

## THE INHERITANCE TAX

The Inheritance Tax has several advantages over some other forms of taxation in common use.

The tax is derived from the property of deceased persons, who themselves cannot use it longer, and is paid in most cases by those who have done little or nothing to produce the wealth that they will henceforth enjoy. It is paid at a time when the means of payment are at hand and represents no real sacrifice by the taxpayer. The tax is relatively sure, and inexpensive in collection. It does not interfere with production, unless unduly high, and it cannot be shifted.

On the other hand, the procedure incident to the collection of this tax makes additional costs and fees which, in the case of many small estates, equals or exceeds the amount of the tax. In the United States there is a further difficulty because the laws relating to inheritance are enacted by the several States and not by the federal government. When estates have property in two or more States, the same property is often subject to double taxation, especially in the case of securities and shares of stock. The State of which the decedent was a resident claims the tax because of his residence, while the State where the property represented by the shares is located, claims a tax because of its jurisdiction over the corporation.

Nor can the tax be a substantial source of revenue. In New York, where the rates run from one to eight per cent. the average receipts from the Inheritance Tax are \$12,000,000 annually, or less than five per cent. of the total State and local revenue. And New York has an undue proportion of large estates that really represent wealth located in other parts of the country, or that was made elsewhere than in this State.

In Wisconsin, the average yield of the Inheritance Tax is about \$700,000 annually, less than one and one-half per cent. of the total public expenditures. In California, where the rates

have been increased three times since the first law of 1905, and are perhaps the highest of any State, the tax for 1915 amounted to \$2,483,000 or about two per cent. of the total State and local revenue.

As rates which are at least one per cent. and grade much higher on large fortunes, produce so small a proportion of the total revenue, it is obvious that the Inheritance Tax cannot be a substantial source of revenue. To support the government exclusively by this tax would require the taking of every estate.

From the Single Tax point of view, the Inheritance Tax is defective in several ways. It bears no relation to the benefit conferred by government upon the property taxed. It falls upon property which usually is subject to annual taxation, (paid by the decedent prior to his death and by the beneficiary afterwards) so that the Inheritance Tax is an additional burden upon the same property.

In the popular mind, the Inheritance Tax finds justification as a method of reaching, by means of progressive rates, large accumulations of wealth. It is true, of course, that many, if not most, large fortunes have not been earned, but are the result of some form of special privilege. The remedy for such conditions, however, is either to tax the full value of the privilege or to abolish it, and not allow the owners of such privileges to extract wealth from the community during their entire lifetime on the chance of getting some of it back when they die.

It is a fundamental doctrine of the Single Tax that a man is entitled to whatever he produces by his own labor. When special privileges are abolished and each man has only that which he earns, there will be no justification for taking any of such earnings away from him while he lives, or from those whom he desires to have such earnings when he dies.—EDITOR.