was worth about two billion dollars. They made no effort, however, to divide this between tangible and intangible property. They did express the opinion that a large volume of intangible

wealth was being hidden or deposited outside of West Virginia. Since then, gentlemen interested in narrow classification have expressed the belief that under a 50-cent rate about \$775,000,000 in intangible wealth would be returned for taxation, or about ten times what now is being returned.

As To Confiscation

Accepting this estimate for the sake of argument, what would be the result? Under the 50-cent rate, intangible wealth of \$775,000,000 would pay \$3,875,000, in taxes, or only about \$1,650,000 more than is now paid. Obviously this would provide no appreciable relief for land and other property which paid more than \$50,000,000 in taxes last year. Indeed, were all the money collected from the taxation of intangibles applied to the reduction of land taxation, the relief would not amount to more than five per cent. Land still would be carrying from four and a half to five times its fair burden of taxes.

A good bit has been said about tax confiscation in the promotion of the intangible program. To repeat: Taxation under a "true and actual" valuation theory, is said to be confiscatory where money, notes, bonds and so forth are concerned.

This same argument was used in resisting revision of West Virginia's water power act in 1931. A power company representative, appearing before a joint committee of the Legislature, made the point that his company already paid in taxes 13 per cent of its income earned in West Virginia. He felt this was a grievous load, indeed, and that to add to it would place an unbearable burden upon his corporation, amounting to confiscation. And his argument made an unusual impression upon most of the assembled law makers.

Now just how badly off is this power company, or are the owners of intangible wealth, when compared with a man whose substance is tied up in real estate?

A Contrast

Take a profitable piece of property—for example a \$100,000 business building in one of the cities of West Virginia. A fair rental for such a building would be \$10,000 a year. Taking a ten year average and considering loss from idleness, bad accounts, etc., a good average rental would be \$8,000. At the average tax rate of \$2.65 on the hundred, now prevailing in West Virginia, this building would pay \$2,650 in taxes, or more than 33 per cent of its annual income. This, remember, is profitable business property. On the great bulk of ordinary home and farm property, taxes take a much larger percentage of income. Indeed, it is doubtful if there are a dozen farms in West Virginia that could be rented at a figure which would return seven times their taxes as in the case of this power company, or even five times their taxes.

As a matter of fact there are a great many farms in this State which are earning nothing at all, thousands of acres lying idle which could not be rented at any price. And the great majority of those which are rented are yielding little or nothing more than enough to meet tax bills. Then there are countless modest dwellings in West Virginia, houses occupied by their owners, or those who are striving desperately to own them. There is no return at all from this property. Yet the owner of a \$5,000 home is forced to pay from \$10 a month up for the privilege of owning it.

Is The Tax Dodger Entitled To Special Favors From the Public?

TAKE the case of intangible wealth. Ordinarily, the owner of stocks and bonds, of money in the bank, is fairly well fixed. Certainly the owners of intangible wealth, as a class, are better able to pay taxes than those who possess none of this wealth. One thousand dollars in the bank will earn between \$30 and \$40 a year. Intangible wealth in other forms often will earn more. The \$1,000, if returned for taxation at all, will pay under the present average rate \$26.50 in taxes. That tax percentage of income is high, of course, though still under that exacted from profitable business property and but a fraction of that taken from the farmer.

But even this doesn't tell the whole story. Because intangibles are easy to hide, only about \$100 of this \$1,000 is returned for taxation, according to the estimates of the "narrow" classificationists themselves. So, in reality, it only pays \$2.65 in taxes. If the limited rate proposed by the West Virginia Taxpayers' Association were in effect, it would be impossible to levy more than \$5 upon this \$1,000, assuming that all of it had been returned for taxation, which is about one-seventh of its earning power. If its owners kept on hiding it as they do now, it would pay only 50 cents in taxes.

Rewarding Dishonesty

That the owners of this class of property are hiding it when the assessor makes his rounds on January 1, is readily ascertained by comparing the bank deposits of the State with the amount returned for taxation. On the day that taxpayers of West Virginia solemnly took an oath that their total intangible wealth amounted to some \$75,000,000, there was more than \$500,000,000 in money alone on deposit in the banks of the State.

"Narrow" classification without more means the placing of a premium upon dishonesty and an added burden upon classes of property which cannot be hidden. Because a man conceals his property, is that any reason why his taxes should be cut four, five or ten times, particularly when such a course means that other property—farms and homes—already much more grievously burdened will have to carry the added load? The truth of the matter is, of course, that intangible wealth is less oppressed by taxes than is any other kind of property and the owners of intangibles are less in need of tax relief than are any other class of taxpayers.

No Land Relief

The sponsors of this "wealth preferred" amendment never have said, nor can they truthfully say, that their plan will bring relief to land and tangible personal property. At best they deal in generalities. But concede for the moment that their estimates are accurate and that under a favorable low rate there would be returned upon the tax duplicates \$775,000,000 in intangible property. What would be the result? It is true that there would be returned to the counties about \$1,650,000 more in taxes than is now being received. But would that relieve land? Would the tax levying bodies lower the tax rates upon land in proportion to the amount received by increased receipts from intangibles? What claims are made in this connection are not founded upon West Virginia's experience in the last quarter of a century. On the contrary, whenever tax levying bodies find a source of revenue that increases their receipts, they find some way to spend the additional money. That's West Virginia's experience.

There is one way and only one way in which land tax relief can be brought about. That is by writing definite levy limits into the Constitution of the State.

A One-Sided Plan

The West Virginia Taxpayers Association and those interests it represents would deny this relief to the people of this State. The only sort of tax limitation they are interested in is that applying to wealth.

The amendment proposed by Mr. Townsend and those who see the tax situation as he sees it would extend to all property. It would embrace intangibles as well as real estate and tangible personal property. It is agreeable to the same intangible limit advocated by the so-called West Virginia Taxpayers' Association—50 cents on the \$100. It admits the merit of intangible tax limitation. But it would give other property the benefit of limitation too.

The suggested limits would establish a rate of not more than \$1 on the \$100 valuation on farms and homes occupied by their owners; \$1.50 on all other property situated outside of municipalities and \$2 on all such property within municipalities.

These, of course, are suggested limits. Neither Mr. Townsend, in the scores of speeches he has made during the past two years, nor any of those who support his position, ever has said that these limits are absolutely accurate and the only ones which should be considered. On the contrary, it is admitted and always has been by all

interested in this form of tax relief, that one or all of the limits may be either too high or too low. They may be in need of revision before an amendment is adopted. What is insisted upon is definite and positive limitation at reasonable levels, written into the Constitution of West Virginia—the calling of a halt to mounting property taxation.

What stamps as indefensible the position of the West Virginia Taxpayers' Association is the refusal to apply to land the same remedy sought for wealth. If the men interested in this movement are honest, why aren't they willing to support an amendment which gives them what they want and only asks that other property be treated the same way?

Farms and Homes, Most Seriously Overburdened, Merit Lowest Rate

IF THE general proposition that all property should be protected from tax confiscation is accepted, why, it might be asked, should farm land receive one of the lowest rates?

Agriculture is the basic industry of the Nation and of the State. Without it, of course, the Government and its people could not exist. Yet the farmer has been taxed more viciously than has any other class in this Country and in this State.

Since 1914, the farmer's tax in West Virginia has increased two and three-fourths times. During the same period his income has decreased one-fourth.

It now takes 31 per cent—nearly one-third—of the net income from agriculture, to pay taxes.

Every time the farmer makes a dollar he must take 31 cents of it to pay his taxes. His taxes are higher and his income lower, in proportion, than are those of his fellow citizen engaged in any other industry. If this situation continues, and it will continue unless land taxes are rigidly limited by constitutional provision, it will not be long before all of the farmer's income is exacted for taxes.

Taxes On the Home

Why should the man who lives in his own home receive special consideration?

There are many reasons. To begin with, any man is a better citizen when he owns his home. This fact and the further one that it is sound public policy to encourage home owning are too obvious to need support. Then, there is the matter of income to consider. A man derives no income from the home he lives in. He doesn't own it for that purpose. Obviously, it is unfair to tax that home on the same basis that a home built and rented as a business enterprise is taxed.

The wisdom as well as the justice of protecting homes from overtaxation should be apparent to any thinking person. It is a well known fact that home ownership is on the decrease in this country. So serious is the situation considered that the President recently called men from all over the nation to study the problem and propose remedies.

Construction costs, difficulty of financing, etc., play their part in the present alarming trend, but the great underlying factor is taxation. Taxes have mounted so rapidly, they have become so burdensome, particularly in states like West Virginia, that most people find it cheaper to rent a home and let the landlord worry about taxes.

Other Limits

The remaining proposed limitations, which would limit taxes to not more than \$2 on all property save homes and intangibles located within municipalities, and to \$1.50 on all property save homes, farm land and intangibles located outside of municipalities, are fair.

All of the real estate involved in these classes is business or industrial property. It is owned or used for the purpose of making money. It would seem no more than simple justice, therefore, to permit slightly higher taxation of it than of property not

so used. An industrial plant can hardly be compared to a farm, nor an apartment or business building to the dwelling occupied by its owner.

The higher rate suggested for property in municipalities as compared with the same property outside of them is based upon the fact that municipal governments must be maintained in these centers.

Levy Limitation Most Effective Budgetary Control Ever Devised

MUCH stress has been laid by proponents of "narrow" classification upon the importance of a budget system of expenditure of public funds. They admit that even the plan they have concocted will not work with any degree of success unless some curb is placed upon the tax spending power of public agencies.

When the fiscal year ended for June 30, 1929, the illegal indebtedness of counties and school districts of West Virginia amounted to more than \$1,800,000. There were but five out of the 55 counties in the State, where neither the county courts nor the school districts had contracted debts illegally.

These figures tell their own graphic story—a story of waste, extravagance, incompetency, the reckless expenditure of public money and a total disregard for law. It has been going on more or less for a generation. It is worse today than ever before. It will continue under the present system.

How To Stop Illegal Spending

Illegal debts in the first instance are created intentionally, knowingly or under the plea of necessity, or unintentionally and ignorantly. Whatever the reason or the excuse, they are debts—illegal debts. When once created then the plea is immediately advanced that they must be paid, because the public received the benefit of the expenditures. Following this, application is usually made to the Legislature for authority to lay special levies to pay off illegal debts. Such measures are usually regarded as local in character and therefore are almost always passed. Thus, debts, illegally contracted are paid and then what happens? They start all over again and repeat the performance. This vicious circle is unending.

If all levies were limited by the Constitution, no such an endless chain of debauchery could or would long continue to exist. The Legislature could then give no relief by special levies for debts illegally contracted beyond the maximum rate. If the maximum rate or the current levies were insufficient to pay off these illegal debts, the tribunal contracting them would have to go to the voters in the taxing unit affected and ask for a special or increased levy to discharge the illegal debts. The public would then be conversant with the whole situation and it is safe to assume that if the voters had to pass upon a question of special levies to pay debts illegally and extravagantly created, no such debts, in the first instance, would be created.

The real benefit to be derived from a strict limitation of tax levies by the Constitution is the fact that it would bring about economy in the expenditures of public money.

That is where a real and efficient budget system would be devised.

There are two kinds of budget systems. One allows levying bodies to raise what they think the taxpayers will stand for. The other allows levying bodies to spend what the taxpayers think they ought to have. The first is made possible under a tax system that places no limitation upon tax levies. The second is made possible through a strict limitation of all tax levies.

Other Features

Two other features of the amendment which would limit all property levies are worthy of special note.

One sets forth that the voters of any taxing district might set aside the limits if they so desired. In order to accomplish this it would be necessary to have the proposed increase submitted to a vote and ratified by sixty per cent of the qualified voters casting ballots.

This is a safeguarding feature which in no respect surrenders the principle of levy limitation. If sixty per cent of the voters of any city, any county, any school district vote to tax themselves more than their tax levying bodies are permitted to, there should be no objection from any outside source.

The other feature provides that the Legislature may, by a two-thirds vote of each House, exempt any class of property from the payment of municipal taxes for a period not exceeding five years at any one time.

This State is rich in natural resources and raw materials. New industries, new factories and additional people are needed. The lean period of any industry is the first five years of its existence. With the influx of new people, new property and additional money on account of such industry, the question of municipal taxes would be insignificant in proportion to the benefits derived. And the community could well afford to forego taxes from an institution for a short period of time.

The Place Of The Gross Sales Tax In West Virginia's Tax System

NO DISCUSSION of the tax system of West Virginia would be complete without some reference to the gross sales tax law. In public addresses during the past two years, Mr. Townsend has characterized it as "a parasite upon business" that is sapping the life out of many industries of the State.

One of our leading industries is the mining and producing of coal. Taken as a whole, the coal industry of West Virginia during the past five years has not earned a dollar of net income. During the past year, coal paid into the treasury of West Virginia under the gross sales tax law, more than \$750,000 in taxes. Is it just that a law should remain upon the statute books of the State which exacts one-fourth of the amount collected under it from a losing business, especially when other accessible sources of revenue are open from which such taxes could easily be collected?

Another objectionable feature to the gross sales tax law is that the tax continuously pyramids. A producer of sand in Morgan County pays taxes upon the cost of production. The railroad that carries the sand to Wheeling pays taxes upon the cost of transportation. The company that manufactures it into glass in Wheeling pays a tax when he sells to a wholesaler in Huntington. Another transportation tax is exacted from the owner of the steamboat that carries the glass to Huntington. The wholesaler in Huntington pays a tax when he sells it to the retailer in Williamson. He ships it to Williamson and the railroad and retailer both pay taxes. This product then comes into competition with glass manufactured in other states. How can it compete?

What It Does

A manufacturer in Point Pleasant, some months ago, lost a \$600,000 contract by a margin of less than one-fourth of one per cent. The gross sales tax was more than the difference.

One of the chief arguments used by the Chamber of Commerce of Hancock, Maryland, asking a Morgantown glass company to locate its plant there, was that "Maryland has no gross sales tax law."

Other States, in their attempts to induce industries to move from this State, point with pride to the fact that they do not have such a law. It is true of every State surrounding West Virginia.

Yet, another reason. For the year 1928, West Virginia's proportion of the total gross income, calculated upon the 1928 value of the West Virginia property of the Baltimore & Ohio Railroad, the Chesapeake & Ohio Railroad and Norfolk & Western Railroad to the entire systems was \$132,000,000. If these three railroads paid taxes under the gross sales tax law on their gross receipts in the same proportion that a factory or any other business located in the State paid upon its gross receipts, the three railroads would have paid \$1,320,000 in taxes.

What did they pay?

The Baltimore & Ohio Railroad paid the sum of \$54,000; the Chesapeake & Ohio Railroad paid \$45,000; and the Norfolk & Western Railroad paid \$6,700, or a total by the three roads was about \$108,000.

Located on the Norfolk & Western Railroad is one coal company which, after paying the State \$25,000 in gross sales taxes, wound up the year on the red side of the ledger. Yet, the Norfolk & Western Railroad hauled every ton of coal produced at this mine, made a profit on every ton and paid in gross sales tax only about one-fourth what the Coal Company paid.

A Levy On Enterprise

The gross sales tax is a tax on the business dollar and a premium on the idle one. In other words, an intangible tax limit and the gross sales tax encourage the accumulation of idle money. As long as the dollar remains idle it is not molested by the gross sales tax. As soon as it is put to work it pays the tax, and pays it on every operation involved in its use. The gross sales tax is a tax on business and industry; a tax upon the operations by which men are employed, upon the processes of commerce and upon all transactions which, in the long run, make for the increase of wealth and the diffusion of general prosperity.

When adopted in 1921, the sales tax was described as an emergency measure. Yet it has clung to the statute books of West Virginia ever since.

The Legislature of 1925 removed some of the objectionable features of the law by a series of amendments. Until that time it was purely a sales tax, except as to banks and professions. Now, natural resource industries are taxed on the gross value of production, all other classes of business on a basis of gross income. Moreover, the rates on oil and gas production have been raised and other rates revised until in some respects the measure represents a privilege tax.

Taxing Privilege

However, there never will be full justice where this tax is concerned until all rates, save those applying to utilities and natural product industries, are wiped out; and rates on railroads, telephone companies, gas and oil production, power companies, etc., increased to the point where real privilege taxation is achieved.

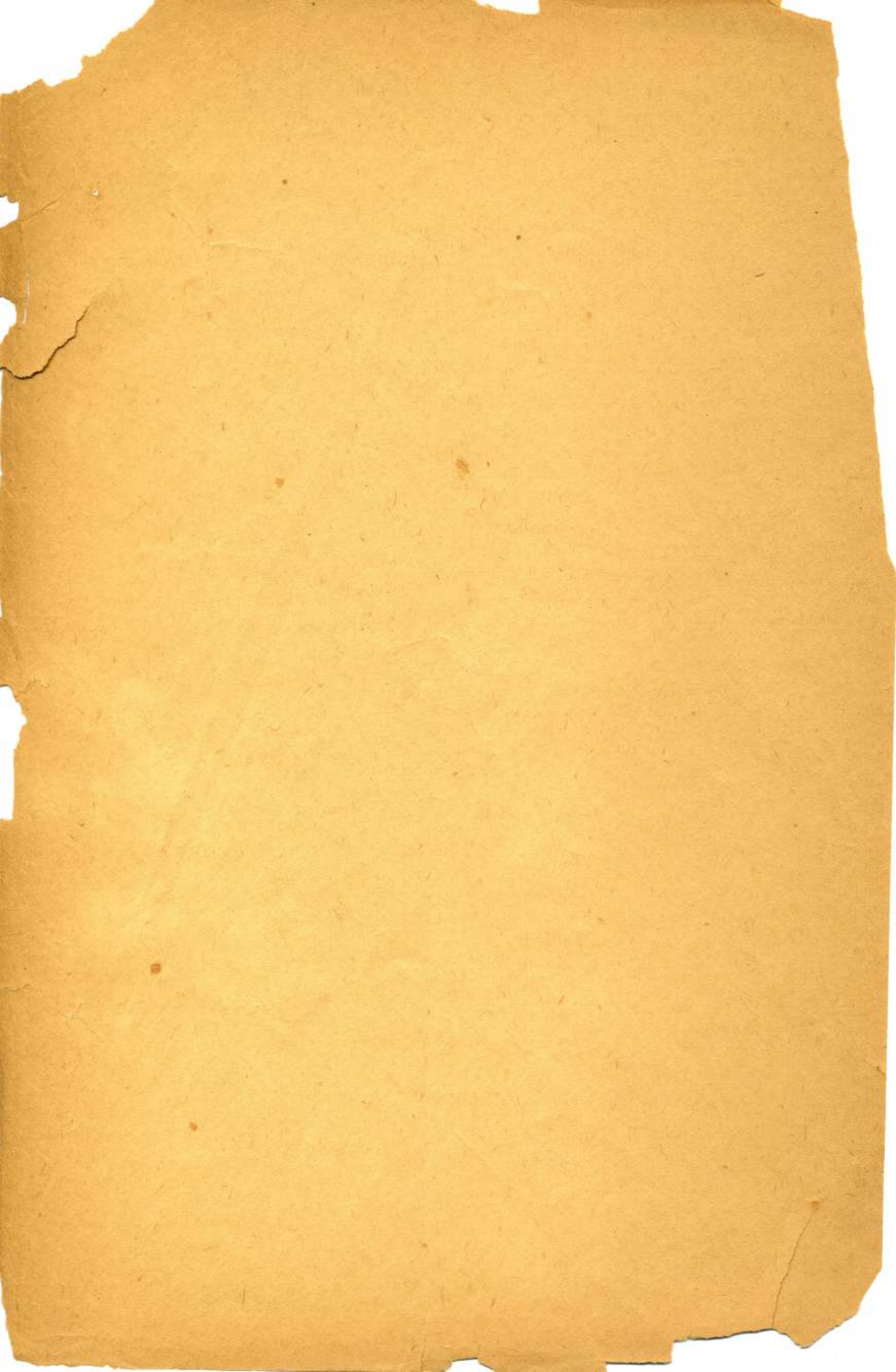
This sort of revision is a definite part of the tax program here under discussion.

The value and necessity of tax reform of this character should be apparent to any one who has given the tax situation in West Virginia any study at all. Adoption of it would—

First, force economy upon the tax spending bodies of this State, placing in operation the most effective of all budgetary controls—strict limitation of the amount of money that can be raised;

Second, give positive relief to that class of property and that great body of taxpayers victimized for so long by mounting taxation; rescue from an intolerable position those who are today seeing their property destroyed by excessive taxes or finding themselves forced to surrender property which otherwise would be held.

It strikes directly at the greatest evil in our tax system. Written into the fundamental law of the land, it will furnish the foundation upon which can be built a body of tax legislation providing relief for the farmer, encouragement for the home owner, incentive for the manufacturer and the hope of permanent prosperity for all.





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