THE INHERITANCE TAX BILL.

I have been glad to find an occasional point of cordial consensus with THE CONSERVATIVE,—such, for example, as the patriotism of planting trees, and the enactment of a Torrens land-transfer law. A bill for the latter was introduced by myself in the session of 1897, failing for want of consideration. I hope the present bill by Representative Hanks may pass. The Torrens system is successfully in operation in the province of Manitoba, — with slight change the Manitoba law may be used in Nebraska and effect a reform whose needs become more apparent with every year's addition to our political length of days.

This letter is written to secure the active, efficient co-operation of THE CONSERVATIVE and its readers for another genuine piece of progressive legislation, —the enactment of a Nebraska inheritance tax law. Two bills have been introduced on the subject, H. R. 364, by Representative Hawxby, of Nemaha, and another bill by Representative Reams, of Custer. Both bills are before the house committee on revenue and taxation and the slight differences in their proposed procedure, it may be hoped, will there be blended in one harmonious whole; it is for the justice, propriety and efficiency of this amendment to our revenue law that I plead.

And first the general features of the proposed legislation, H. R. 364 provides for:

1. A tax of one per cent. on estates passing to direct (lineal) heirs, the tax being on the excess of $10,000 received by each person.

2. A tax of two per cent. on estates passing to collateral heirs, the tax being on the excess of $2,000 received by each person.

3. A graded tax on estates passing to strangers to the blood, ranging from 3 to 6 per cent. according to the sum received by each person.

This tax is to be collected by the county treasurer through the probate court and to be paid into the state treasury.

The justice and propriety of the proposed enactment rest upon these considerations:

1st, That the state protects and secures the passing of property after the death of its owner to his heirs,—a peculiar privilege which in many cases could not exist without the machinery of the state,—and that it is fairly entitled to compensation for conferring this peculiar privilege.

2nd, That the notorious present inequalities in taxation of personal property, and the escape from taxation of a large part of the same during the owner's lifetime, afford just ground for its fair assessment and taxation when the state shall pass its ownership to other persons.

3rd, That the growth of the modern state, even with unhoped-for economy, demands growth of revenue; that nowhere can this increase of revenue be derived with more certainty and equity, with less burden to industry and with more palpable perception of the state's service for the taxation than when it undertakes to receive the property of a dead man and distribute it among other persons who have not (in many cases) gathered it.

Efficiency As a Revenue Measure.

Its efficiency as a revenue raiser may be glimpsed at in the following figures, incomplete, yet sufficient to give an approximate idea of what it is doing elsewhere:

REVENUE DERIVED FROM INHERITANCE TAX LAWS.

New York	
From 1885 to 1894	$11,000,000
Massachusetts	
1892	12,000
1893	59,000
1894	127,000
Pennsylvania	
1890	670,000
1891	1,232,766
1892	1,111,120
Maryland	
1890	83,000
1891	67,000
1892	114,000
Connecticut	
1890	14,600
1891	74,758
1892	177,662

The complete figures for later years are not just at hand, but show a gradual increase in revenue as the working of the law becomes more effective. In Illinois the Armour and McCormick estates have paid $15,000 or $20,000 apiece into the state treasury under the inheritance tax law,—and who shall say that it was severe burden to the beneficiaries of the estate or an unjust charge for the services of the state? The British Empire, according to the Statesman's Year Book for 1900, derived a revenue of $57,000,000 from various death and succession duties in the fiscal year 1899.

The constitutionality of the Illinois inheritance tax law has been upheld by the supreme court of the United States recently in the case of Magoun vs. The Illinois Trust and Savings bank, 18th Supreme Court Reporter, p. 594. This is the leading case on the subject and carefully cites and reviews the history, decisions and principles involved. The court holds: First, that an inheritance tax is a tax on the succession. Second, that it is not a tax on property. Third, that there is no natural right to take property by descent, but that it is a statutory right, and that the state may impose a tax on this right, may discriminate as between relatives and strangers; may grant exemptions and may provide a graded tax upon estates passing to distant relatives and strangers.

Opinion of Economists.

The great thinkers and writers who have created the science of political economy are of accord upon the justice, propriety and efficiency of an inheritance tax, however far separated their school of thought or point of view.

Adam Smith says (book V, chap. II): "The transference of all sorts of property from the dead to the living, and that of immovable property, of land and houses, from the living to the living, are transactions which are in their nature either public or notorious, or as such cannot long be concealed. Such transactions, therefore, may be taxed directly. Taxes upon the transference of property from the dead to the living fall finally, as well as immediately, upon the person to whom the property is transferred."

John Stuart Mill in his chapter on taxation, after quoting from Adam Smith his rules for levying taxes, says: "I conceive that inheritances and legacies, exceeding a certain amount, are highly proper subjects for taxation; and that the revenue from them should be as great as it can be made without giving rise to evasions. The principle of graduation (as it is called) that of laying a larger percentage on a larger sum, though its application to general taxation would be in my opinion objectionable, seems to me both just and expedient to legacies and inheritance duties."

Prof. Ely, of Wisconsin University, in his work "Taxation in American States and Cities," p. 315, says: "A direct inheritance tax * * * when moderate in amount is a just tax which can always be assessed fairly, and collected without difficulty or considerable expense."

Seligman (Incidence of Taxation, chap. VII), says: "A tax on inheritances cannot be shifted, for evidently there is no one to whom it could be transferred." And farther on he enumerates it as one of the forms of taxation recommended by him to legislators.

Summed up, the proposed amendment to the revenue law of this state has in its support the master minds in the field of political economy, the decision of the supreme court of the United States, the approving experience of sister states, the plain common sense of reasoning minds,—and, I trust, THE CONSERVATIVE with all its readers. Nebraska is at present floundering along with a revenue system admitted to be ineffective and yet whose general transformation is not to be looked for at this session of the legislature, and probably not for many years. Let the present body enact the simple, moderate, tested, amendment proposed and it will have accomplished more than can be hoped for in any other possible way.

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