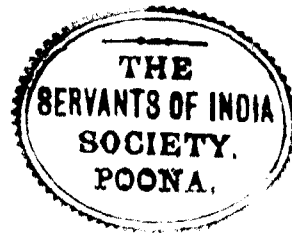




IN YOUR REPLY PLEASE
REFER TO FILE NO. 36

TOPEKA, KANSAS

January Twenty-Ninth,
1925



Mr. S. G. Vare, Librarian,
Servants of India Society,
Deccan Gynkhana Post Office,
Poona City, India.

Dear Sir :

Your letter of November 24th, 1924, addressed to the Secretary, Department of the Treasury, Kansas, has been referred to this department for reply. In compliance with your request for information regarding the tax system of this state, there will be sent you under separate cover a copy of the "Compilation of the Sections of the Constitution and Laws of Kansas" relating to the assessment and taxation. A proposition to amend Article 11 of the Constitution was adopted at the last general election, therefore, the section as printed in this compilation is now amended accordingly. A copy of the proposition to amend, which was adopted is pasted in the compilation of laws sent you.

There is also enclosed a copy of Part I of the Ninth Biennial Report of the Tax Commission. Herewith is enclosed a copy of an address delivered at a recent "Conference of the National Tax Associ-

Mr. S.G.Vare - - #2

1-29-25.

ation" by Mr. Noah L. Bowman, Member of the Tax Commission of this State. Aside from the personal views of Mr. Bowman, regarding taxation, the address gives a brief but clear presentation of the process of assessment and taxation in this state.

Yours truly,

A handwritten signature in cursive script that reads "Alva Sweeney".

Secretary.

AS:ET

Encl.

Neither North, South, East nor West, but in the geographical center of the United States is the central state--Kansas. In this favored position its inhabitants, having observed the successes and failures of the surrounding states with their innumerable tax schemes (referred to always as "reforms"), have adopted as the basic principle for taxation "Uniformity and Equality".

We believe that taxes should be levied and collected, using as and for a tax basis the taxpayer's financial worth. Any deviation from this principle is unfair and unjust. The farmer who owns a farm of the value of \$3,000 on which is a mortgage of \$1,000 has in real estate a financial worth of \$2,000. On that he should be taxed and no more. The owner of the \$1,000 mortgage has in real estate a financial worth of \$1,000 and that should be assessed to him as an interest in real estate, and on that as an interest in real estate he should be required to pay tax. Any other method places an extra or additional burden upon the owners of real estate to the amount of the mortgage indebtedness.

Within the constitutional limitation, the power to determine what objects, right and privileges shall form the tax basis and the rate or rates of assessing to be applied is lodged with the legislature or lawmaking body of

State and the nation. The constitution of the State
contains the following limitation:

Sec. 1, Art. 11. "The legislature shall
provide for a uniform and equal rate of assessment
and taxation."

In the campaign for election of legislators,
what rate of assessment and taxation shall be placed on
banks and on merchants, on railroads, on farms etc., does
not enter in and obscure all other important matters, nor
do the various individuals, companies and corporations be-
siege the legislature and occupy their time and attention
with schedules of rates, each seeking, by fair or foul means,
an unfair advantage as is the case with the national legis-
lature and state legislatures having power to classify pro-
perty for assessment and taxation.

In the campaign for Congress the candidate
must declare himself on the matter of taxation or tariff,
and the shrewd politician casts about and, right or wrong,
favors the rates that will unfairly favor or protect the
industries appearing to be strongest in his district. And
while Congress is in session other needful legislation is
laid aside in the struggle for advantage in the unequal rate
of assessment or tariff legislation.

The reason for this difference lies in the
difference in the constitutional limitations of the state
and of the United States.

In the convention that framed the United States constitution on August 25th, 1787, Mr. McHenry and General Pickney submitted the following section:

"All duties, imposts and excises, prohibitions or restraints laid or made by the legislature of the United States shall be uniform and equal throughout the United States."

The committee to whom this proposed section was referred made a report August 28th, 1787, striking out of the proposed section the words, "and equal". Thus amended, the section was incorporated into the constitution of the United States, and became, and now is, Section 8, Article 1, and reads as follows:

"The Congress shall have power to lay and collect taxes, duties, imposts and excises to pay the debts and provide for the common defense and general welfare of the United States, but all duties, imposts and excises shall be uniform throughout the United States."

In Knowlton v. Moore, the Supreme Court, in commenting on this matter said:

"The sense in which the word 'uniform' was used is shown by the fact that the committee whilst adopting in a large measure the proposition of Mr. McHenry and General Pickney...struck out the words, 'and equal'. Undoubtedly this was done to prevent the implication that taxes should have an equal effect in each state...It becomes plain that the words, 'uniform throughout the United States', do not signify an intrinsic but simply a geographical uniformity."

When the United States Constitution was submitted to the states for confirmation, it was opposed in

some instances on the ground that it permitted unequal assessment and taxation and "it did not prevent Congress from having it in their power to cause them (taxes) to fall very unequally and much heavier on some states than on others.....duties may be laid on articles but little or not at all used in some states and of absolute necessityin others".

The Kansas constitutional provision is a limitation on the power of the lawmaking body to discriminate between different classes of kinds of property, business or enterprise, assisting and fostering one at the cost and expense of another. And however burdensome and oppressive the tax may be, if the law of the state is observed, it must be borne equally.

Chief Justice Marshall, in *McCulloch v. Maryland*, said:

"The power to tax involves the power to destroy."

This does not mean power to destroy the thing taxed, but power to destroy private ownership in that thing.

How important, then, becomes the constitutional limitation "and equal"--thus requiring the power to destroy private ownership to apply alike to all, and not to fall on and tax away from one unfavored class their title or ownership of their property, leaving the tax burden light on others.

Sections 101 and 102, Chapter 79, Revised
Statutes of Kansas 1923, read as follow:

"That all property in this state, real and personal, not expressly exempt therefrom, shall be subject to taxation in the manner prescribed by this act."

"The term property when used alone in this act shall mean and include every kind of property subject to ownership."

"Equal rate of assessment", (our now constitutional provision), means one standard of value. We have adopted the standard best known to all--its true value in money. "Personal property shall be valued at the usual selling price in money at the place where the same may be held."
"Each parcel of real property shall be valued at its true value in money, the value thereof to be determined by the assessor from actual view and inspection of the property".
(Sec. 501, Chapter 79, R. S. 1923).

Under this standard we assess everything "not expressly exempt"--tangible property (such as land, houses, cattle, tools, machinery, buildings, factories and also intangible property such as franchise, good will etc.). A gas plant may have \$17,000 worth of pipes, meters, wells etc., and at the same time have a franchise right making the plant with all its rights and privileges have a fair market or selling value of \$75,000 or \$80,000. That is the financial worth of the owners; on that (if) legally

done) they are now assessed and taxed.

The next provision of our constitution is equal rate of taxation. Having found the value of the estate by this equal rate of valuation or assessment, we apply a rate, or multiply the value thus ascertained by a rate or multiplier that will produce a result equal to the amount of money required by:

- (1) The school district,
- (2) The township or city,
- (3) The county,
- (4) The state.

Our constitution requires that the rate must be uniform and equal in each taxing district; the school rate equal throughout the school district; the township or city rate equal throughout the township or city; the county rate equal throughout the county; and the state rate equal throughout the state.

The State of Kansas is divided into 105 counties, each county is subdivided into townships and school districts. Each of these divisions and subdivisions, together with each city in the state, is a taxing district. Each property owner in the State of Kansas prepares his own inventory and valuation of all of the taxable personal property he owns and delivers this inventory to the assessing officer of his district, or the assessing officer of that township or city in which it is located or the owner resides, and this inventory is called his return for taxation.

It is then the duty of the assessing officer to personally inspect the property, and he may adopt the valuations placed upon the property by the owner or he may, with notice to the owner, either raise or lower the same.

If the personal property is of a character such as telephones, pipe lines or other public utilities extending beyond the limits of a single township or city, and not beyond the limits of a single county, the return is made to the county assessor and handled by the county assessor in the same manner as the returns made to the city and township assessors. Railroads and public utilities extending beyond the limits of a single county make returns direct to the State Tax Commission. This Commission, consisting of three members, treats the returns in the same manner as returns made to township, city and county assessor. After the returns are all made, and the assessments by the assessing officers completed, an equalization board, composed of the three county commissioners in each county, sits at the county seat of each county. The returns made in the cities and townships and made to the county assessor are all delivered to the county clerk and by him presented to this county board of equalization, which board hears all complaints of taxpayers of the several taxing districts of the county and equalizes assessed values as between individuals and townships. These equalized values are then delivered to the State Tax Commis-

sion, and that Commission then sits as an equalization board of the state and, after hearing all complaints from individual school districts, cities, townships and counties, makes a statewide equalization of values between individuals, school districts, townships and counties, and also equalizes the values which the State Tax Commission has placed upon railroads and public utilities extending beyond the limits of a single county.

These values, finally equalized in this manner, form the tax basis of the state, county, township, school district and city. The State Tax Commission, with the total value as a basis, determines the rate of taxation necessary, when applied to the entire value of the state, to produce the revenue required to pay the debts, obligations and running expenses of the state government for the coming year. The three county commissioners in each county use the total equalized value, as determined by the State Tax Commission, of that county and adopt a rate of taxation which when applied to that value will produce the necessary amount of revenue to pay the salaries of county officers, the running expenses and the debts and obligations of the county falling due in the coming year. In the same manner the officers of each township adopt the necessary rate, the officers of each school district adopt the necessary rate and the officers of each city adopt the necessary rate of

ation. Thus the rate of assessment is uniform and equal for the entire state and the rate of taxation is uniform and equal for state purposes over the entire state, for township purposes over the entire township and the same is true in each school district and city.

All taxes, state, county, township, school district and city, except some corporations who pay direct to the state for state purposes only, are paid to the county treasurer and by him distributed to the school district, township, city and state, retaining the county tax subject to the order of the county commissioners.

We claim that this system is theoretically perfect, and all that prevents it from being absolutely and practically so is our inability to legislate good conscience and honesty in and greed out of the officials who administer the same.

By this method of uniform and equal assessment the assessed value of Kansas in 1923 was \$3,577,114,130, or practically three and one-half billion dollars. The amount of public money raised from, or collected from, the owners of the three and one-half billion dollars for 1923 was \$80,962,306.49. The multiplier of tax rate (uniform and equal) was easily determined. (Let me here suggest that if all "expressly exempt" property and municipal bonds were added that amount would be practically doubled and the tax rate, or

multiplier, could be reduced one-half and produce the same revenue.) But this three and one-half billion dollars is the financial worth of the citizens of Kansas who have not escaped their share of the burden through classification and exemptions, and on them falls a double burden.

The protecting benefit derived from the "and equal" clause in the constitution is in a great measure set at naught when valuable property and rights are not taxed at all. It is estimated and stated by good authority that Federal exempt securities, with state tax free securities, amount to more than four times the total value of all public utilities. This, added to all other "expressly exempt" property, causes an additional and unjust tax burden to be placed on the owners of property not "expressly exempt" four times that now borne by all of the public utilities.

As exemptions increase, the tax burden increases on the non-exempt. The final result, in regular course, must be the destruction of private ownership of all non-exempt property.

The remedy is not in the misleading propositions of "tax reform" so often inspired by favored interests seeking to more securely establish their position, but in reduction of public expenditures and abolishing tax exemptions.

Kansas has the best general tax law of any state in the Union for fair and equal handed justice in raising revenue with which to support the state, county, township, city and school district governments and pay their debts. In the making of those debts, however, we have no general supervising power. Before any public utility can create debts, issue bonds, or engage in schemes likely to create obligations to be paid by the public, application must be made to the Utilities Commission and permission obtained. Why not the same in all public obligations and expenditures? A control over expenditures, or at least some veto power over the making of public debts, should be lodged with the Utilities Commission or with the power whose duty it is to raise revenue with which to pay them. In this respect we take off our hat to Indiana.

We have no state income tax. A state income tax, if adopted in lieu of all other forms of taxation, has much to recommend it. It is on the principle of dividing the rentals with the owner and permitting him to keep his house, or dividing the golden eggs and letting the owner keep the goose, but if adopted in addition to a general property tax the government can by income taxation take part or all of the eggs, and by general property tax follow up and take part or all of the goose.

This far we have dealt with property wholly within the boundaries of the state. The express company, a non-resident corporation, extends its business activities beyond our state boundaries and on them an excise tax is levied for state purposes only.

Again, there are over 286 private car companies who own no railroads in the state, but who own all the pullman cars. The through trains, made up of pullman coaches, that pass through from coast to coast, with the exception of the engine and tender are owned by non-residents and are not returned for taxation by the railroads, and do not pay any part of the school district, township, city or county tax. All of the tank cars are also owned by outsiders and all the refrigerator cars are owned by non-residents. For the use of these cars the railroad companies pay rent of 1½¢ to 2¢ per mile for the miles the cars travel in the year. When the railroads rent their engines, there will be left for school, city, township and county tax only the rails, cross-ties, ballast and right of way. These cars are taxed by the central taxing power (the Tax Commission) and pay state tax only, and the methods heretofore adopted of taxing these private cars have been by the Federal Court condemned and no substitute suggested or provided.

The Inheritance Tax, which is growing to be a revenue getter by grabbing into the estates left by decedents,

Uniformity and Equality should be the basic principal of all laws and their administration. Governments to be lasting must apply alike to all, not only in form, but in administration, whether it be in preserving peace and good order, or levying taxes for revenue.

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is also levied by the central taxing power, and is paid, of course, into the state fund only, no school district, township, city or county getting any direct benefit. X

We have agitators who are industriously condemning our system of uniform and equal taxation. These agitators are persons who by unlawful means either are, or have been, obtaining unequal and unfair application of assessment, and desire the law so changed that they may do lawfully what they have been doing unlawfully.

Sunday's Kansas City "Star", of January 13th, 1924, had this little paragraph:

"There are more than a few citizens who, if their own taxes be reduced, do not care whose are not."

A few days ago I listened to an argument in favor of the tax amendment authorizing the classification of property for taxation. The gentleman offered as one reason that the old, antiquated notion of uniform and general property tax had been abandoned by every nation of Europe except Holland and Switzerland. I do not know the truth of that statement, but I assume the gentleman would not state it without investigating and knowing it to be true. But I have only to say that Holland has to fight the ocean 365 days out of every year, having all of its farm land beneath the surface of the water; Switzerland lives on a pile of rocks. With these two handicaps, these are the only countries in Europe that are not now in financial distress.

We have twice in our state defeated a proposition to amend the constitution to provide for the classification of property for taxation, so that a few citizens may have their taxes reduced, and we will be called on in November next to defeat it for a third time. I am sorry, but it is true, that--"There are more than a few citizens who, if their own taxes be reduced, do not care whose are not."

CITY AND COUNTY OF DENVER

CLEM W. COLLINS
MANAGER OF REVENUE
COURT HOUSE

33

DENVER, COLO. Feb. 9, 1925.

Mr. S. G. Vare, Librarian,
Servants of India Society,
Deccan Gymkhana Post Office,
Poona City, India.

Dear Sir:

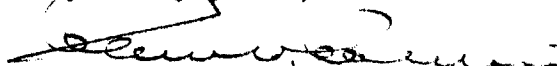
Your letter addressed to the Secretary, Treasury Department, Denver, Colorado, has been referred to the writer for reply.

In the State of Colorado the Constitution requires that all property shall be taxed on the basis of 100% of its fair value, the only exceptions being land with buildings thereon if used for religious, educational or charitable purposes, and an additional exemption of \$200. to the head of each family. Three levies are made, one by the State for the purpose of revenues necessary to run the State Government, one by the County for similar purposes of the County and one by the School District for the support of Schools, and in the case of incorporated towns and cities, an additional levy is made by such town or city for such purposes. All these levies are certified to the County Government and the County Government collects for all the Governmental provisions and distributes the money so collected. In this State the same rate of tax is assessed against all classes of property on an ad valorem basis.

A communication addressed to A. E. Holcomb, Secretary, National Tax Association, 195 Broadway, N.Y. City, will get you a list of the most authoritative literature published in this country on the subject of taxation. The National Tax Association is the National Organization of Taxing Officials and Experts.

I am sending a copy of your letter to the State Tax Commission of Colorado which may be able to give you further information that will be helpful.

Very truly yours,



Manager of Revenue.

Dictated by
Clem W. Collins,
EMW

H. E. MULNIX
TREASURER



J. S. TEMPLE
DEPUTY

OFFICE OF THE STATE TREASURER
DENVER

January 10, 1925.

Mr. S. G. Vare, Librarian,
Servants of India Society,
Deccan Gymkhana Post Office,
Poona City, India.

Dear Sir:

Your letter of recent date relative to taxation systems has been received, and in reply to same I beg to report to you as follows:

The various counties of the State of which there are sixty-three make up their valuation of both real and personal property each year and report the same to the State Tax Commission, which passes upon the same and makes such recommendations to the county assessor as they deem proper.

The valuations of these counties is then submitted to the State Board of Equalization which is composed of the State Executive Officers, namely, the Governor, Secretary of State, Treasurer, Auditor, and the Attorney General, who equalize the same and make up the tax levy for State purposes, which include all eleemosynary educational institutions together with that of the government proper. These tax levies are forwarded to the county assessors of the various counties of the State not later than the third monday of October of each year, who make the extensions of taxes upon their rolls, and make up the taxes due/ the individuals in counties.

Railroad and public utility corporations are assessed by the board of tax commissioners and subsequently by the board of Equalization which passes upon the same. All State, county, school and municipal taxes are collected by the county Treasurer of the various counties and remitted to the State Treasurer or the city treasurer, once each month. School taxes are held by the county treasurer, the accounts of each school district being kept by him, who acts as disbursing officer. The school warrants are drawn by the county treasurer for expenses in their district.

- 2 -

The first half of taxes are due on the first of March, if not paid at that time, there is a penalty of 1% per month or fraction thereof, until August 1st, at which time all taxes are absolutely due and are delinquent if not paid. After that date they bear interest at the rate of 15% per annum until October 1st, when the property is advertised for sale for taxes.

After the property is sold, there is a penalty of 24% for the first six months, 18% for the subsequent six months, and 12% thereafter. The property owner has three years in which to redeem the property by paying the taxes and all penalties incurred. If not paid then, the holder of the tax certificates, who purchased them makes application for a tax deed, and receives a deed which is a legal title to the property.

Trusting this will meet with your requirements, I beg to remain,

Very truly yours,


State Treasurer.

HEM:IW



TREASURY DEPARTMENT

INTERNAL REVENUE SERVICE

DENVER, COLO.

December 31st, 1924.

OFFICE OF THE COLLECTOR
DISTRICT OF COLORADO

IN REPLYING REFER TO

Mr. S. G. Vare, Librarian,
Servants of India Society,
Deccan Gymkhana Post Office,
Poona City, India.

Sir:

Replying to your letter of November 28th, 1924, requesting on behalf of the committee on taxation system of India, which was appointed by your Government, information in the form of Government publications as to certain phases of the tax situation in Colorado, a word of explanation seems necessary.

In the United States the Federal (or, in other words, the United States) Government levies no direct taxes on property, but a tax is imposed upon incomes (both individuals and corporations), another upon the fair value of the capital stock or shares in a corporation, another on the right of a decedent to transmit his estate to his beneficiaries, various special taxes on the right to engage in certain occupations and businesses, and still others in the nature of excise taxes on various articles and privileges.

Local taxes are usually collected in each state through the office of the County Treasurer, each state being divided into several counties, and with this phase of taxation I am neither familiar nor have I at hand data bearing on the tax situation. Accordingly, I am forwarding a copy of your letter to the State Treasurer of Colorado and to the Treasurer of the City and County of Denver, and these offices will no doubt reply to you direct.

I would suggest that if you want information about taxes on land and personal property that you communicate with the State Treasurer of each of the various states in the Union, who no doubt will be able to give you much valuable data.

For your information I am enclosing herewith a copy of the report made by the Commissioner of Internal Revenue for the Government's fiscal year ended June 30th, 1923, together with regulations bearing on taxes herein above mentioned in this letter.

Trusting that this data may be of some assistance to you, I remain,

Respectfully,

George T. Evans
DEPUTY COLLECTOR.
in Charge.

GTE: GWC

Enclosures: Various laws and regulations

Territory of Alaska

Treasurer's Office

Juneau

January 15, 1925.

©
Mr. S. G. Vase, Librarian,
Servants of India Society,
Deccan Gymkhana Post Office,
Poona City, India.

Dear Sir:

This office is in receipt of your letter of December 2nd, requesting information and printed reports in connection with taxation system of the Territory of Alaska.

It is very doubtful if our system, or, if you like, lack of it, will be of much avail to your society or the appointed committee in endeavors towards a scientific system of taxation.

The Territory of Alaska is a vast domain, very sparsely settled. Only a comparatively small portion of it is privately owned, the balance remaining in the public domain. Of course, much of it is mountainous or barren, and much has been reserved by the Federal Government for National Forests.

Government and Public Domain lands are, of course, exempt from local taxation. For this reason we have no system of general property taxation. General Territorial revenues are raised by license taxes imposed upon various trades, occupations and businesses. In addition to certain revenues received from the Territory, each of its few incorporated ^{towns} has its own system of property taxation, the tax being limited to two per centum of assessed valuation.

Under separate cover, we are enclosing pamphlet copies of certain revenue laws, also such biennial reports of this office as are now in print.

Very truly yours,

W. G. Smith
Territorial Treasurer.

COMMISSIONERS
FORNEY
CHAIRMAN
HORN
VICE-CHAIRMAN
N. R. CASSIDY

J. H. KAUFFMAN
SECRETARY

STATE OF OHIO
DEPARTMENT OF FINANCE

DIVISION
THE TAX COMMISSION OF OHIO
COLUMBUS

ADDRESS ALL MAIL TO TAX COMMISSION, WYANDOTTE BLDG.

SUBJECT:

January 6, 1925.

S. G. Vare, Librarian,
Servants of India Society,
Deccan, Gymkhana Post Office,
Poona City,
India.

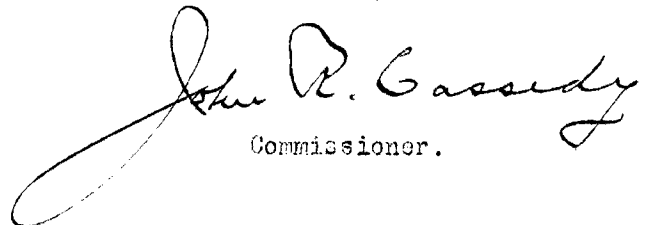
Dear sir:

Your letter of the 3rd ult. addressed to the Secretary of the Treasury Department, Columbus, Ohio, has been referred to this Commission for attention. We regret that we do not have many publications which will be helpful to you. Under separate cover we take the liberty of sending you a copy of our report for the year 1923 which is the last available. In the few pages devoted to the introduction you may find some information regarding the difficulties which confront us in the enforcement of the tax on property which is the chief source of revenue for our counties, municipalities and school districts.

We have no income tax in this state. A great part of the financial support of the state government as distinguished from that of the local subdivisions is derived from franchise and excise taxes. The former, the franchise tax, is an assessment of 3/20th of one per cent on the amount of subscribed, issued and outstanding stock of domestic corporations, and a similar tax on a certain proportion of the stock of foreign corporations admitted to do business in Ohio. The excise tax is a tax of 1.2% (on railroads four per cent on their intrastate business) of the gross earnings of public utility corporations.

Very truly yours,

THE TAX COMMISSION OF OHIO,


Commissioner.

JRC-MT.