

Corporation Tax System in State Is Behind Times

Montana Receives Small Proportion of Income From Corporations—Distribution Between Individuals and Combinations Is Not Equitable.

Financing the State of Montana

(By Dr. Louis Levine, Department of Economics, State University.)

V—Taxing the Corporations.

(Dr. Levine has written a series of six articles on this subject. The sixth will appear tomorrow morning.)

The rapid growth of Montana in every line of business is a matter of common observation. The reports of the federal government, however, present this fact in a more striking manner by comparison with other states. The annual statements of the commissioner of internal revenue are especially interesting. They show that Montana has outstripped many a state in the development of its corporations and in the growth of corporate wealth.

A few figures will be sufficient to illustrate this statement. In 1910, the commissioner of internal revenue reported for Montana 2,031 corporations with a capital stock of \$430,777,760 and an annual net income of \$9,387,459. In 1916 the number of corporations had grown to 4,448 and the net income for the year was over \$25,000,000. In six years the net income of the corporations had increased almost three times.

The growth of corporations in Montana has not been confined to any one particular line of business. It has been general. In 1914 the corporations of Montana were distributed as follows: Financial corporations, such as banks, trust companies, insurance companies, numbered 506; their capital stock was \$28,821,785, and their net income for the year was \$3,352,590. Public service corporations in the number of 185 had a capital stock of \$97,549,009, and an income of \$3,574,909. Industrial and manufacturing corporations were capitalized at about \$300,000,000, and reported a net income of \$3,029,608. There were 524 mercantile corporations with a capital stock of \$22,679,000 and a net income of \$3,287,883. The miscellaneous corporations (hotels, theaters, etc.) numbered 521, had a capitalization of about \$40,000,000 and reported a net income of \$1,806,927 for the year.

The growth of corporations is no longer denounced as it was in former years. It has become generally clear that corporations are the inevitable result of modern industrial conditions. Instead of decrying the abuses incident to corporate industry, the people in recent years have taken steps to protect themselves from these abuses. The tendency of legislation throughout the country has been to widen and tighten the control of the state over corporate enterprises and to enforce such management of corporations which would secure the greatest possible service to the people.

Considering the problem of corporate taxation in the light of these newer tendencies, one is forced to the conclusion that the state of Montana has not availed itself of its opportunities. Our provisions as to the taxation of corporations are behind the times. Our method of valuing corporations in general consists in assessing them in the same way as individual taxpayers. With the exception of railroads, this work is left to the local assessor. The result is a valuation which is far below the actual value as measured by capitalization or earnings. An interesting instance is the admission made at one of the recent tax hearings that the Great Northern and the Northern Express companies, which are capitalized at \$4,000,000 and \$5,000,000 respectively, paid taxes on a physical valuation of \$100,000 only.

True, license taxes of various kinds are imposed on different corporations. But these taxes are very small and they do not bear comparison with the taxes imposed on corporations by other states. Montana has not followed the other states, which have taxed franchises, capital stock, or "corporate excess." Its revenues derived from corporations is, therefore, but a small part of what it is fairly entitled to.

This may be gathered from the report published by the commissioner of corporations in 1914. According to that report, the corporations of Montana paid in 1912 only 24 per cent of the total state taxes. Montana was among the three mountain and Pacific states which received the lowest proportion of taxes from corporations. The state of Washington received 32 per cent of its taxes from corporations; Wyoming, 34 per cent; Nevada, 53 per cent, and California, 76 per cent. The comparison is too striking to need comment.

The representatives of the express companies have recently admitted that the taxes they pay are very small in comparison with taxes paid in other states, and have expressed their willingness to pay more. This is a unique instance in the experience of taxation. The names of the companies and of their representatives should be inscribed in the golden book of history to encourage emulation on the part of others.

The taxation of corporations is a big and difficult problem. Many questions are involved in the ease of each kind of corporation, which it is impossible to treat briefly. The facts presented here, however, are sufficient to support the feeling that the distribution of tax burdens between corporations and individuals in Montana is far from being equitable. The conclusion is evident. The state is in need of a thorough revision of its system of taxation in general, and of the methods of taxing corporations in particular.

OREGON LEGISLATORS IN NEW EXPERIENCE

Salem, Ore., Jan. 24.—A woman presided as speaker over the Oregon house of representatives today for the first time. It is said, in the history of the state, Mrs. Alexander Thompson, representative from The Dalles, held the chair until noon in the absence of Speaker Robert N. Stanfield.

It was Mrs. Speaker, whom members asked for recognition. None of the 59 men of the floor lit a cigar during her rule.

N. P. TRACKS CLEARED.

Butte, Jan. 24.—The water which overflowed from the Madison river and covered the Northern Pacific tracks three miles west of Logan, has subsided so that the rails can be seen. The ice has been cleared away and regular train service will be resumed tomorrow.

TURN DOWN WILSON'S RAILROAD PROGRAM

Washington, Jan. 24.—For the second time since it began consideration of railroad legislation to supplement the Adamson law, the senate interstate commerce committee today declined to approve a provision suggested by President Wilson forbidding a strike or lockout pending investigation of a labor controversy. The vote was 10 to 5 with three Democrats, Underwood, Smith of South Carolina, and Thompson, voting with the Republicans in the negative.

GUILTY OF ARSON.

Seattle, Jan. 24.—James Murphy, a union longshoreman in the superior court here today was found guilty of arson. He was charged with having thrown a bottle of phosphorus through a warehouse window during the longshoremen's strike last year.

\$90,000 INCREASE FOR UNIVERSITY MAINTENANCE

State Board Recommends Larger Allowance for Institution's Expenses.

STATE SHOULD PAY FARES OF STUDENTS

Chancellor's Suggestion That Opportunity Be Equalized Is Adopted.

An increase of \$90,000 in the biennial appropriation for the State University is the recommendation of the state board of education to the legislature. University officials learned yesterday that board, which met Monday and Tuesday to discuss the financial needs of the state higher institutions of learning, had approved this increase by unanimous vote. In addition to recommending an appropriation of \$100,000 for new university buildings.

The board will recommend to the legislature maintenance increases over the last biennium for other institutions as follows: College of Agriculture and Mechanic Arts, \$40,000; state experiment station, \$20,000; branch experiment station and grain laboratory, \$20,000; agricultural extension, \$20,000; State Normal College, \$30,000; State School of Mines, \$4,000.

It was evident to the members of the board, university officials learn, that practically every department of each institution is in great need of more adequate resources. The increases over the appropriation of two years ago represent the least possible amounts in the judgment of the board with which the institutions can do the work demanded of them.

The approval of a recommendation by Chancellor Elliott that an effort be made to equalize the opportunities for higher education to the youth of the state through the payment of the railroad fare of students attending the several institutions, was an important action also taken by the board. The attorney-general was requested to prepare a measure for introduction in the legislature to this effect.

Other actions of the board were the approval of a proposed amendment to the inheritance tax law exempting the bequests to the state of Montana or its institutions and the adoption of a resolution expressing appreciation on behalf of the university of the gift from Colonel A. A. White of the two islands in Flathead lake to be set apart as a bird reserve in connection with the work of the university biological station.

The board approved a proposed bill exempting the graduates of the State University school of pharmacy from the examination now required by registered pharmacists in the state.

Providing it is passed during the present session of congress, the board approved the recommendation of Chancellor Elliott that steps be taken to accept the terms and provisions of the so-called Smith-Hughes bill for giving federal aid to industrial, trade and commercial education in the several states.

If the legislature accepts the board's recommendations for maintenance and buildings, the higher institutions of learning will be able to meet the more pressing needs brought about by the large increase in attendance during recent years. The board recommends an appropriation of \$100,000 to the College of Agricultural and Mechanic Arts and \$50,000 to the State Normal College for new buildings.

It is also recommended to the legislature that a proposition for a bond issue for \$500,000 be submitted to state electors in order to provide adequate funds for the construction of future buildings and the purchase and necessary additional grounds of the higher institutions of learning.

WHITE GIVES HAVEN IN LAKE FOR BIRDS

State University officials learned yesterday of the donation to the institution by Colonel A. A. White of St. Paul, of two islands in Flathead lake, to be set apart for all time, under jurisdiction of the biological station, as a haven for wild birds. The gift was accepted by the state board of education at its meeting Tuesday.

The islands were offered for sale when the Flathead villa sites were placed on the market in July, 1915. Colonel White purchased the islands for the purpose of setting them aside as a bird reserve. Members of the board say the reserve gives evidence of the fact that even in the thinly populated Flathead lake region there is sentiment for wild life protection.



BONAR LAW GIVES REPLY

British Chancellor of Exchequer Answers Wilson's Peace Speech.

Bristol, England, via London, Jan. 24.—Addressing a meeting tonight, in connection with the war loan campaign Andrew Bonar Law, chancellor of the exchequer and member of the British war council, made the following reply to President Wilson's speech to the United States senate:

"The end of the war is peace. The Germans made us what they have called an offer of peace. It received from the allied governments the reply which it deserved—the only possible reply.

"Most of you have, however, I presume, read the speech by President Wilson, which appeared in yesterday's papers. It is a frank speech and it is right that any member of one of the allied governments who refers to it should speak with equal frankness. It is impossible that he and we can look on it from the same point of view.

"President Wilson's speech had this aim—to gain peace now and secure peace for the future. This is our aim, and our only aim. He hoped to secure this by a league of peace and he not only spoke in favor of such a league, but he is trying to induce the American senate to take the steps necessary to give effect to it. It would not be right to regard this proposal as something altogether utopian.

"You know that almost up to our own day duelling continued and just as the settling of private disputes by the sword has now become unthinkable, so, I think, we may hope that the time will come when all the nations of the world will play the part, which Cromwell described as his life work—to act as constable and keep peace. That time will come I hope.

"But this whole subject is not an abstract question for the future. It is a question of life and death now. In judging whether that result can be secured by his methods, it is impossible for us to forget the past. For generations humane men, men of good will among all nations, have striven by The Hague convention, by peace conferences and by all other means to make war impossible, or at least to mitigate the horrors of war. When war comes by what means can these barriers built up against barbarism be made effective? They cannot be preserved by the belligerents if any of them choose to ignore them. It is only from neutral states that effective sanction can be given to them.

"We have rejected the German offer to enter into negotiations, not from lack of conquest or desire for shining victories. We have rejected it not from a spirit of vindictiveness or a desire for revenge, but because peace now would not mean a peace based on trust.

From Youth to Old Age

Massachusetts Convict, After 41 Years in Solitary Confinement, Gets Prison Privileges.

Boston, Jan. 24.—Jesse Pomeroy, who has been for 41 years in solitary confinement in the state prison at Charlestown, was granted equal privileges with other prisoners by the state executive council today. Convicted of murder at 15, Pomeroy was locked up in a cell lighted from a window in the ceiling so that he might not gaze on his fellow men. He was exercised apart from other prisoners and buried as far as possible from human companionship. Two years ago the sentence was enforced less rigidly to accord with modern ideas of prison reform.

He was allowed more opportunities for exercise in the prison yard and was allowed to attend church services twice on Sundays, sitting apart from the other men. Now at the age of 57 years, Pomeroy will move into a cell, where he can see passers-by, will be allowed to exercise with other prisoners, sit with them at church services and at the prison entertainments and will be given such light work in the prison shops as his somewhat enfeebled health will permit. Governor McCall announced tonight that he approved the commutation.

Pomeroy was convicted of the murder of two children, following a series of degenerate acts. He was sentenced to be hanged, but because of his youth the sentence was commuted to solitary imprisonment for life. On September 7, 1876, he was placed in his solitary cell at the Charles street jail.

But he did not drop out of the public eye. Reports of sensational attempts to escape, carried through with patient ingenuity rarely found outside of fiction, became public at frequent intervals. His mother, until her death two years ago, never relaxed her efforts to secure his pardon, and was allowed to visit her son regularly.

When Pomeroy began his sentence he was poorly educated. Now he can read in seven languages and at the age of 57 he is studying Arabic. His last known attempt to escape was four years ago. Since then he has been diligently studying law as he hears on his case. Beyond his attempts to break through steel and brick to freedom he has been on the whole, his keepers say, a quiet and model prisoner.

VINCENT IS ELECTED TO IMPORTANT POST

New York, Jan. 24.—Dr. George E. Vincent, head of the University of Minnesota, was elected president of the Rockefeller Foundation at the annual meeting here today. John D. Rockefeller, Jr., the former president, was elected to fill the newly created position of chairman of the board of trustees.

OPPOSE CUMMINS' MOVE

Democrats Solidly Against Taking Time to Discuss Wilson's Speech.

Washington, Jan. 24.—Determined opposition was revealed by administration leaders in the senate today to Senator Cummins' proposal to set next week aside for free discussion of President Wilson's world peace address. Led by Senator Stone, chairman of the foreign relations committee, the Democrats stood against the Cummins resolution, maintaining that with the press of legislative business, such a discussion at this time would make an extra session of congress.

For nearly two hours the resolution was the subject of debate during which the views on world peace set forth in the president's address were alluded to only incidentally. At the outset, Senator Stone moved that the resolution be referred to the foreign relations committee. Later Senator Norris moved to amend the motion by adding instructions that the committee make a report within ten days. Finally the resolution went to the senate calendar without action and it will require affirmative action before it can be placed before the senate for a vote.

Senator Cummins insisted tonight on pressing the matter at every opportunity and as a motion to take it up is debatable it can precipitate discussion during the first hour of the senate's session every day unless parliamentary expedients are adopted to prevent. In urging his resolution Senator Cummins declared that the president's proposals, right or wrong, were the most important ever made by a chief executive of the United States and that the senate owed a duty to the country to discuss them and to advise the president in the matter.

"If there ever was a time," he said, "when duty commanded that we give to the world and the country the honest convictions of the senate upon proposals that affect the integrity of the nation, the peace of the world and the happiness of mankind—is now."

Senator Stone insisted that any discussion in the senate was bound to be two-sided and not of a character to enlighten the president or guide his footsteps.

"There is no desire on the part of the president's friends to prevent the fullest expression on the subject," Senator Stone said. "Let the country discuss it; let the world discuss it. Let the senate to set aside such an amount of time as this resolution proposes, when no official action can be taken, seems to me to be a melancholy waste of time."

Senator Shafroth of Colorado proposed that the senate discuss the matter in special session after March 4, when it will meet to consider cabinet appointments and other nominations. Senator Lodge urged adoption of the resolution now, maintaining that it would save instead of waste time, because any senator can discuss the issues if he chooses, no matter what legislation is under consideration.

EIGHT-HOUR LABOR BILL DEBATED IN HOUSE

Higgins Opposes Amendment Offered by Hig-Factory Workers.

BILL IS RE-REFERRED TO LABOR COMMITTEE

County Commissioner District Division Bill Passes Committee.

(W. G. Ferguson, Staff Correspondent.)

Helena, Jan. 24.—Vigorous debates on H. R. 29 by Mason and H. R. 48 by Stimpert characterized the session of the house of representatives in the committee of the whole today. The bill introduced by Mason, Missoula, provides for an eight-hour day for all employees of municipalities, and coal mines. The debate took a turn interesting to western Montana when Deuel, Yellowstone, offered an amendment to include employees in beet sugar factories. Higgins, Missoula, argued against the amendment and the entire measure with suggested amendments was referred to the labor committee. B. C. White, Fergus, one of the leaders of the farming interests, spoke against an amendment offered by Lusk, Missoula, including the farm employes in this measure. "Such an amendment would produce a labor strike on the farm. We are the people who are feeding you all and we can take care of ourselves. If you want to teach us all about strikes, go ahead with your education. This action would have the effect of increasing the cost of living immeasurably."

Eliel Given Ovation.

Representative Eliel of Beaverhead arrived in Helena today and was in his seat this morning. His return was in the nature of an ovation and he was warmly greeted by all of the old members on both sides of the house. He signalled his advent by an able talk against H. R. 48 by Stimpert, which would divide the counties into commissioner districts.

"I don't believe," said Mr. Eliel, "that this bill should be passed. It conflicts with the constitution. I do not think that the people of this state are considering their own individual welfare as much as the welfare of the counties at large. We have adopted a law known as the primary law which is supposed to give the people an opportunity for full and uninfluenced expression of their desires with regard to election of officers. I wonder if this primary law has fallen into such disrepute that it can no longer be trusted and I also wonder if the people cannot be trusted any longer. I don't believe this to be the case. This bill adds to the complexity of our government. Such a course interferes with the progress of better government. Only by simplifying our government will the people be able to obtain a more democratic administration of affairs."

Benefit to Farmers.

The bill was defended largely by the representatives of farming interests who insisted that under the present method of electing county commissioners the farmers in the outlying districts did not receive the representation to which they were entitled by virtue of the fact that such a large per cent of the vote was to be found within the cities and towns.

The debate on this measure lasted more than an hour. Those attacking the measure contended that it was a measure which might lead to complications as the matter of dividing the counties into districts is left with the county commissioners. They also stated that it had not been demonstrated that the county commissioners under the present system did not treat all sections fairly. McQuarrie, Missoula, said that never in his experience as county commissioner had he found such a condition to exist as this bill indicated. Higgins, Missoula, said that the trend of government was toward centralization and cited the instance of the commission form of government which has never been accused of favoring any particular section of the city.

The bill finally passed the committee of the whole by a vote of 41 to 45.

Senate Finishes Resolution.

The senate today put the finishing touches on Senator Whiteside's resolution asking the secretary of the treasury to withhold federal deposits from federal reserve banks in Montana which have refused to loan money to farmers at 6 per cent on warehouse receipts.

Senator Morris stated that he failed to see what would be accomplished by the bill and that there was a misstatement in the first paragraph. Senator Whiteside was quizzed in regard to the loans which had refused to make such loans. He said that he knew of some and suggested that the resolution be

(Continued on Page Three.)