

# Tax Law Reform and How to Accomplish It.

*Written for The New York Times.*

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For the last twenty-five years there have been at intervals commissions to investigate the tax system of almost every State in the Union. In some States such commissions have been appointed every few years.

These tax commissions may be roughly separated into two classes—the first composed of men who called themselves practical and directed their attention chiefly to devising means for more thoroughly taxing classes of property already subject to taxation. The second class may be called the academic commissions, composed of men who were educated in the science of taxation and who were convinced that the system was at fault as well as the method of its enforcement.

It can safely be said that all the commissions in all the States were agreed that the laws, as enforced, were unequal, unjust, and induced fraud and perjury. Those commissions which proposed amendments designed to secure a more effective enforcement of the existing law have succeeded to some extent in influencing legislation. Academic commissions have usually failed to exert any influence at all.

In those States which have adopted the most stringent methods of enforcing the taxation of personal property the injustice and inequality have invariably increased. These attempts were designed to make the cities pay a larger share of taxation, and have always resulted in placing heavier burdens upon the rural districts. While the so-called practical men have influenced legislation, it has exaggerated the very evils they have desired to correct.

The failure of the commissions which have been called academic is due chiefly to the fact that they recommended changes of a general character, and the antagonism which prevails between the city legislators and those from rural districts has always prevented the adoption of a general law. Their effort appears to have been to devise a system by which the goose could be plucked with the least squawking, and their proposals have been admitted, even by themselves, to be far from perfect.

The report of the commission appointed by Gov. Hoffman of New York in 1869, of which David A. Wells was the Chairman, proposed a habitation tax, which was to take the place of the tax on personal property, and the commission to revise the tax laws of Massachusetts, which reported last year, and of which Prof. F. W. Taussig was a member, advocated substantially the same system. In that report the commission admits that the tax would be most severe on those of moderate means, and to modify this effect provided that the tax should be laid only on rentals in excess of \$400 per annum. No doubt this tax would be better than that which we now have, but at best it is artificial and arbitrary.

There are two distinct departments of taxation; one to provide revenue for the State and the other to provide revenue for the towns and counties. The more important of these is certainly that which affects taxation for local purposes, as it always exceeds the tax for State purposes by from three to eight times.

The New York Tax Reform Association has directed its attention first to the more important department and has proposed a measure so practical that it has been imitated in many other States. It has avoided

as far as possible the chief obstacles which have opposed other attempts at reform in the tax system by leaving the subject of local taxation to be dealt with by the local governing bodies of the different counties of the State. Should this bill become a law no county would be forced to make any changes until it was convinced by the experience of other counties that the change would be beneficial. The whole subject of taxation locally would be removed from the Legislature, and that body would be left free to deal with the subject of State taxation independently.

So far as State taxation is concerned, we have already an excellent model in the law of Connecticut for the taxation of railroads. This system can be extended to include all quasi-public corporations, and the necessary State revenue could be obtained from this source alone, supplemented by the present inheritance tax.

At present these corporations are reached by several different taxes, some of which cost almost as much to collect as the revenue derived by the State. This would exempt them entirely from local taxation, simplify the system, and make it scientific.

Several of the commissions seemed to think we need new taxes, but they only proposed taxes on consumption. Of these we have too many already, as such taxes inevitably bear least heavily upon those in receipt of the largest incomes. This is also true of taxes on personal property. They fall with crushing weight on the widow and the orphan and when laid on merchandise or manufacturing machinery increase the cost of goods and are paid by the purchasers of the goods. When laid on banks and money the rate of interest is increased, productive industry is checked, and again the burden finally falls on the mass of the people in proportion to their necessities, and without regard to the benefits they receive from government.

We certainly do not need any more taxes of this kind for local purposes. Real estate owners are ready and willing to pay the small increase occasioned by the remission of personal taxes, and will no doubt profit by doing so. Real estate increases in value when wealth and population increase, and we have the evidence of experience and the testimony of many of our Tax Commissioners that the abolition of personal taxes will invite to this city the capital of the world.

If our Municipal Assembly had the power, there can be no doubt that personal property would be promptly exempted from taxation, for in this city practically all classes are unanimously in favor of such a measure.

The example of our city would quickly be followed by other counties and, without friction, personal taxes would gradually be wiped out in a few years.

Meanwhile the natural sources of State revenue could be reached by the Legislature and the State could gain adequate income without any assessment upon the counties.

When we compare our country with the great and rich Republic of France, it is easy to see the reason for our superiority in the self-governing principle of our States. When we grant our cities and municipalities the same independence in matters which affect them alone, we may feel sure of an advance in the science of taxation, and until then it is almost hopeless to expect it.

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