

Municipal Taxation

By Victor Rosewater, Managing Editor of The Bee

NEARLY twenty years ago (1884), an article in Harper's Magazine sounded the alarm against "the startling disproportionate increase in the cost of governing cities."

The immediate cause of these apprehensions was a comparative exhibit in the report of the comptroller of the city of New York showing that from 1861 to 1883 the municipal budget of the metropolis had grown from \$12,000,000 to some \$30,000,000. We can only imagine how much stronger the words of warning would have been had it been known that by the expiration of another twenty years the annual revenue of a still Greater New York was to amount close to \$231,000,000, or nearly ten times in 1902 what it was in 1883.

What has occurred in New York in reference to its municipal finances has occurred in every progressive American city. The result is that notwithstanding our tremendous national development reflected in billion dollar congresses, the expansion of municipal income and outgo has gone on with equal rapidity and while our contributions to the support of national and state government figure up to huge proportions, the burdens that are felt most keenly and come closest home are the burdens of municipal government.

At best we can get but an inadequate idea of the colossal sums required each year to liquidate the municipal bills. Just to secure an approximate perspective, I footed up the latest table of statistics compiled by Commissioner of Labor Wright (Bulletin September, 1902), which includes only cities upwards of 20,000 population, and found that in these 137 incorporated cities the aggregate current income for the year was \$436,938,233.

My subject, however, is not municipal revenue but municipal taxation. American cities have many sources of income, but taxation is by far the most important. Of the total current receipts of the city of New York of \$131,743,596, \$76,886,621 came in as proceeds of the property tax, \$2,341,636 more from the franchise tax, and \$5,948,238 from special assessments. Of the \$436,938,233 of receipts of the 137 American cities over 20,000, \$269,233,421 came from the property tax alone. Boston, Philadelphia and Chicago each take in nearly \$30,000,000 every year as proceeds of the property tax.

These figures emphasize the vital part the property tax plays in filling the municipal pocketbook and the necessity of recognizing existing conditions which make impracticable so many of the schemes proposed to produce the millenium in municipal taxation. Our three fold form of government—national, state and local—each sustained by more or less interdependent fiscal machinery and each restricted by constitutional limitations peculiar to the United States, preclude us from utilizing to any extent the experiences of foreign cities and compel us to look to ourselves for the solution of our tax problems.

No matter then what may be our ideal system of taxation, no matter how many of the public utility services may be municipalized and made self-sustaining or even revenue producing, no matter what new sources of income may be developed through license fees, occupation taxes, franchise taxes, etc., the backbone of the municipal income in this country is and must for some time remain the property tax levy. To abolish this tax is out of the question, for its loss would bring every American city to speedy bankruptcy; no adequate substitute has been devised for it; the ever widening financial needs of the municipality quickly absorb all newly provided revenue without appreciably relieving the pressure upon the regular tax rate. For the present and immediate future the task must be to make the best of what we have.

The favorite remedies suggested for prevailing tax abuses in our cities are separated

into two plans and local option in taxation. The two plans are often urged as properly complementary, but they do not necessarily go together. We may have separate sources of revenue for city and state without local option and we may have local option without separating the sources of revenue. Many students think wisdom requires the state to support its treasury from taxes on corporations, inheritances, etc., and to release to the municipalities exclusive jurisdiction over real estate. In the larger and wealthier commonwealths this tendency is unquestionably marked, but in the vast majority of our states, especially where agricultural pursuits predominate, the stage has not been reached and cannot soon be reached where the state government can realize sufficient revenue to its needs unless placed out with a general tax levy. On the other hand, if we are ever to have a comprehensive and unified system of taxation it can be achieved by local option subject to express limitations only because with such municipalities striking out haphazard the twin evils of double taxation and complete tax evasion cannot well be avoided.

The cogent reason why the municipality should have independence in tax matters is that where state and local taxes are both imposed on one assessed valuation, the former being apportioned, the inevitable temptation to competitive undervaluations is irresistible and to avoid contributing an undue quota to the state treasury the city assessment roll is reduced to ridiculously insignificant proportions and the city tax rate correspondingly inflated to apparently confounding figures. This dilemma has been obviated in certain cases, not by separating the sources of revenue for state and city, but by providing the city with separate machinery for assessment. The same property is thus at say 25 or 30 per cent of its selling price and once for city purposes at full value. This is, of course, an expensive duplication of assessment work, but it has advantages as well as disadvantages.

The essence of justice in taxation is equality and uniformity—an equal burden on all similarly situated and an uniformity of application to all within the same jurisdiction. Perfect justice is not to be expected in any system of taxation, but there is no insurmountable obstacle in the way of attaining substantial justice. Success or failure after all depends directly upon the ability and intentions of the officers who administer the tax machinery and the character of these officers depends on the state of public opinion that governs their selection and operates as the mainspring of their official action. Having devoted a month within the past year as a member of a board of review for the revision of the grand assessment roll of a city with over 100,000 inhabitants and a valuation in excess of \$125,000,000, I am convinced as the result of that experience that conscientious and determined tax officers backed by a healthy public sentiment can apportion the tax burdens according to our standards with an approximate degree of accuracy.

My observations and experience have, moreover, made me a great believer in publicity as a potent remedy for most of the ills of the body politic, and more particularly for abuses in taxation in cities where the healthy stimulus of neighborly watchfulness cannot be as strong as in rural districts. If a man cannot hide his property from the assessor without being found out and advertised as a tax shirker he is more apt to list the items fairly. If the taxpayer is enabled without too much trouble to compare the valuation on his property with those of his neighbors or business rivals he is likely to accept reasonable assessments gracefully if ratable with the others. In every city the assessment list, at least of personality, in all sums in excess of say \$1,000, should be published

annually for the inspection of the taxpayers and the detailed schedules kept accessible to all who wish to consult them.

One of the chief difficulties in fixing assessments for municipal taxation is the impression common among business men that it is their prerogative to say on how great a valuation they are willing to pay taxes and to insist on their estimates being final. Inured with this idea, intelligent men will frequently refuse to give information necessary to furnish the basis for a fair assessment, and then when the assessing body secures its information as best it can to feel themselves aggrieved. In justification of their position it is contended that mercantile capital is entitled to leniency as compared with investments in realty because otherwise its owners would be at a disadvantage in doing business in competition with merchants and jobbers of other cities where the taxes imposed are lighter. It is further urged that whatever encouragement is given mercantile establishments in the shape of lower assessments and smaller taxes redounds to the benefit of the owners of real estate and other fixed institutions whose value rests upon the maintenance of a growing population. Acceding to these pleas, however, would make it simply a question how much advantage should be given to mercantile capital, and the only logical outcome would be the remission altogether of such taxes. But that capital invested in business should go untaxed while capital invested in real estate should bear all the tax burdens resolves itself ultimately into the single tax on land values, for which our American cities are hardly now prepared. Still less weight is to be given the stock argument that business establishments in one city should be assessed only nominally for municipal taxation because competitors in other cities, where the expenses of government may be much smaller and the protection afforded far less adequate, are taxed still less. To concede the validity of this argument would be in substance to allow the taxes in one city to be fixed by the authorities of some other city, and it would be merely a matter of time when all the different competing cities and towns would be vying with one another to abolish taxes upon mercantile capital altogether, if not to go further with subsidy premiums.

As a matter of fact, so far as there is good ground for the relief of personality from excessive tax burdens, it is recognized in all our American cities that impose special assessments for benefits accruing from local improvements to the owners of adjacent property. The principle of the special assessment as defined in my monograph upon that subject is that "where an expense is to be incurred by a local authority for a public improvement which results in special, distinct and measurable advantages to the property of particular individuals, it is more equitable that those individuals who benefit thereby should contribute to the expense to the extent of these benefits than that the burden should be placed upon others who have received no such benefits." (P. 139). As already indicated, the municipal revenues in Greater New York for 1901-2 were swelled by over \$5,000,000 received as special assessments, in Chicago by nearly \$3,000,000, in Pittsburg and Cleveland by nearly \$1,000,000 each, and in other cities in smaller yet significant amounts. Special assessments constitute a thoroughly established feature of municipal taxation in America without which the rapid enlargement or the permanent plan of our cities could not have taken place.

As to the numerous franchised corporations, which for years have enjoyed most valuable privileges not only without adequate compensation, but in many instances without bearing even their fair proportion of the tax burdens, much recent improvement may be noted. Irrespective of the

municipal ownership idea, where these public services remain in private hands the disposition is to require assessment for taxation on the basis of market value as gauged by stock and bond quotations and the repeated efforts to evade these obligations by appeal to the courts have been generally defeated. The difficulties presented where the franchises and property extend in part outside of the city's taxing jurisdiction are technical only.

With the railroads and their terminal facilities, the problem has not been so satisfactorily solved. The most valuable portion of a big railroad system is found in its terminal facilities which give entrance to great population centers and localize traffic at the points of business. The railroads share equally in all the benefits of municipal government and often require in addition special services at the hands of the city authorities, but in few, if any, of our cities do they contribute in taxes in anywise near their just proportion. The evasion of municipal taxes by the railroads has usually been accomplished under pretense that the line must be valued as a unit by some central state assessment board and the terminal and franchise values distributed over the entire length on a mileage ratio. As a result, the terminal values are taken out of the municipal area for taxation and in theory straggle along rural districts where no municipal taxes are imposed at all. In Omaha, for example, the property of five great railroads converging there, with costly bridges, freight and passenger depots, trackage, etc., which railway experts had themselves testified to be worth more than \$25,000,000, is certified up by the State Board for Municipal Taxation on an assessment of less than \$200,000, and the discrepancy explained by the fiction of distribution, although no signs of the distributed values are visible in the assessments apportioned to the rural counties. The true system should provide for the local assessment of railway terminals for municipal taxation the same as other property, no matter how railways may be taxed for state and general purposes.

One other weak point in the present scheme is the practical immunity of the men in professional life and in certain lines involving personal service as the sole ingredient of their business in contrast with the merchant and manufacturer. The lawyer, the physician, the dentist, the engineer, the broker, the rental agent, the commission man, are completely dependent upon the conditions of urban life made possible by the maintenance of municipal government, yet contribute almost nothing to its support. It might not be popular, but it would be nonetheless in the direction of greater justice to impose a special occupation tax or license fee upon these classes supplemental to the usual taxes on their property holdings.

Whether assessments should be at a fractional part of market value and tax rates high or assessments at full value and tax rates low, there seems to me to be but one answer. Full value assessment alone gives an invariable and definite standard and offers no disguise to cover up tax shirking; it misleads no one and requires no explanation, while a high tax rate on a percentage valuation is delusive and repellant to population and investment.

The real question in the end is not so much whether the taxes are high or low, but whether they are equitably distributed and whether the taxpayer gets good return for his money. To expect the expenses of municipal government to be materially reduced for the future is to expect our cities to stand still or to contract their municipal functions. What we must work for is to eradicate abuses in our existing system of municipal taxation and at the same time to make sure every dollar is well spent, so that the best possible results are secured at the least possible outlay.

Omaha, Neb.

Salt Water Sailor's Experience With a Shark



I JUST believe that story I see in the papers about a shark biting a man's hand nearly off after the fish's own head had been cut off is true; every word of it solemn truth," said an old salt water sailor, quoted by the Washington Star.

"Why?" one of his listeners asked.

"Why? Because a shark is the meanest, ornarest son of a seacock that swims in the ocean. I know him. He's cowardly, too; but once get him at close quarters, where you have the advantage of him. Then he is as much like a rat as anything I can think of and will fight to the bitter end.

"I mind me of a fight with one of these fellows in which a whole ship's crew took part, and if you want to hear about it I'll spin you the yarn."

Of course every one was interested, and the ancient mariner proceeded.

"A few years after the end of the war I was one of the crew of a pretty good-sized bark that sailed out of Philadelphia in ballast, bound for a port in Brazil, where we were to load up with a cargo of rosewood and other stuff. The old bark

had a crew of first-class men. Every one of them was a sailor man, from the captain's steward up to the ship's cook, and most of 'em had seen hard service on blockade duty aboard men-of-war when the fight between the states was goin' on.

"We got pretty well down in the south Atlantic when one of the men, a fellow named O'Stanley, took sick. Very sick he was, and you'd hardly believe it, but the day after he was laid up in his hammock it was noticed that a big shark was followin' the ship.

"He was surely waitin' for O'Stanley to die. That's a way sharks have. They smell death and wait for a poor sullen man to breathe his last and then pounce on him when his mates leave him overboard.

"This shark was one of them kind that are always attended by a lot of little fish, called pilot fish. They guide him to his prey, and probably get the crumbs that fall from the big fish's table.

"Th' old man come out of his cabin when the shark was reported and gave orders for us to catch that ugly gentleman. This was just what we wanted, so we bent a stout rope to a big iron hook, baited it with a big piece of salt pork, made the

line fast to a stanchion and hove the meat overboard.

"Did it take MC Shark long to come to dinner? I guess not. He must a been very hungry.

"All hands that could be spared got hold of the rope, and I swear we had the hardest kind of work in getting him aboard.

"But we got him and hauled him over the rail on the starboard quarter. Fellows, that brute was bigger'n any horse I ever see.

"After we got him on deck the fight began in earnest. The old devil had no idea of giving in and pranced around worse than a dancing master on a waxed floor.

"He snorted and grunted and thrashed the deck with his fury, and it was dangerous to come near him. The hands beat him with iron belayin' pins and marlinspikes, and the old man put the contents of two revolvers under his barnacle hide; but he was in for a fight to the finish.

"At last the cook, with a sharp ax, cut his infernal head off just below his shoulders; only he didn't have any shoulders.

"Well, that sort o' quieted him, but he was for still showin' fight, and his jaws

opened and snapped viciously. One of the boys stuck an ear into his mouth, and I swear that, although the monster hadn't had no head for at least ten minutes, he just crunched that ear between his teeth as easily as you could a toothpick.

"The mess he made on the after part of the deck while he was givin' the ghost was awful. It took about half the afternoon to clean up. So don't you discredit any yarn about a shark using his fangs when he's behended.

"The saddest thing about the whole business was that poor O'Stanley died just about eight bells the next afternoon. Them pilot fishes knew he was goin' to peg out and just let the shark know it. That's a way them creatures has."

Resourceful Woman

She—George, dear, you remember that lovely sideboard that I told you I should like to buy because it was so cheap? Well, I've discovered a plan to make room for it.

He—How, my dear?

She—By taking a larger house.—San Francisco Waap.