

Special Number for Members of Chambers of Commerce

# TAX FACTS

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## California Caught Napping

**Diversion of tourist stream to Florida serious handicap to western State. Two million tourists in season leave two hundred million dollars in Everglade State. Tax exemptions invite settlers and capital. Many seize opportunity to buy cheap farms and homes. State forging ahead with gigantic strides.**

It is well that the All Year Club should advertise the advantages of California throughout the country. It is well also that the Chambers of Commerce should bid incoming settlers and business men to find fitting locations.

But recent events cause a doubt as to whether all this work is done to good purpose. The heavy tourist travel to Florida, and the falling off to California, the flush times there and the slowing down here, bid us pause.

Whatever the fundamental or basic reason for this condition may prove to be, the question of taxation clearly enters into it. Everybody, from President Coolidge to the humblest citizen, is talking taxes.

Florida's constitutional amendment prohibiting income and inheritance taxes, and the raising of the personal property exemption to \$500, has caught the attention of the country. The first invites capital. The second aids the homeseeker.

New York and Pennsylvania manufacturing cities, in their keen rivalry have practically wiped out the tax on personal property. The Detroit Bureau of Government Research, in its report on the tax systems of 184 principle American cities (published in the *National Municipal Review* for December) shows that in such cities as Buffalo, Rochester, Schenectady, Troy, Pittsburgh, Scranton, Harrisburg, personal property pays less than one per cent of the property tax.

Advertisements of farm lands by the Canadian Pacific Railway, in leading

American periodicals, stress the fact that taxes in the Northwest are low, and that there are "no taxes on live stock, buildings, improvements, implements or personal effects."

How long can California remain indifferent to these bids of her rivals? Should any one be surprised at the falling off of tourists, the slackening of immigration, and the clouding of the "white spot?"

Not all Californians are indifferent to the situation. The San Diego Chamber of Commerce recently adopted resolutions asking the Governor and legislature to repeal the inheritance tax, and calling upon the legislature to "present to the people of California a referendum on an amendment to the State Constitution similar to the amendment adopted by the people of Florida."

The Tax Relief Association of California proposes a constitutional amendment (printed elsewhere in this issue) exempting from taxation \$2,000 worth of improvements on land to each citizen, and all personal property, the law to take effect at the rate of twenty-five per cent a year.

California Chambers of Commerce should be able to say to the country, not only that we do not tax personal property of tourists who visit the State, but that we do not tax the personal property of those who become citizens. They should be able to say to people seeking homes and farms here that everything they bring will be free of taxes, as well as \$2,000 worth of improvements.

### LOWER INTEREST RATES

Repealing the tax on all personal property will result in removing the tax on money in banks, on cash in hand, and on solvent credits. This will reduce interest rates to all borrowers throughout the State.

New York State levies no tax on money or solvent credits. Largely on this account, idle money from all over the country, even from all over the world, flows to New York for temporary investment. Because of this abundance of money seeking investment, New York has low interest rates.

Remove the tax on money and solvent credits in California, and money from many quarters will flow here for safety and investment. Interest rates will decline, and borrowers will be benefited.

What's the big idea? Can any one give a good reason for threatening money with taxation if it does come to California to engage in business? Does California want a high tariff on money for the benefit of local money lenders?

The whole thing is absurd. We should repeal the personal property tax, in accordance with the proposed Tax Relief Amendment.

### "IN LI'L OL' NEW YORK."

Los Angeles and San Francisco have harbors. So has New York. They compete. Los Angeles and San Francisco have merchants. So has New York. They compete. But the competition is not on equal terms.

The merchants of New York pay practically no tax on their stocks of merchandise, and consequently do not have to add that tax to the selling price of their goods, as part of the expense of doing business.

The merchants of Los Angeles and San Francisco under our present personal property tax law, pay a high tax on their stocks of merchandise, and so have to add this tax to the selling cost of their goods, as part of the expense of doing business.

Are our harbors so much better than that of New York, and our merchants so much smarter than those of New York, as to justify this unequal competition?

Hardly. Remove our present personal property tax, and give our merchants an equal chance with the merchants of New York.

### ANOTHER FOOLISH LAW

The announcement that the will of the late Dr. Norman Bridge leaves the bulk of his large estate to educational and charitable institutions, coupled with the statement that Dr. Bridge was compelled to keep his residence in Illinois, though spending the greater part of his time in California, in order to legally make the bequests, gives us food for thought.

Are we right in maintaining on our statutes a prohibition against a resident willing more than one-third of his estate to institutions?—*Hollywood Citizen*.

### AND THIS IS TAXATION!

"The founder of a mid-western corporation with a capital of \$5,000,000 and with personal debts of \$500,000," says C. S. Dewey, Assistant Secretary of the Treasury, "died on the Pacific Coast. It cost his heirs \$1,955,200 to settle the estate in 1920. In the course of the settlement the business was impaired and a bond issue of \$2,250,000 was necessary to pay the taxes. As a result of the bond issue the heirs lost control of the business, and the son of the founder is now working at a comparatively small salary as general manager of the business founded by his father.

"There is no question that we must reform the tax system in such a way that business and industry shall not be hampered in their normal healthy development. But most important of all, we must make sure that American citizens shall not be deprived of the incentive to work and accumulate, and that this country shall not cease to be the land of opportunity. A tax system which penalizes the creative spirit, and discourages initiative cannot be the right system for America."

### IS IT FAIR TO CALIFORNIA?

As the Argonaut recently pointed out, California is cogitating the proposal to amend the State Constitution exempting all personal property from taxation and \$2,000 on improvements. Prospective visitors may rest satisfied that so long as their stay is limited their personal property will be immune from assessment. Of course, when the visitor elects to remain with us permanently, he will have to entertain the assessor, as we all do, once a year. It is for the purpose of removing this cloud on citizenship that the proposed tax relief amendment is advocated, which, if adopted, will give the State thousands of permanent residents, who now withhold their citizenship. Contrasted with the personal property tax levied in New York City, Buffalo, Rochester, Albany, Pittsburgh, and other eastern cities, California's personal property is assessed from ten to twenty times heavier.—*The Argonaut, Feb. 7, 1925.*

### KEEP OPPORTUNITY OPEN

If America had not been free to any man to make his fortune within the law and within his abilities, we would not be the great nation we are today. To destroy incentive by excessive taxation is to lessen the production and the opportunity of the country.—*President Coolidge.*

## PROPOSED AMENDMENT

## ARTICLE XIII

Sec. 5 (a) Except as hereinafter provided, every resident, not a corporation, of the State of California, owning improvements on land in the county in which he is a resident, shall be entitled to have the total assessed value of said improvements, as assessed for purposes of taxation, reduced by the sum of Two Thousand Dollars, or by such lesser sum as shall equal said total assessed value of said improvements, such reduction to apply upon the assessment of such of said improvements as shall be specified by or on behalf of said person by affidavit, provided, (1) that the said specified improvements shall be located upon one continuous parcel of land, (2) said specified improvements shall be located in the municipal or local tax district in which said citizen is resident at the time of making said affidavit, and (3) said affidavit shall be in such form as may be approved by the State Board of Equalization until otherwise provided by law.

(b) The total reduction in assessed value allowed any one person, under the above provisions of this section, for the following years shall be as follows:

For the first year following the first Monday in March, 1927, Five Hundred Dollars;

For the second year, One Thousand Dollars;

For the third year, Fifteen Hundred Dollars;

For the fourth year, and thereafter, Two Thousand Dollars.

(c) Except as otherwise in this Constitution provided, personal property shall be taxed for the purposes of the uniform tax provided for in Section 1 of Article XIII as follows:

For the first year following the first Monday in March, 1927, said personal property shall be taxed on the basis of three-fourths of its assessed value;

For the second year on the basis of one-half of said value;

For the third year on the basis of one-fourth of said value;

For the fourth year and thereafter personal property shall not be returned for assessment, assessed for, or taxed under the uniform tax provided for in Section 1 of Article XIII, or under the provisions of Section 8, Section 10, or subdivision (e) of Section 14, Article XIII, nor shall personal property be taxed upon any valuation basis, but this section shall not be construed as prohibiting a tax, whether specific or on a valuation basis, upon personal property, in the form of an inheritance tax, an income tax, a sales tax, an excise tax, a corporation tax, or other special tax or license authorized by the laws of the State of California, nor shall this section be construed as repealing any such tax or license in effect at the time this section becomes effective.

(d) The provisions of this section shall not be construed as affecting any exemptions from taxation elsewhere in this Constitution provided and not specifically covered by the provisions of this section.

(e) The term "personal property" as used in this section includes liens, mortgages or other non-possessory interests securing the performance of any obligation, but does not include leases and other possessory interests in land.

(f) Nothing in this section shall affect any tax levied or assessed prior to the first Monday in March, 1927, and all laws in relation to such taxes in force at said time, shall remain in force as to such taxes until changed by the Legislature. The provisions of this Constitution in conflict with this section are hereby repealed.

(g) All the provisions of this section shall be self-executing, but legislation may be enacted to facilitate their operation.

## NOTES

Keep opportunity open for every American citizen.—*George H. Dunlop.*

Some men are known by their deeds; others by their mortgages.—*Berkeley Courier.*

The citizen who neglects to vote but continues to holler is only another backseat driver.—*Detroit News.*

Many women have found more pleasure in fighting for the ballot than in fighting with it.—*Boston Herald.*

One thing that makes it hard to find ideal servants is the scarcity of ideal employers.—*Stockton Independent.*

A dangerous alien is one who thinks our government as rotten as political speakers say it is.—*Newark Ledger.*

The horse sense that prevented wrecks in the old days probably belonged to the horse.—*Bellingham Herald and Reveille.*

The reason some people don't hear opportunity knocking is because they are at it themselves.—*San Diego Union-Tribune.*

The principle reason why there are so many fools in office is that there are so many out of office.—*Columbia Record.*

We are a patriotic people, always filled with a zeal to save the country from one another.—*Woodstock (Ont.) Sentinel, Review.*

There seems to be one law for the rich and one for the poor, and about two million for the middle class.—*Memphis News-Scimitar.*

The airplane is now twenty-one years old, and in speed, highflying and recklessness, it comes up to what we must expect at that age.—*Cleveland Plain Dealer.*

Cooking utensils and tableware on the ZR-3 are all aluminum. We'll have to build a higher tariff wall for these air ships, won't we?—*Brooklyn Eagle.*

Nothing in life is too good for you. You should have the best—on one condition: that you be ready to see that all others shall fare as well.—*The Typogram.*

It has been kindly ordered by the Author of Nature, that, as we draw nearer the conclusion of life, we are furnished with more helps to wean us from it, among which one of the strongest is the loss of dear friends.—*Benjamin Franklin.*

Send name and address to Tax Relief Association, 502 Delta Building, Los Angeles, Calif., for special pamphlets on taxation.

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## UNTAXING BUSINESS

California should not tax any kind of desirable business or capital that can come into the State. It should exempt any kind of desirable business or capital that can move out of the State.

Taxes on merchandizing and manufacturing enter into the cost of goods, and are added to the price, without increasing wages or profits. Higher prices, due to taxes, limit consumption, depress business, increase the cost of living, and cause unemployment.

The exemption of personal property from taxation, as proposed by the Tax Relief Amendment, will give a wonderful stimulus to all lines of manufacturing and commerce, and place California in a most favored position to compete with the commerce and manufacturing of other states and countries.

The tendency in wide awake, progressive communities is to lighten the burden of taxation on movable industries. Oregon repealed her income tax because it was found to be driving business out of the State. New York, Pennsylvania, and Florida have cut to the minimum taxes on capital and industry.

Sooner or later some State will give its business interests the full measure of tax relief provided for in the proposed Tax Relief Amendment. The first State to take this logical step will reap the greatest gain.

California should seize this opportunity. The Chambers of Commerce and the All Year Club should be able to say to the manufacturers of the United States, Come to California, where your machinery, your manufactured goods, your cash on hand, and your solvent credits will be exempt from taxation. This policy will bring new industries, and revive old ones.

Business should have a square deal. The enormous expenditures incident to the World War and the payment of the debt are met entirely by Federal taxation. Local taxes pay neither principle nor interest on the national debt, nor the expenses of the army or navy. Federal taxes are levied principally on active business. Since business enterprises are carrying the bulk of the increase in Federal taxation, it is only fair that they should be relieved of part of the burden of local taxation.

California fronts the ocean. Its commerce and manufacturing must meet both interstate and international competition. Relieved of the unfair share of the burden of taxation imposed upon them by the personal property tax, the business enterprises of the State will forge ahead in a manner that will surprise the world.

This is California's opportunity. Are her business men going to lead, or are they going to follow?

## AMERICA—LAND OF OPPORTUNITY!

Hail, America, Our Country, Our Land of Opportunity! With Columbus, first of our pioneers, with Puritan and Cavalier, with Huguenot and Padre, with adventurer and refugee from the far places of the earth, with immigrant and homeseeker from many lands, with the mighty host of hero dead and loyal living to whom thou hast given birth, with all of these we join and hail thee still—Our Land of Opportunity! Opportunity to earn a livelihood, opportunity for political liberty, for religious freedom, for intellectual advance, for every form of service for the welfare of mankind.

God grant that we may ever cherish the brave spirit of the pioneers, the high hopes of the first comers, and the noblest ideals, O Fairest of Lands, of thy noblest sons. Thus shall thy riches in mountain and plain, in river and shore, in forest and mine, in sunshine and rain, support a people whose heart is ever young and strong, full of hope, venturesome, true to their historic faith—still pioneers of new frontiers of man's world, as they organize life into opportunity for each and all.

GEORGE H. DUNLOP.