

**PROCEEDINGS OF CONFERENCE
HELD TO CONSIDER THE
QUESTION OF TAX REFORM AT
HOTEL RICHMOND, VIRGINIA,
JANUARY 20 AND 21, 1914**

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Virginia, January 20 and 21, 1914 by Various

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JANUARY 20, 1914.

Mr. Arthur M. Cannon, Chairman of the Committee on Legislation of the Richmond Chamber of Commerce: Gentlemen,— I now have the honor of calling to order this Conference on Tax Reform which is here assembled in response to the call issued by this Committee on the 22nd day of December, 1913. This conference has been organized for the purpose of bringing in closer touch the various interests of this State, with the idea in view that a method of procedure might be adopted whereby we might secure some modern, progressive and up-to-date system of taxation, based upon scientific principles, which can be substituted for our present system so obsolete in its character and imperfect in its operation. To accomplish this result, it is absolutely necessary that everyone in attendance upon this conference shall cast aside all jealousies and prejudices of every kind that he might have had before coming here, and enter into this conference with a spirit of co-operation and of determination to serve this State and her people as a whole.

Your Committee on Arrangements has selected as Chairman of the opening session a gentleman who needs no introduction to the people of Virginia, for we all know him as the first figure in public life in this State. I am pleased to present to you, Governor William Hodges Mann.

Governor Mann: My friends, before I was introduced I intended to make a speech; but I am afraid to do it now, because

I am afraid that I will not come up to the recommendation which has just been given me, and I am going to stand on that recommendation. I will just say to the two gentlemen who will be speakers on this occasion, and whom I have met in the National Tax Conventions, that they are perfectly welcome to this old Commonwealth of Virginia, and I hope that during their stay here they will fully enjoy our hospitality. They are not only welcome because we have invited them here as our guests, but they are welcome because our old Commonwealth belongs in part to them. We flatter ourselves that the history of this State is so interwoven with the history of this country, since Virginia has contributed so much to the building up of this great nation, that our history and our territory belong in great part to every citizen of this great country, and when you are here you are on your own ground.

It is now my pleasure to introduce a gentleman who will make a speech, Mr. George Ainslie, Mayor of the City of Richmond.

Mr. Ainslie: Mr. Chairman and Gentlemen,—If we enter into this conference with a proper spirit, a spirit of determination to do equity and justice, a spirit unalloyed with any feeling of passion, or prejudice, or self-consciousness, then this meeting is of great moment, and is pregnant with great benefits to the people of this State.

Tax reform is not a new subject with us. I believe that something like thirty years ago an elaborate tax reform bill was introduced into the Legislature of Virginia by Mr. Henry R. Pollard, I believe, now the City Attorney of this city. That bill met the fate that all tax reform bills have met.

Now there is one good omen about the present movement, and that is that everybody agrees that something ought to be done; and the first step necessary in any reform is to recognize the need of a reform. I am sure I speak for myself, and I believe that it will not be considered impudence, at least I hope not, if I say that taxation is a science with the knowledge of which we are not all born. It is a science to which able men give many years of their lives in study to master. Now since we all recognize that the patient is very sick, it seems to me that a good thing to do would be to call in and at least consult the doctors.

It is a great pleasure to me not only to welcome this meeting to Richmond, but the eminent gentlemen who are to address you, and I indulge the confident hope that out of this meeting will come great good to this city and to the State of Virginia. I thank you for your attention.

Governor Mann: For the meeting to be in form, it is necessary to have a secretary, and I am going to take the privilege of Chairman to appoint Mr. Dunlop secretary of this meeting. I hope Mr. Dunlop will act.

The next speaker will be Mr. T. M. Carrington, President of the Chamber of Commerce, who will welcome you on behalf of that body.

Mr. Carrington: Governor Mann and Gentlemen,—As President of the Chamber of Commerce I extend to you gentlemen a most hearty welcome. We want you gentlemen to feel that Richmond is yours, the capital of your State, and that we are merely the custodians, and that these old streets and everything else in Richmond belong to you. Whenever you come here you want to feel that this city is your city, and especially while the members of the Legislature are here, you not only hold the city, but you hold our laws either in suspense or you are going to put them in operation pretty soon.

Now the Chamber of Commerce appointed some time ago this committee which had in mind the bringing you together in a regular manner so that we could suggest to you gentlemen a plan to bring about tax reform, and they have worked hard and have worked long, and this is the culmination to-night of their work. We come here, and before we leave we hope that in every man's mind there will be some well-defined idea and plan of how it should be done. I think that this is about what is in a great many people's minds, that a commission or committee with authority should be appointed, and they should work until they can get this whole proposition threshed out and get action, then to call an extra session of the Legislature whose whole time and attention will be devoted to that proposition, and that proposition alone. The tax question is very much involved. I reckon it has brought on more wars than anything else in the world; I reckon

it has made more truthful men tell lies than anything else in the world; and it is simply one of those propositions where it is mighty hard for a man to be a proper judge of himself. When he is listing his land for taxation, it is a no account strip of land, full of washes and gullies; but when he comes to sell it, it is a magnificent field ready for any growth whatever. That is human nature, gentlemen, and it is mighty hard to go against human nature. But I am sure there is plenty of wisdom and patriotism in the present General Assembly of our State to select the proper men to be associated with them, who can bring in the proper form of a bill for taxation, and I believe we all feel that confidence. Gentlemen, I thank you.

Governor Mann: Gentlemen of the Conference, it is my pleasure now to introduce a speaker from the State of Wisconsin, a gentleman I have had the pleasure of meeting in National Tax Conferences in the United States and Canada. He comes from a very progressive State, the State of Wisconsin. I suppose the State of Wisconsin has made as many advances in statute law as any State in the Union. It certainly has a very good and progressive Governor, with whom I am well acquainted. I now have the pleasure of introducing Mr. T. S. Adams, Chairman of the Wisconsin Tax Commission, who will now address this audience.

SEPARATION OF THE SOURCES OF STATE AND LOCAL REVENUE AS
PROGRAM OF TAX REFORM

HONORABLE T. S. ADAMS
CHAIRMAN WISCONSIN TAX COMMISSION

Mr. Adams: Mr. Chairman and Gentlemen of the Conference,—I have been asked by the Secretary of this organization to talk somewhat about the proposition of separation and to say something also about the experience of the State of Wisconsin. I fancy from what I have heard before the meeting that a majority of the Committee or organization which asked me here are very heartily in favor of the project of separation in the State of Virginia, and it is a very signal tribute to their disinterestedness and their impartiality and fair-mindedness that they asked me

here on this occasion and suggested that topic, because I suppose among the college men of the country and the tax commissioners of the country I have stood possibly as perhaps among the very first of those who have opposed the proposition of separation or segregation—not all of it, but the plan to use it as the general method of tax reform. The fact that I should have been asked here to discuss that topic is a very signal tribute to the desire of those gentlemen to have an open discussion; and I might add that it will make me cautious in applying in the State of Virginia any ideas on this subject which I have developed in the State of Wisconsin without a good deal of thought.

SEPARATION OF SOURCES OF REVENUE

In the beginning I want to speak very briefly about the separation of sources, so called, as a general proposition, and then I hope to get on somewhat firmer ground in discussing what Wisconsin has done with the plan which has brought something in the nature of tax reform to the State of Wisconsin. You all understand what I mean by separation of sources—the proposition that the State shall take unto itself certain taxes from certain sources of revenue, sufficient for its own support, leaving to the local governments certain distinct taxes. The idea is that then the State is imposing no general tax on property throughout the entire Commonwealth, and each particular local subdivision of government will be free to deal with its own tax problems more or less as it sees fit.

ORIGIN OF IDEA OF SEPARATION OR SEGREGATION

I think perhaps a word ought to be said about the origin of this idea. Twenty-five or thirty years ago State taxes were relatively more important than they are to-day, before the cities had grown so great and the city budgets had waxed to the alarming volume and size we now know. At that time also there was very much more local assessment of large corporate properties, particularly railroads and public service corporations, than there is to-day—local assessments of the separate parts of great public utili-

ties. The State tax being important, there was a very general desire on the part of the local governments to escape as much State taxes as possible. As stated before, the assessments of large interstate corporations being local, it was obvious to persons who thought that it would accomplish a great reform if the assessment of those intercommunity enterprises could be centralized, so the inference was generally drawn, "Let's do away with this thing, because it debauches the assessments; let's not have any State taxation if we can do without it; this thing makes men perjurers, it makes everybody get from under; let's let the State take the taxes from those." Then we drew the conclusion that it would be a good thing if a State could have its own sources of revenue and each locality its own sources of revenue; and as in this involved and complex subject of taxation, the people needed some program, needed some rallying point, needed some slogan, so they set up the slogan of separation, and made a fetich of it, and sometimes fell down and worshipped it, as I think, perhaps rather idolatrously.

OBJECTIONS TO SEPARATION AS A GENERAL PROGRAM OF TAX REFORM

I would not be frank if I did not state that I have been on the whole opposed to separation as a general program of tax reform. First of all, I have been opposed to it because I thought it evaded the chief issue. In the United States as a whole, the State tax on real property has only been eleven per cent. of the entire tax on property; the average State tax is only eleven per cent. of the aggregate, composed of county, local and State taxes. In the State of Wisconsin in the last thirty or thirty-five years, it has been only eight per cent. of that aggregate. It is very obvious, therefore, that of those forces which lead to under-assessment, which lead to chaotic conditions, misrepresentation and under-assessment, the State tax cannot be a very important factor. Over against that are the other factors represented by the eighty-nine per cent. Now you are not going to cure very much by remedying that eleven per cent. I understand that the situation is not exactly the same in Virginia, but that is the condition in the average American State.