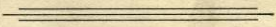


P 7783

STATE FINANCES



ADDRESS

DELIVERED BY

HON. J. S. DARST

AUDITOR STATE OF WEST VIRGINIA

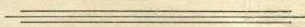
—BEFORE THE—

WEST VIRGINIA BOARD OF TRADE

AT

HUNTINGTON, W. VA.

OCTOBER 12, 1909



NEWS-MAIL CO., PRINTERS, CHARLESTON, W. VA.

STANDARD PAPER

ADDRESS

PROPERTY OF THE MANUFACTURER



Mr. President and Gentlemen of The West Virginia Board of Trade:

I have been requested by this honorable body, through its secretary, to speak for a short time. I deem it an honor and a privilege to attempt to speak to an unselfish body as I know this to be, whose objects are for the betterment of all the people and the forwarding of the interests of the State.

The subject assigned me is a very important one and one that challenges our best thought—that of the finances of the State. The time given me will not permit of taking the question up in detail, so I will content myself with speaking in a general way. In the first place, I will show the different sources from which the State derives its revenue to pay the running expenses of the State Government, and further show how this money is expended by the State.

RECEIPTS FOR THE FISCAL YEAR ENDED

September 30, 1909.

State Tax	\$	329,958.46
License tax		1,051,319.64
Railroad tax		122,636.80
Fees examination of banks.....		5,070.00
Fees State Board of Health.....		1,745.00
Fees accruing in Secretary of State's Office.....		16,721.91
Fees accruing in Auditor's Office.....		41,314.92

(Over \$35,000.00 of this amount was paid by insurance companies.)

The last two items would have gone into the pockets of the auditor and secretary of state had it not been for the constitutional amendment adopted several years since, salarizing these two officers and placing the fees in the State Treasury. The State paid for the clerical force when it was under the fee system the same as it does now.

Tax on insurance	112,171.56
Fire Marshal Tax	6,720.09
Interest on deposits, (one-half).....	15,731.11
License tax on charters	406,388.15
License tax on automobiles	7,287.51
Hunters' license	3,728.50
Marriage licenses	2,844.00
Fines and collections, militia	2,125.06
Sale of books	5,594.50
Statutory Attorney fees	22,349.00
Tax on seal	2,683.00

Collateral inheritance tax	115,621.50
Received from Penitentiary	55,000.00
Inmates West Virginia Asylum.....	11,229.92
Inmates West Virginia Reform School	13,820.55
Miscellaneous small items	1,785.06
Total	\$ 2,353,846.24

DISBURSEMENTS.

Salaries State officers	\$ 22,210.00
Salaries Judges	92,821.77
Salaries Clerks State Offices.....	71,126.54
State House labor fund	16,157.48
Contingent expenses State Offices.....	24,063.18
Capitol Buildings and grounds, including purchase of additional property	44,524.06
Military Department	57,224.91
Public printing, binding and stationery.....	46,925.43
Legislature, session 1909	72,337.22
University and branches	126,838.67
Normal Schools and branches	103,221.20
Colored educational institutions	41,927.01
Reform School	46,930.06
Deaf & Blind School	49,215.90
Industrial Home for Girls	15,649.90
Asylums for insane and incurables.....	297,232.70
State Board of Health	3,434.91
State Board of Agriculture	12,500.00
Department of Mines	34,930.01
Miners' Hospitals	65,714.31
Bureau of Labor	3,091.67
Commissioner of Banking	7,391.72
Pardon Attorney	4,094.82
Road Department	5,880.61
Tax Commissioner's Office	26,220.50
Geological Survey	29,900.00
State Board of Control	6,057.36
Support of Lunatics in Jail	2,399.00
Criminal charges	93,249.11
Virginia Debt Case	24,999.56
Miscellaneous Special Appropriations	104,099.50
Transfer from State to General School Fund.....	317,253.88
Total	\$ 1,869,622.99

Now, as to the State's finances for the future and the most desirable and equitable method of raising sufficient funds to properly take care of a great and growing State like ours:

The new tax laws have accomplished much in the right direction to solve and make more plain the path which leads to justice and equal taxation under the able supervision, first of Hon. C. W. Dillon, second, of Hon. A. B. White, and, third, of Hon. T. C. Townsend, the present incumbent, but much more can and will be accomplished. We will push forward. We must give the boys and girls of West Virginia as good opportunities in the way of education as other States. We will continue to help the blind and deaf in preparing them to be self-sustaining. The unfortunate insane must continue to have proper treatment. Our reform school must be continued and made better. Our home for girls and the different educational institutions must be well taken care of. Roads must be improved in a substantial manner, and we will need more money each year to satisfy the demands of a progressive people. The question then is, how this money can be raised in order that each individual or corporation may pay their just proportion. I have shown from what source the State receives the money at present necessary to conduct the affairs of the State Government, and also for what it was paid out. How can we raise more money without increasing the State tax beyond the present rate and treat all interests fairly?

The real estate as a whole, in my judgment, is pretty well assessed, so we cannot hope for much increase in revenue for the State from that source. There is probably more license collected from the different license privileges now than will be collected in the future, and we have likely reached the acme in this line. The revenue from collateral inheritance taxes has been for a time about \$100,000.00 a year. We cannot expect a great increase here. In fact, I think the tax should not be made any higher, no matter how badly the State needs funds.

PRODUCTION TAX ON GAS.

The public service corporations, with one exception I think, are paying their fair share. The Board of Public Works assessed the public service corporations at their true value, or as near that as they could from the information they had. Under the law it is impossible, from the reports required to be made to the Board of Public Works by a pipe line company, for the Board to have any intelligent idea of the true value of a gas well which they

assess, when it belongs to the property of the pipe line company. They report the tangible personal property, such as the pipe lines, etc., and about \$5,000.00 for each gas well, including the casing in the well, but that gives little information as to the value of the gas itself that is really being produced. A law should be passed by the next legislature extending the power of the Board of Public Works so as to include the assessment by the Board of all the gas wells in the State, whether owned by a pipe line company or not. The Board now assesses pipe lines and any gas wells that pipe line companies own in connection with their line. Then require the owners of all gas wells to report to the Board of Public Works under the supervision of the Tax Commissioner's Office, the number of cubic feet of gas produced in each well and place a production tax on gas that will be equitable as compared with the value of other property. This tax should apply to all gas wells that are producing gas, whether it is passing through a pipe line or escaping in the air. Then, when you have assessed the pipe line and other tangible property, together with the gas itself, you have done all that justice demands, and have treated a great interest fairly. By methods along this line I believe the revenues of the State would be materially increased and no injustice done the gas interests, and we would then have a better knowledge of this class of property. The tax from this revenue could be applied exclusively to the State.

Now, if it is right to go further after this property is assessed as other property, and add a license tax because of a waste of the State's natural resources, that is another question and one I will not discuss here. I will simply say, we should first bring this property on the assessor's books like other property, and if a license tax is just after this is accomplished, it can be settled later. I have worked in the legislature for years, and have spoken from the stump trying to help make sufficient public sentiment which would be strong enough to pass a bill along the lines of these suggestions. It has been slow in developing, but if I do not mistake the sign of the times, it is here: To my mind, it is not a case of singling out any one class of property and taxing it more than another, but from the very nature of gas—invisible almost as air—it becomes necessary to use a different method to arrive at its value, so that the members of the

assessing board, whoever they may be, may intelligently assess it and place it on a basis with other property.

One person is quoted as saying he favored a production tax on gas because the State needed the money. To my mind, it is not a question of the State needing the money or not needing it, but it is a question of this property being assessed at its value. If it is not paying its just share it should be made do so, if it is paying its fair proportion, then it should not pay any more. All the State asks from any class of property is a square deal.

Again, it is impossible to assess it in the earth, because you have no idea of the quantity. We cannot assess it as personal property when it is brought out of the ground, because the law says that all tangible personal property shall be assessed to the owner in the county and district where it is located on the first day of January. When the assessor comes along on the first day of January, this gas is not in the district; neither is it in the county or the State, but with the exception of a very small quantity, it has been shipped to the other states, and this State is helpless to secure any tax at all from this great wealth that has been each day passing through the pipe lines out of the State. Under the law it would be possible for the assessor to assess 1-365 part of the gas on the first day of January, the amount passing through the pipe line in one day, and the amount passing through the same line in three hundred and sixty-four days is lost to the people of this State, as far as taxable property is concerned.

Again, this gas, when it reaches other states, is converted into money and it is safe to say that very little comes back to West Virginia in that shape to finally get on the assessor's books. Now certainly it must be plain, in order that this class of property may pay its part, that we must have the amount passing through the line in a given time and ascertain its value by a production tax. This would simply change the method of assessing this class of property—that is all.

If, instead of gas it was wheat being pumped from the ground and run through the pipe line out of the State, and very little of the money received from it was coming back in the shape of money to be placed on the assessor's books, would not the State have demanded long ago that the owners be required to report the number of bushels of wheat passing through this line each

year, in order that it might put a proper valuation upon it? I think it would; but, because it is unlike wheat, inasmuch as it is invisible, we have suffered great wealth to pass from us in the past without exacting the same toll we have of other property. Let us stop it, and stop it now.

LEASE HOLDS.

Again, if the coal lease-holds are not paying their fair proportion of taxes, then extend the power of the Board of Public Works sufficiently to assess this class of property instead of the county assessors. The reason for this is, the Board could assess this class of property more accurately than the assessor. The Tax Commissioner's Office could prepare blanks as it does in cases of railroads or telephones or other public service corporations, and have them report the necessary information to assess this class of property intelligently. This data would be impossible for the county assessors to secure. We would have more uniformity in the assessment, which would result, in my opinion, in a big increase of revenue from this source. It is safe to say that if the assessors had to assess the railroads, telegraph and telephone companies in their respective counties, we would not get half the revenue that we do from these sources. Not that they are incompetent, but because they do not have the necessary information. By all means give the Board of Public Works the power to assess lease-holds or chattels real, for, like gas, it is very difficult to determine the value.

INTANGIBLE PROPERTY.

This property, consisting of promisory notes, taxable bonds and money, is the most difficult of all property to get upon the assessor's books because of its very nature. I have given this question some thought in the past and believe the State is losing more revenue from this class of property than any other. Millions of dollars are escaping taxation every year in our State from this source. We have provided severe penalties for failure to return this property to the assessor, but it is hard under the present law to detect those that fail to give it in. This State has collected the penalty in a number of cases from the estates of deceased persons. What we want is a method that will bring this property on the books while they are alive. A num-

ber of plans have been suggested and possibly the most popular one is to secure an amendment to the Constitution of the State, giving the Legislature power to classify property for taxation. That is, the legislature could put real estate in one class, oil and gas in another, money and promisory notes in another, and provide a different rate of taxation for each of the classes. Those that favor this idea believe by putting money and promisory notes at a very low rate of taxation, the owners would give them in to the assessor, because the taxes would amount to but little and they could afford to make the return. By doing this, they think the revenues will be increased even at a low rate of taxation. I do not believe in this method. We have started on a system of taxation in this State—the best, I believe, in the world—that all property should be assessed at its true and actual value. If it is a hundred dollars in money, then assess it at one hundred dollars. If it is one hundred dollars in a gas well and it is worth that, assess it at one hundred dollars. If it is one hundred dollars in what-not and the value of one hundred dollars is still there, assess it at one hundred dollars. In my opinion, this is the only just and proper manner in which to assess property. I think it would be a very dangerous experiment to give the Legislature power to attempt to classify property. It would result in the derangement of the new tax laws and strike a hard blow at the very corner stone of tax reform, which says that all property both real and personal shall be assessed at its true and actual value.

Imagine a Legislature representing various sections and interests of our State, each trying to get their particular property in a class by itself with a lower rate than other kinds of property. It would result in confusion unheard of in West Virginia Legislatures and they would do little more during the session than contend over these matters, but this property must be brought on the assessor's books at its true value. Let us continue along the road we have been traveling for the last few years, and not get weary in well doing or frightened at running this class of property out of the State. We can succeed if we will persevere. There should be no trifling with this class of property. It is a desperate case, and will require strenuous treatment to get it on the assessors' books. In the year 1897, twelve years ago, I worked in the legislature to secure the passage of a

bill known as the Assessors' Stamp Law, requiring the assessor's official stamp on all promisory notes and taxable bonds, in order to show that the property had been listed for taxation by the assessors. Failure to have this paper stamped by the assessor resulted in a loss of part of the principal. I remember those who opposed this bill said it would drive capital out of the State and would ruin the credit of men, if it were known how much of their paper was afloat, and so forth. I think, if in order to keep this money in the State we must let it stay without its paying its fair share of taxes, then let it go by all means. But we know few will loan money outside their own State, and, as the law now stands, property of this kind follows the person and must be returned by the owner to the assessor in the county where he lives for taxation, even though the money or promisory note be in China. As to the injuring of the business standing of any individual if these things were known, I will say the assessor could be sworn to secrecy. Besides, a lot of people would have been better off if they had known the amount of paper some people had afloat. The bill was defeated. If there was reason for a bill at that time of this nature, when real estate was assessed from thirty to fifty per cent. of its value, there is double reason now when real estate is assessed at its true value. I think if this organization will take this matter up, we can make it a law. I believe this should have been a part of the tax laws and I talked to quite a number of our people about it at the time, but got little encouragement because they said it was too drastic. I believe, however, that a great many objected because it would bring from its hiding places, money and notes that might come very close to them. Again, our banks are required to disclose every dollar of this class of property to the assessor, and they are paying on this class more than their fair share. Let the assessor go down any street in our cities and it is safe to say he does not get fifty per cent. of this particular property. Is this fair to the banks? We have made them pay one hundred cents on the dollar and return it all, and do you know of any of them quitting or going to another State? Now, the banks are not paying more than they should pay, but it is up to the State to pass a law, and enforce it, that will bring this class of property owned by individuals on the assessors' books just the same as the banks. It

is due the banks and holders of every other class of property. This law should be amended so as to give the assessor access to the deposit accounts in banks and to the paid-up stock accounts in building and loan associations. Hundreds of thousands of dollars worth of property could be dug up in this way, upon which, at present, no tax is being paid.

CONCLUSION.

I simply make these suggestions with the hope that in case anyone has better methods of accomplishing the same result, he may get busy and I will be glad to aid him in any way I can. Let no man advocate the increase of the State tax until these different classes of property are brought, as near equal as possible, on the assessors' books. Then, if anything should happen that it would be necessary to increase the State tax, we could do it and all pay alike, but if we will bring all the tithes into the store house of the State, it will not be necessary to increase the State tax and we will have settled the revenues of this State for years to come.

