

# PRESENT TAX LAW PROFITS ONLY RICH

## Tax Burdens, Which Intangible Property Ought to Share in Carrying, Are Shifted to Farms, Cottages and Work Shops.

### THE IDLE RICH ARE NOT TAXED

Vote "Yes" on the Tax Amendment and Make it Possible to Revise the Personal Property Tax Laws—To Not Vote is to Vote "No!"

The present tax law protects the rich. It enables those who live off the interest of their money to escape taxation altogether. The wealth of the rich is largely made up of securities which produce dividends or bear interest. Very little of this sort of property is taxed in Illinois.

When a man acquires enough wealth to live off of the interest of it he can invest it in securities of some sort and live without labor or effort and without contributing any monetary aid to the community in which he resides. Such owners of accumulated wealth have all of the benefits of the places where they live—schools, police, fire and health service, roads and bridges. They have all of the rights and protection of citizenship.

It is estimated that there is almost as much of taxable intangible values in Illinois as there is of real estate.

Because of the failure of our tax system real property pays practically all of the taxes to maintain public service of various kinds, which the owners of intangible wealth get the benefit of but do not aid in supporting. It is argued by some that the owner of intangible wealth who rents a house and pays the rent out of the earnings of his stocks and bonds really pays the taxes. But, while he may be paying the taxes upon the property he lives in, he is not paying the taxes upon the intangible property which he possesses and which the laws of the state protect him in holding and which goes on increasing in value. His failure to pay taxes increases the taxes on the home which the wage worker and poor man owns and perhaps owes for.

The spectacle of wholly untaxed wealth is demoralizing to the popular mind. It makes it appear that there is a tax law for the poor man and a different tax law for the rich man. The forbidding aspect of this is increased by the fact that the rich man now escapes taxation upon his intangible values by failing to comply with the law.

The law now requires that all intangible values shall be assessed and taxed at the same rate as real property. It has been found to be impossible accurately to locate intangible values the same as farms, skyscrapers, railroads. The tax rate on intangibles being the same as on real estate and other tangibles is excessive compared with other states. If fully collected it would take about one-third of the income on stocks and bonds. This is a higher rate of "income tax" than is collected under any income tax law. The result is that it is not collected at all, because the security holder hides his wealth; or, if he does not succeed in hiding it, he moves it out of the state to other states where intangible tax rates are proportioned somewhat to income.

The Tax Amendment to be voted on in Illinois November 7 will make it possible for the legislature to overhaul our entire revenue system, so far as personal property is concerned and make laws that will fit the case of each class of property, probably exempting small lots of household goods, shops and tools. A failure to vote is a vote "no."

Some of the tax dodgers—desiring to have the present system continue—claim that the pending Tax Amendment might possibly, by some sort of judicial mischance, be misconstrued to make single tax possible under it. Against this is the fact that no organized and outright opposition to the Amendment exists, except that of the single taxers. Thus it appears that the two elements that are opposing the Amendment are the tax dodgers, who pretend to think that it might make single tax possible, and the single taxers, who are vehement in their denunciations of it because it appears to them to make single tax hopeless.

Quincy Journal: Equal and reasonable taxation of modern forms of wealth which escape today, will be made impossible if the tax amendment to the constitution is adopted November 7.

Chicago Tribune: In 1818, when the present unfair system was adopted, scarcely any of the intangible property which now escapes the assessor existed. This property, consisting of mortgages, stocks and bonds, is hard to find and assess. In the aggregate it amounts to millions. If adopted, the amendment will permit the assessors of such holdings, raising them as to income and their ability to pay.

## ILLINOIS PRESS COMMENT

Moline Dispatch: Tax reform is necessary.

Lewistown News: There can be no greater injustice in our revenue laws than a tax upon debts.

Efingham Review: Tax conditions in Illinois are becoming intolerable. . . . No improvement can be made unless the amendment is adopted.

Galva News: There are many and devious ways of hiding taxable property from the assessor, but they are all closed to the poor man, principally because he hasn't anything to hide.

Kewanee Star Courier: The farmer who has experienced the evils of double taxation . . . will vote for the pending tax amendment next fall and urge his neighbors to do likewise.

Rockford Star: An amendment to the constitution which will permit the classification of personal property will be a decided step in advance, in the direction of greater justice in taxation.

Chicago News: The Illinois tax amendment to be voted on November 7 is expected to receive stimulus at the Tenth Annual Convention of the National Tax association, to be held at Indianapolis.

Chicago Examiner: We are to vote next November on the tax reform amendment to the constitution—and attempt to bring Illinois into the ranks of progressive states that has modern tax laws.

Morris Herald: If the voters of Illinois vote to amend and revise the revenue article of the constitution, next November, they will not be changing the present law; but they will make it possible for a change in the method of making assessments.

Freeport Standard: Other states, similar in character to Illinois, by modern and scientific methods, have made tax dodging a rare offense instead of a common habit, and have devised means for taxing effectively and justly those classes of property which largely escape in Illinois.

Peoria Journal: If the amendment passes it will be possible for the general assembly to provide for special taxes on intangible property such as now are successfully used in Pennsylvania and Maryland; or to establish a special recording tax on mortgages such as now is in force in New York and Minnesota.

Moline Dispatch: The old general property tax is impossible of administration. A classified system opens the door for real reform in tax matters in this state, and the proposed constitutional change which provides for this should receive the overwhelming support of the electorate on November 7.

Edwardsville Republican: Under the general property tax law, the assessors in theory are required to levy taxes uniformly on all classes of property. In practice this has been found utterly impracticable, nor would it be just and equitable even were it practicable, for all classes of property cannot stand the same rate of taxation. The result is that we have developed a most unjust and inequitable system of taxation, under which real property, and especially real estate, is required to carry more than its share of expense of government, while intangible personal property, in the shape of stocks, bonds, mortgage, money credits and all kinds of income-producing property, which can be concealed, escapes taxation almost entirely.

### TAX AMENDMENT, WHY?

Tax System Now Makes Perjurers, Penalizes Thrift and Burdens the Home.

What's the need of a tax amendment? asks the Chicago Herald.

Because Illinois is tied to the general property tax, under which personal and real property are taxed uniformly. Doesn't that work unfairly?

It doesn't work well as far as the property is concerned. And if it did work, it would be practically confiscatory in character.

For instance?

Well, a savings bank account paying 3 per cent is liable to taxation. To impose the general property rate on it would mean taking nearly two-thirds of the income. The holder of a 4 per cent bond would have to pay nearly half his income in taxes. A widow with a few thousand dollars from her husband's insurance policy invested at 6 per cent would have to pay about a third of it.

What's the net result of the general property tax as at present administered?

It penalizes thrift, it makes constructive perjurers out of good citizens willing to pay fair taxes, it makes evasion almost a case of self-defense.

Is that all?

By no means. Instead of resulting in uniformity it results in crass inequality as regards personal assessments between individuals, between different counties and sections of the state, between the owners of personal property that can be seen and assessed and intangible personal property.

Anything else?

By failing to reach and collect a larger revenue from personal property, it throws an inequitable part of the tax burden on real estate—the owners of the small homes, the farms as well as other real estate owners. And that doesn't end the indictment.

Will the classification of personal property for taxation suited to the various classes help to remedy this situation?

The experience of other states leaves no doubt on that point.

## AN INITIATIVE AND REFERENDUM TEST

### Tax Amendment Vote Will Show If People Give Attention to Referendum Matters.

Here is a case of "referendum," for those who believe in referendum.

It is also a case of "initiative" by the people, for those who believe in initiative.

The constitution of the state of Illinois makes it possible for the general assembly—representing the people—to respond to the demands of the people and initiate a change in the system of government by proposing amendments to the constitution. Of course, there have been demands for an enlargement of this method of initiative and referendum—and they have been looked upon with great favor by many. The people now have a chance to show what they will do with propositions that are referred to them for action by the legislature.

In order to adopt the tax amendment it is necessary that it have a majority of all the ballots cast at the election November 7. There is no doubt about its having a majority of all who vote on the Amendment proposition. The only danger that confronts it is that some, or many, will not take the trouble to mark their ballots for it, even though they favor it. Those who believe in referendum and initiative, especially should be alert to see to it that this important referendum proposition does not result in a demonstration that referendums of great questions—such as that involved in the Tax Amendment—do not fail because of the inattention of the voter.

### BILLIONS UNTAXED UNDER PRESENT LAW

Ex-Mayor Kern of Belleville and Former State Senator Magill of Springfield Speak for Tax Amendment.

Belleville, Oct. 6.—Former State Senator Hugh S. Magill, now superintendent of the Springfield, Ill., half million dollar high school, told a small audience in the Circuit Court room last evening that Illinois' crying need was the constitutional amendment, to be voted on in the November election, by which the present constitutional limitations surrounding the restricted valuation of all classes of property could be removed.

That billions of dollars of wealth created under conditions which did not exist when the constitution of 1870 was adopted now escape taxation, and that as a result of this inequitable system every humble home owner in the state, every honest merchant whose stock of goods is in sight and every honest man who made an honest return on his possessions must bear the dishonest man's proportion of the public taxes, was the conclusion reached by Mr. Magill.

Mr. Magill was followed by former Mayor Fred J. Kern of this city, who made a vigorous argument in favor of the proposed tax amendment and said that he was satisfied to vote "yes" on the proposed amendment because the Illinois Bar Association and a two-thirds membership of the Illinois senate and the lower house, regardless of partisan affiliation, had agreed to have this question submitted to the voters of the state.

The amendment in question proposes to enable the Illinois Legislature to establish a classification on property of all sorts so that there may be equitable assessment and a more certain law of reaching many classes of property that are now concealed and escape proper taxation.

The meeting was held under the auspices of the Commercial Club.

### WOULD REQUIRE "TAX PAID" STAMP ON SECURITIES.

That something will be done—and something drastic—if the Tax Amendment is not adopted now and then is indicated by the trend of discussion concerning taxation. One of the suggestions, worth while to reflect upon, is that advanced by ex-Senator Hugh S. Magill of Springfield, in his speech at Belleville. Mr. Magill pointed out that even under the present constitutional provision a tax might be ordered, and enforced, by compelling all security owners to return their securities to the tax officers and have them stamp "tax paid" thereon. This requirement would be enforced, according to Mr. Magill's plan, by some system of outlawing securities that were not so stamped.

Under the present system with the current confiscatory rates such a tax would operate to drive investments out of the state and make conditions worse than now. If the Amendment is adopted on November 7, however, reasonable rates of taxation will be possible for securities, and stamp taxes or other automatic methods would then produce revenue and make for uniformity of operation.

Chicago Herald: The Republican state platform declares for the adoption of the tax amendment and for legislation to bring about "real tax reform" in case the amendment is adopted.

## TAX AMENDMENT TO REDUCE LIVING COST

### President Chicago Real Estate Board Explains to the Joliet Real Estate Board.

Discussing the pending Tax Amendment to be voted on November 7, Paul Steinbrecher, president of the Chicago Real Estate Board, in an address to the Joliet Real Estate Board a few days ago said, "The Amendment, when adopted, will put an end to tax dodging as to personal property. Relieved of heavy and heavier taxation rents will be more reasonable; and, this, in turn, will tend to reduce the high cost of living generally." Mr. Steinbrecher said further that only ignorance on the part of the voters may defeat the Amendment, and he pointed out that it has the endorsement of all parties and of all of the leading economists and tax experts. Mr. Steinbrecher also showed that the system of dealing with personal property—especially intangible property—which the proposed Amendment will make possible in Illinois—is now in successful operation in twenty states. Intangible wealth, as returned by the assessors, now represents only about 5 per cent of the total taxable wealth of the state. Estimates show that the taxable intangible values in Illinois are probably about one-third to one-half of the total taxable value in the state.

The misproportion of tax burden borne by real estate everywhere throughout the state tends to create increased overhead expense for the landlord, and the manufacturer, the merchant, and the tenant. A fair apportionment of the tax burden between tangible and intangible property would operate to reduce the tax rates on real property.

Many who would have to pay taxes on intangible values under a re-modeled system are now escaping taxation altogether. Some of these imagine that the present system of tax dodging in Illinois can be carried into the future indefinitely. There are others who by their position and knowledge know that a change has got to be made that will bring about the taxing of intangible values at a reasonable rate. Those who think they can escape on their holdings of mortgage notes, bonds and stocks and other forms of intangibles, are opposed to any amendment or any revision of the tax laws which will compel them to pay even a small tax—such as that which intangible value owners pay in Pennsylvania, New York, Maryland and other states. The opposition which comes from tax dodgers of this sort is not outright and direct, but is covert and insinuating. They pretend to believe that the phraseology of the Amendment is such that it will do harm and deadly things to real estate owners. It is worth while to take into account that all of the leading real estate organizations in Illinois favor the Amendment on the ground that it will relieve real estate of some of its tax burdens.

"Voting for the Tax Amendment to the state constitution," says the Chicago Daily News, "will not be spectacular, but it will be highly important." This states the situation exactly. It is unfortunate that popular government has to deal with phases of public affairs which not only are difficult to understand but which are unattractive. The subject of taxation is extremely complicated, and presents great difficulty to arrive at just conclusions. In considering the Tax Amendment, the people should understand that two general assemblies have dealt with the question—one of them providing for a special tax commission, which was appointed by Governor Deneen. Another general assembly, acting upon the recommendations of the tax commission, submitted the Tax Amendment that is to be voted upon on November 7. Those who have not time to study out all the details and bearings of the Amendment may take it for granted that the proposition is the product of mature deliberation by the leaders of all parties—men who best understand taxation matters—and that it meets the requirements of the Illinois taxation situation.

In its condemnation of the general property tax, the Illinois Special Tax Commission quotes from the report of the Rhode Island Special Tax Commission: "The General Property Tax, which for many years has been general throughout the United States, and . . . is a constitutional provision in many states, has proved ineffectual in producing revenue; unjust because it places the burden upon the weak, while it allows the shrewd and powerful to escape; inadvisable because it brings the law into disrepute and debases the morals of the community."

Of the few who oppose the pending Tax Amendment some say, "Let the present law be enforced." This would mean that every savings bank depositor would have to pay about one-half of his three per cent interest to the tax collector.

"As a result of the present situation, there is a notorious evasion of the terms of the revenue law, which are unjust in principle and unenforceable in practice."—Illinois Special Tax Commission.

## ILLINOIS PRESS COMMENT

Mt. Sterling Democrat Messenger: Old tax methods must go.

Chicago Post: The absurdity of levying the same proportional tax on land, banks, savings, bonds, household furniture and mortgages needs no argument.

Quincy Herald: Modern laws regard mortgages and kindred values as differing in character from other property and tax them according to ability to bear the tax.

Tiskilwa Chief: Taxation affects every citizen directly or indirectly. Our present system penalizes thrift and industry and taxes the necessities of life, increasing their cost.

Rushville Herald: The ratification of the amendment is making the start. So impress on your mind now to vote "Yes" on it when you are marking your ballot November 7.

Mansfield Express: The State Farmers' Institute and many of the farmer county institutes throughout the state have gone on record as favoring reforms in taxation, and the question is one that can no longer be evaded.

Champaign Gazette: All elements in the voting population of the state—home owners, manufacturers, wage workers and business men—ought to join in securing the adoption of the much needed tax amendment to the constitution.

Jacksonville Journal: If endorsements from party leaders and candidates for office give influence, the pending tax amendment to the state constitution should receive favorable consideration at the general election, November 7.

St. Louis Globe Democrat: The only thing that can defeat the proposed amendment to the Illinois constitution will be the indifference of the voters. The real danger is that too many voters may fail to express themselves on the question.

Springfield News-Record: The tax system established in the days of the ox cart is not suited to the age of the steam engine and electric car. The amendment will need active support, for it requires a majority of all votes cast at the election to be adopted.

Freeport Standard: It need not be feared that the legislature will abandon any source of revenue open to it by making unjust and sweeping exemptions of personal property from taxation, for the very substantial reason that the state needs and will always need the money.

Edwardsville Intelligencer: Voters of Illinois will be asked at the November election to pass judgment on an important proposed tax amendment to the state constitution. If the amendment passes it will be possible for the general assembly to provide for special taxes on intangible property such as are now successfully used in Pennsylvania and Maryland. The amendment will affect only personal, not real property.

Decatur Herald: Farmers are just as much victims as are other classes of property owners to the vicious system of double taxation which the present law promotes. They, too, take notes for payment in property transactions and pay taxes upon the note, although the original property may have been taxed. Indeed, so many farms are being bought on the part payment plan nowadays that double taxation is especially felt by farmers.

### PENALIZING PART-PAYMENT PLAN HOME PURCHASERS

A conspicuous injustice which the Constitutional Amendment, to be voted on November 7, will make it possible to remedy, is double taxation. Discussing this fact the Quincy Journal points out that the taxation of mortgaged property and of mortgages as well as some other forms of intangible value occasions frequent complaint of "double taxation."

Most farms and most homes in Illinois today are bought on the part-payment plan—a little cash and a note, secured by mortgage, being given by the purchaser. A mortgage on land is taxable, which in effect is double taxation. Two taxable values are thus created where only one existed before. Suppose that a man sell a horse, for say \$200, and takes a note for it, the note becomes taxable. Suppose, further, that the buyer sell a horse to another man for another note, this second note becomes taxable. This same horse may be sold indefinitely on credit, creating a taxable value each time that it is sold.

Illinois—Chicago—is becoming a great money and financial center. Soon, if not already, the intangible wealth of the state will be greater than the tangible. It should bear taxes sure to be collected—and at rates that will not drive it into other states where taxes on intangibles are reasonable. Our tax laws should help, not mar, the economic growth of the state.

"The most deplorable consequence of our present tax law is the demoralizing influence of the hiatus between the written words of the law and its actual administration, which is well known and recognized both by public officials and our most highly respected citizens. This situation inevitably leads to disrespect of the law in other fields, and calls for far-reaching changes in the present system of taxation."—Illinois Special Tax Commission.

If the present law is enforced as to the tax on mortgages, it will mean a higher rate of interest when you renew your mortgage.

## PILED UP RICHES SHOULD BE TAXED

### Unworkable Tax Laws of Illinois Enable Holders of Accumulated Wealth to Escape Taxes Which Others Must Pay.

### TAX AMENDMENT IS NEEDED

Other Great States Have Changed From the Old Systems To Plans Which the Pending Amendment Will Make Possible In Illinois.

It is generally felt that the proposed Tax Amendment law that the people of Illinois will vote on at the November election will be passed with the unanimous expression of the voters of the state, says the Waukegan Sun. It is a known fact that the tax laws of Illinois have long been obsolete. This state has stood back while other states have forged to the front in the matter of revising their arrangements on taxing property, personal and real estate. To date the real estate of Illinois has gone to the front of taxation. Personal property has escaped in a manner which is shameful and which has forced the burden of taxation on the common people. Under the proposed tax amendment the laws will be so changed that the taxing bodies will be placed in a position to go after the personal property of wealthy residents of the state and they will be made to share the burden of taxation. As it now is, fortune upon fortune has escaped any taxation whatever, while the visible property, the real estate, is forced to carry the heavy expenses of the state. The injustice of such a taxation should have appealed to the people of Illinois long ago, and therefore voters seize the opportunity by which they will be able to equalize the burden of taxation. Several neighboring states long ago have adopted a change in taxation by which burden has been equalized and as a result nobody has suffered. Under the proposed change in Illinois, only the rich will be hit and in a way the burden which has been carried on by real estate holdings will be alleviated to a great extent.

This paper is most heartily in favor of the proposed tax amendment law and from what we have been able to learn, it will in no way be a burden on the ordinary people, but will be a step toward making the rich come to and pay their just share of running Illinois.

## OUR REVENUE SYSTEM OUTGROWN AND BAD

### B. A. Eckhart Points-Out that it is like the Cradle, Sickle and Flail in Farming.

"The restriction of the constitution of 1818 are entirely unsuited to the present financial, industrial and economic conditions of the state of Illinois," said Mr. B. A. Eckhart, chairman, speaking at the Tax Amendment Campaign Committee meeting at the Press Club, Chicago, October 5. "The farmers of the agricultural portion of our state," Mr. Eckhart continued, "have adopted modern methods of producing agricultural products: they have long ago abandoned the harvesting of their grain with sickles or cradles and thrashing with the flail. In place of these antiquated implements they are using the very latest self-propelling harvesting machines and the steam-propelled thrashing machine. Our old-fashioned revenue law is no more adaptable to our modern conditions than the sickles, cradles and flail would be to our agricultural condition of today."

Chairman Eckhart declared, with great emphasis, that the pending Amendment is one of the most important matters ever placed on the small ballot in this state. He said "no state or nation can exist without an adequate and effective system of taxation that will not only produce sufficient revenue with which to administer the affairs of the state or nation, but it must do so in a manner so just as to satisfy the majority of the taxpayers. Nearly every state in the union has been confronted with the difficult question of proper taxation. Many state have enacted laws enabling classification of personal property where all of the people are fully alive to the importance of securing the adoption of the amendment."

Mr. Frank L. Shepard spoke at length, detailing the legal aspects and bearings of the proposed Amendment and pointing out that the present constitutional provision for uniform taxation was devised when uniformity was not only just but practicable. He said that it was necessary, in order to establish justice and to produce proper revenue that the Amendment be adopted. Mr. Clarence S. Darrow explained that under any and all circumstances the collection of a just and equitable tax is exceedingly difficult, adding that under the uniform tax requirement provision of the Illinois constitution it is not only difficult but practically impossible.