

This, I believe, applies to each portion of this State. The Colorado Fuel and Iron Company owns the Southern portion of the State. The Northern Company own the Northern portion, and the Smelter and Railroad Trust own the middle portion. So there you are—take your choice—you are a slave in any section.

We are in fair shape to get the Initiative and Referendum and Imperative Mandate passed at the next legislature and then look out. There will be another battle. That will end the war.

But that will be when the powers that own the privileges no longer hold the reins of government.

MORTGAGE TAXATION IN THE STATE OF NEW YORK.

(For the Review.)

By LAWSON PURDY.

For six years mortgage taxation has been a very live question in New York State, and a law was enacted by the last legislature which will take effect the first of July that effects an immense improvement.

On and after July first all mortgages affecting the title to real property in the State of New York will be taxed at the time they are recorded at the rate of $\frac{1}{2}$ of 1%. No mortgage can be recorded until the tax is paid, and after the tax is paid and the mortgage recorded it will forever be exempt from all taxation for every purpose. This law is the culmination of a long continued effort for mortgage exemption, and while it may seem a poor makeshift to those who live in States where mortgages are exempt from taxation, it is so great an improvement over existing conditions in the State of New York that New Yorkers hail it as a welcome solution of a difficult problem.

For many years prior to July first, 1905, debts secured by mortgages have been taxable as personal property in the hands of the holders just as other personal property has been taxable. In one respect the law of New York is far more lenient in the taxation of personal property than in most other States. In most of the States tangible personal property is taxable without deduction for any indebtedness on the part of the owner; debts may be deducted from credits only. In New York the personal property of each person is taxable after deducting the entire amount of his indebtedness from the value of all his taxable personal property. Moreover, the State of New York has never been cursed with a listing system such as is common in Western States. Under the listing system every person is required to hand the assessor a list of all his belongings with the value of each item, and the statement must be verified by the oath of the person assessed. In New York no list is required and the opportunity to deduct all indebtedness presents many methods of mitigating the severity of the law.

In spite of the comparative leniency of the personal property tax law the fear of taxation reduced the amount of money offered to borrowers on real estate security, and thus the interest rate on mortgages was increased from two to five mills over what it would have been had mortgages been exempt from taxation entirely. In addition to this burden imposed on borrowers, the grossest injustice was done to some lenders, especially those who were dependent on estates in trust, the investments of trust estates being limited to mort-

gage loans. It was not uncommon for half the income of a trust estate to be confiscated under the form of taxation.

In the cities the sentiment for the entire exemption of mortgages from taxation was almost unanimous, but in the rural parts of the State there was claimed to be some sentiment in favor of their taxation on the ground that local money lenders were able to exact 6% interest—the legal rate, and would still be able to obtain 6% even if mortgages were exempt from taxation, and that the taxation of mortgages enabled the small towns and villages to increase their income at the expense of those who were often regarded as parasites.

In the year 1900 a special committee appointed the previous year recommended the passage of a bill designed to impose a tax on every mortgage present and future, at the rate of $\frac{1}{2}$ of 1% per annum. The details of the law were necessarily very severe and drastic. The opposition was so strong that the bill was defeated, but in some form or other it was annually introduced, until in 1905 a somewhat similar bill was passed but affecting only mortgages to be recorded on and after the first of July of that year. If this law had remained unamended for a few years it would have yielded a very large revenue, and the difficulty of securing its repeal would have increased in proportion to the revenue it raised. For this reason it was deemed by many a very dangerous law, but in reality it turned out to be a blessing in disguise, for it brought home the subject of mortgage taxation in a very definite and concrete form to every borrower on real estate security in the State. The rate of interest immediately rose, and every borrower was informed why it rose. It was no longer necessary to create sentiment—the law itself created sentiment, and all that remained to do was to organize and direct opposition to mortgage taxation.

Even then complete exemption was not deemed politically practicable and a bill was introduced at the last session of the legislature amending the annual mortgage tax so as to provide for a recording tax to be paid once only on mortgages to be recorded on and after July 1st, all old mortgages remained subject to taxation as personal property to the same extent and in the same manner as they were before the passage of the law of 1905.

One result of great advantage to people of the whole country has sprung from these rapid changes. For the first time it has been possible to gather statistics which show with perfect clearness the effect of mortgage taxation. For example, statistics were obtained showing the average rate of interest on all mortgages in the counties adjoining Massachusetts under the old law and under the annual mortgage tax law; also statistics for the neighboring county in Massachusetts in which mortgages are exempt from taxation. The statistics were exactly what we had a right to expect. In Massachusetts the average rate of interest was almost exactly 5%. In the adjoining New York counties under the old law the rate of interest was three mills higher. In the following year the annual mortgage tax law the rate of interest rose in the New York counties by about three mills, and remained stationary in the Massachusetts county. Comparison of a similar kind was made between New York and Boston, and between Chautauqua County in the Western part of the State of New York, and an adjoining county in Pennsylvania. In all cases the results were the same. Hereafter opponents of the taxation of debts can supplement the conclusive arguments from deduction with inductive arguments, which to most minds carry greater weight.

A marble stone in Greenwood Cemetery says that Henry George is dead, but innumerable voices testify to the victorious power of his truth.—*Rev. Herbert Bigelow.*