

**INDIANA UNIVERSITY BULLETIN,
VOL. XII, NO. 4; PROCEEDINGS
OF A CONFERENCE ON
TAXATION IN INDIANA**

Published @ 2017 Trieste Publishing Pty Ltd

ISBN 9780649372362

Indiana University Bulletin, Vol. XII, No. 4; Proceedings of a conference on taxation in Indiana
by Various

Except for use in any review, the reproduction or utilisation of this work in whole or in part in any form by any electronic, mechanical or other means, now known or hereafter invented, including xerography, photocopying and recording, or in any information storage or retrieval system, is forbidden without the permission of the publisher, Trieste Publishing Pty Ltd, PO Box 1576 Collingwood, Victoria 3066 Australia.

All rights reserved.

Edited by Trieste Publishing Pty Ltd.
Cover @ 2017

This book is sold subject to the condition that it shall not, by way of trade or otherwise, be lent, re-sold, hired out, or otherwise circulated without the publisher's prior consent in any form or binding or cover other than that in which it is published and without a similar condition including this condition being imposed on the subsequent purchaser.

www.triestepublishing.com

VARIOUS

**INDIANA UNIVERSITY BULLETIN,
VOL. XII, NO. 4; PROCEEDINGS
OF A CONFERENCE ON
TAXATION IN INDIANA**

INDIANA UNIVERSITY
EXTENSION DIVISION



Indiana Tax conference

Proceedings of a Conference on
Taxation in Indiana

CONFERENCE
ON TAXATION

HELD AT INDIANA UNIVERSITY
BLOOMINGTON, INDIANA, THURSDAY AND FRIDAY
FEBRUARY 5 AND 6, 1914

Contents

ADDRESS OF WELCOME. By President William Lowe Bryan	5
TAX ADMINISTRATION FROM THE STANDPOINT OF THE STATE TAX COMMISSION. By Hon. Dan M. Link, State Tax Commissioner of Indiana.....	8
DEFECTS OF THE PRESENT SYSTEM AND NEEDED CHANGES IN THE TAXATION OF MONEY AND CREDITS. By Hon. Fred A. Sims, Former State Tax Commissioner of Indiana.....	15
DISCUSSION. Led by Hon. Jacob P. Dunn, City Controller of Indianapolis.	32
TAXATION OF MONEY AND CREDITS IN MINNESOTA. By Raymond V. Phelan, Ph.D., Lecturer in the University of Minnesota.....	44
DEFECTS IN THE TAXATION OF CORPORATIONS. By Oscar L. Pond, Ph.D., of Indianapolis, Author of "Municipal Control of Public Utilities"....	48
DISCUSSION. Led by Frank T. Stockton, Ph.D., Assistant Professor of Political Economy, Indiana University.....	58
SHOULD A STATE TAX ASSOCIATION BE ORGANIZED IN INDIANA? Discussion led by Mr. Ernest I. Lewis, of Indianapolis.....	68
RECENT TENDENCIES IN TAXATION. By Hon. Lawson Purdy, President of Department of Taxes and Assessments, New York City.....	86
SOME FEATURES OF THE MICHIGAN SYSTEM. By David Friday, Ph.D., Pro- fessor of Political Economy, University of Michigan.....	95
TAXATION OF THE UNEARNED INCREMENT. By Joseph French Johnson, Ph.D., Dean of School of Commerce, New York University.....	109
DISCUSSION. Led by J. L. Leonard, Ph.D., Professor of Political Economy, Wabash College.....	117
REPORT OF THE COMMITTEE ON ORGANIZATION.....	120
THE APPOINTMENT AND SUPERVISION OF LOCAL ASSESSORS. By Thomas S. Adams, Ph.D., Member of the Wisconsin Tax Commission.....	121
REPORT OF THE COMMITTEE ON NOMINATIONS FOR OFFICERS OF THE INDIANA TAX ASSOCIATION.....	133
CLASSIFICATION OF LAND FOR PURPOSE OF TAXATION. By William A. Rawles, Ph.D., Professor of Political Economy, Indiana University..	137
DISCUSSION.....	153
THE NEED OF A SPECIAL TAX COMMISSION. By John A. Lapp, Ph.B., Director of Bureau of Legislative and Administrative Information (Indiana)..	161
THE AMENDMENT OF THE TAX CLAUSE OF THE CONSTITUTION OF INDIANA. By Hon. Eben H. Wolcott, State Tax Commissioner of Indiana.....	166
DISCUSSION. Led by Hon. Charles F. Remy, Former Clerk of Supreme Court.....	177
REPORT OF COMMITTEE ON RESOLUTIONS.....	188

Proceedings of a Conference on Taxation in Indiana

THURSDAY, FEBRUARY 5—MORNING SESSION

[The conference met in the auditorium at the Student Building of Indiana University, at 10:30 a. m., and was called to order by Dr. William Lowe Bryan, President of the University.]

DR. BRYAN: A notable lecturer once said here before our students that mankind had two chief interests, money and religion. Now this week we have both of these interests represented here, one of them in a conference of the religious workers in the state universities, and this one, this tax conference; and I make this remark in the outset because I wish to explain that it will be necessary for me to retire at once from this conference in order to introduce a speaker in the other one.

The Latin historian Livy relates that when the Gauls were about to capture and destroy Rome some four hundred years before Christ, the people decided to have the best of their young men go into the impregnable citadel with the remaining food supply so that they could survive and perpetuate the Roman name, while the rest of the people, commoners and senators, would remain and die by the hand of the Gauls. This, he says, was done. Commoner and Senator accepted death together so that a few of their blood might survive to maintain the Roman State.

Eight hundred years later the Roman Empire was invaded and overwhelmed by new breeds of barbarians from the North, the Goths and the Vandals. Two Roman historians of the latter period, Ammianus and Orosius, declare that when the Goths and Vandals invaded the Empire they were aided by large numbers of the Roman people who preferred the rule of the invaders to the burden of taxes which the Empire imposed upon them.

That is to say: Four hundred years before Christ there was a Roman patriotism of such force and quality that it had in it the potential conquest of the world; four hundred years after Christ that patriotism was dead,—killed by injustice. "Rome was killed," said a historical scholar to me, "by unjust taxation."

Benjamin Harrison, a thoroughgoing conservative upon all public questions, expressed in one of his last speeches the serious fear

that unfairly distributed taxation would do in our country exactly the same thing which Ammianus and Orosius say it did in the Roman Empire. He says: "I want to emphasize, if I can, the thought that the preservation of this principle of a proportionate contribution, according to the true value of what each man has, to the public expenditures, is essential to the maintenance of our free institutions, and of peace and good order in our communities." Again he says: "Mr. Lincoln's startling declaration that this country could not continue to exist half slave and half free may be paraphrased today by saying that this country can not continue to exist half taxed and half free." Again: "It is not only wrong, but it is unsafe, to make a show in our homes and on the street that is not made in the tax returns." Again: "The people will not consent that the present state of things shall be accepted as a permanent condition." Finally, with true Harrisonian balance of judgment, he says: "In the discussion of all of these social questions good temper is essential. Men must get together and use facts, not rhetoric. We do not want crusaders or a crusade."

Since President Harrison uttered these statesmanlike words in 1898, there has been a very great advance in the public conscience and in the public intelligence upon this great matter. Of that advance there is no better indication than this Conference, whose members come together for thoroughgoing consideration of public taxation and the profound social issues connected therewith.

I extend to you, gentlemen of the conference, a most hearty welcome. It is my privilege to introduce to you as chairman of this conference, a man who stands four square to all the winds that blow in Indiana, and who has for many years—Mr. John B. Stoll, of South Bend. (*Applause.*)

CHAIRMAN STOLL: Gentlemen, I feel assured that this assembly has a high appreciation of the words of welcome uttered by the distinguished head of this great institution of learning. The importance of this conference is so well and so aptly set forth in this address of welcome that it furnishes at once a clear indication of what ought to be the subject of discussion during the continuance of this conference.

I feel quite assured that no subject which the people of Indiana can consider and discuss surpasses in importance the question of equal and just taxation. We all know the difficulties encountered in framing a tax law for the state, a law that is likely to prove

satisfactory to the great body of the people of this great commonwealth. Therefore, it occurs to me, that one of the first subjects to be taken up is the cultivation of a sound, wholesome public sentiment, so that men of thought, men of knowledge, men of experience may be enlisted in the general movement for the preparation of a tax system that will correspond to the ideas and the thoughts expressed in the address of welcome and credited to one of Indiana's great statesmen, the late Benjamin Harrison.

It is to be earnestly hoped that all the difficulties that confront the people of this state in the securing of such an equitable and just tax system will receive due consideration, and that no time will be wasted in the discussion of impractical methods, that experience has taught to be such.

I do not believe that there are many men in this state, or any other state, that would care to undertake to prepare a tax law without carefully consulting similar enactments in all the other progressive commonwealths of this great country. One need not necessarily attempt to be particularly original in the preparation of a document of that kind. Experience must of necessity be taken into account, so that when a bill is framed to be submitted to the gracious consideration of the legislative power there may be just reason to believe it will be accepted by that body and framed into a living law.

Gentlemen of this convention, you have a highly important duty to perform. You come here from distant parts of the state, I hope and trust actuated by but one purpose, that of contributing something towards improving the faulty provisions of the tax system of the State of Indiana; so that every citizen thereof may feel assured that there is a prospect of a just and equitable provision in the near or distant future. (*Applause.*)

[The conference was organized by the choice of Mr. Fred Bates Johnson of Indianapolis, as secretary. It was also voted that all resolutions which might be offered should be referred to a committee of three for consideration and report. The committee, as subsequently appointed consisted of Hon. Dan M. Link, Mr. Eben H. Wolcott, and Dr. Oscar L. Pond.]

CHAIRMAN STOLL: Next in order will be a paper entitled, "Tax Administration from the Standpoint of the State Tax Commission," by Hon. Dan M. Link, State Tax Commissioner.

TAX ADMINISTRATION FROM THE STANDPOINT OF THE STATE TAX
COMMISSION

MR. LINK: Twenty-three years have elapsed since the codification of our tax laws by the legislature. This was an event that ushered in a new epoch in tax administration in this country. Spasmodic and experimental attempts had been made in other states to rectify and improve what had proved to be wholly ineffectual and largely impotent systems of tax administration. The germ of the idea of centralization of control of assessments was being slowly developed and some states had gone so far as to create special tax commissions and state boards of equalization. These bodies were loosely constructed, had limited powers, and there seemed to be a very inadequate conception of the field of usefulness which they might have been made to occupy. There was no coordination between these officers and the local assessors and no attempt was made to systematize the machinery of assessments from the ground up. California and New York had made a feeble and ineffectual effort to do something toward correcting the plainly apparent evils, but the people as a whole had given the matter very little attention and were hostile to and suspicious of the students of taxation who were trying to better conditions. In Indiana we had run the whole scale of abortive attempts to regulate and establish competent and adequate assessment machinery. Nothing in the whole range of legislation lends itself so readily to legislative experiment as taxation. No one is ever satisfied with anything we have and tax tinkering was the biennial amusement of the legislature. Some times the assessor was a township official, some times a county official; the county board of equalization was at one time appointive, at another time ex-officio, and there were at other times district boards of equalization, representatives from which composed the state board of equalization, and that was about the last word in inefficiency in tax administration. In 1872 there was created a small state board composed of certain state officials acting ex-officio with additional powers of a limited character in the assessment of certain corporations. Special tax commissions were created which studied and recommended with but little effect until the state finally reached that condition of penury where it was borrowing money to pay interest on borrowed money; chaos reigned in taxation and millions upon millions of dollars of property were not contributing a dollar to the support of the government.

This was the condition of affairs when the legislature of 1891 met, and it is reasonable to suppose that the pinch of necessity had something to do with the activity of the general assembly of that year in attempting to relieve the situation. Of the details and the history of that great work I will not attempt to speak for there are others living, at least one of whom is on this program, who were participants in that work and can speak with authority. The code which was adopted was not a remodeling or amendment of pre-existing laws, but was in some, and in its most important aspects, distinctly original. The idea of centralization in tax administration was actually born. The office of county assessor invested with supervisory powers was created along with a permanent state tax commission with extensive powers of assessment of corporations, and what was thought to be adequate power of control over local assessors and assessments. Hon. Timothy E. Howard, Hon. J. P. Dunn, and others still living, who were active participants in that struggle, can tell how the life of a great party was threatened because it had the courage to grapple with and work out to a sensible, and equitable solution, a problem which was baffling the legislatures of half the states of the union. By this law the great corporations owning public utilities were first made to bear their share of the tax burden of the state. The wise judgment of the proponents of this measure has been vindicated by the action of more than half of the states in creating permanent tax commissions, and by the fact that the continuance of our tax commission has long since ceased to be an issue in our politics.

Outside of the substitution of an additional commissioner for the governor and a few minor changes in the methods of assessment of corporations, our taxing law stands today practically as it was enacted in 1891. Other states which paid us the sincerest compliment by patterning after us have from time to time improved on the original until Indiana is no longer regarded as a leader in taxing methods, and students of taxation and special tax commissions do not flatter us by frequent visits of investigation as they once did, to learn the secret of just and equitable taxation.

The last quarter of a century has seen a world rebuilt economically and socially. It has witnessed a revolution in finance, the evolution of the corporation from a mere synonym for a railroad or a colossal mercantile or manufacturing institution to a business necessity embracing all sorts of enterprises large and small and the accepted form of conducting commercial affairs. Public utility