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PROPOSED TAX REFORMS.

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AN

ADDRESS

BY

Governor Albert B. White

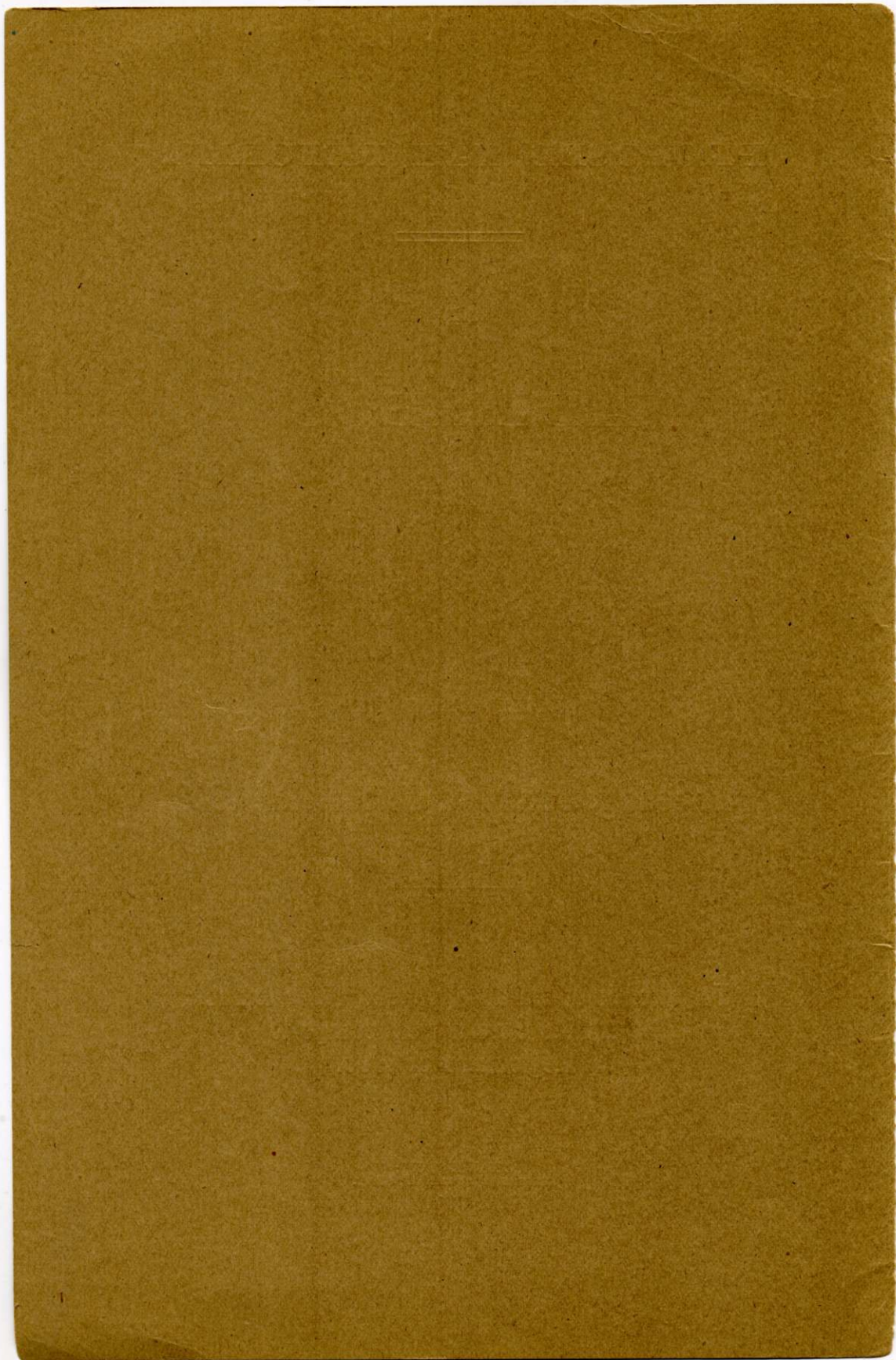
DELIVERED AT

Wheeling, Saturday, October 24, 1903

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To which is added an Appendix, being extracts  
from the Governor's Message to  
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TRIBUNE PRINTING COMPANY.  
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# ADDRESS

BY

GOVERNOR ALBERT B. WHITE,

AT WHEELING, OCTOBER 24, 1903.

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## MY FELLOW CITIZENS:

Upon your invitation I am here tonight to discuss the question of tax reform as it is before the people of West Virginia today.

This subject came before the Legislature of 1903 in a message by myself, in which it was fully discussed, accompanied by the recommendations of the Tax Commission, a body appointed under authority of the Legislature of 1901.

It is my purpose tonight to confine my discussion, as strictly as possible, to the views expressed and recommendations made by me to the last Legislature, which adjourned without taking up this important matter for consideration, owing to the refusal of the Senate to unite with the House for that purpose.

## *NOT A POLITICAL ISSUE.*

This is not a partisan question; it is a business question. Those who are opposed to the tax reforms advocated by myself and others, have been strenuously striving to keep the question out of party politics; while the friends of tax reform have made no effort to inject it into party politics. Whether it will ever become a party question I cannot say, nor am I here to prophesy. That is in the future and it depends a great deal upon how the question is treated in the coming months. Certain it is, in my mind, that the issue of fairer taxation, having arisen, cannot be settled by misrepresentations, personalities, criminations, nor by suppression or strangulation. It will never be settled until it is settled right, regardful of the greatest good to the greatest number, and equitably and fairly to all interests involved.

## *DIRECT AND INDIRECT TAXES.*

For the purposes of this discussion we will classify our present systems of taxation as the direct and the indirect. The direct State tax is the thirty-five cents on the one hundred dollars' assessed value of all per-

sonal and real property. The indirect tax in this State is generally in the form of a license or privilege tax, such as is levied upon the man who peddles sewing machines, keepers of hotels and restaurants, proprietors of theaters, manufacturers of beers and liquors, and on the sale of liquors, etc.

We have a whole chapter—chapter 32 of the Code—which is devoted almost entirely and solely to indirect taxes. Unless some of you in this room happen to be in a particular class subject to those license taxes, you do not know anything about that tax, because you do not pay it. Nearly four hundred thousand dollars of the State's revenue is derived from the annual corporation license charter tax, levied under what is known as the Dawson Corporation Bill. Much of that tax is paid by corporations that do not do business in this State. Corporations are created under the laws of this State and proceed to do business—sometimes in this State, sometimes out of the State. We levy an annual license tax upon the corporations for the privilege of doing business as such, which brings in nearly four hundred thousand dollars; yet none of you gentlemen pay any of that tax unless you own stock in a corporation, and then the corporation pays the tax and you would not know it. The direct taxes, which you pay yourself, you know all about. So much for direct and indirect taxation.

#### *UNNECESSARY TAXATION BAD.*

The taxing power in the State is lodged in the Legislature. That power should never be exercised except as needed. We should not levy a tax because we have the power to levy it; we should only levy a tax when we need it. An unnecessary tax is not what the people wish; an unnecessary tax is bad because it is wasteful; an unnecessary tax is so unjust that it needs no further comment at my hands.

I will endeavor to show you that our present State tax of thirty-five cents on the hundred dollars—twenty-five cents for the support of the State government and ten cents for the public schools—is absolutely unnecessary.

#### *NO DIRECT TAXES NEEDED.*

How do we raise the money for the running expenses of West Virginia? As above stated, it is raised in two ways—by direct and indirect taxation. Some of our people, who are opposed to any change, seem to think the present system of taxation in our State is an ideal one. I squarely take issue with them. I lay down this broad proposition: We do not need to levy any tax upon real estate and personal property in order to raise sufficient revenue to carry on the State government; and we can easily and justly raise all the money that is necessary for that purpose, including public schools, without levying one dollar of direct taxes. I say this, not from theory, but because I know it.

Of the revenues for the support of the State government we raise over forty per cent. by indirect taxes. As we can raise forty per cent. in that way, would it not be desirable to raise all in that way, if it is practicable and possible? It is certainly very desirable and entirely practicable since

there are objects and subjects of taxation which can easily and justly pay license taxes, and which owe the State, surely, that much in return for what they get from or impose upon the State.

Of course our poll taxes would not be done away with, as they are required by the constitution and needed for school purposes. Including the poll tax, nearly sixty per cent. of our total State revenues are derived from other sources than the direct tax on personal property and real estate. If we can raise sixty per cent., Mr. Chairman, why not raise one hundred per cent. in the same way, and thus relieve the personal and real property from a direct State tax?

#### ACTION OF THE LEGISLATURE OF 1901.

Now let me call your attention to the resolution almost unanimously adopted by the Legislature of 1901, which was in session, completed its session and adjourned before I assumed the office of Governor. Therefore, all this initiation of tax reform preceded my connection with the State government. Allow me to add in this connection, that this question of tax reform came to me in the line of my official duty, without my seeking or creating it. The issue was there; it had to be met; acting under my oath of office I met it as fairly and squarely as I knew how, without regard to consequences, political, personal, or otherwise, to myself or any other person. And there I stand.

This resolution of the Legislature of 1901 recites:

"Whereas, the system of tax assessment and revenue laws and laws in relation to the disbursement of revenue, now in force in this State, is substantially the same as that adopted at the organization of the State, and it is believed that it is *not* such a system as is best adapted to the changed conditions brought about by the development of the State and its resources," and then it goes on and authorizes the appointment, by the Governor, of a tax commission; and that commission is to ascertain what changes are required in the tax assessment or revenue laws, in order to "reach property, firms, persons and corporations not now bearing their just proportion of the burdens of taxation, and to raise the necessary amount of revenue with *the least possible burden upon the people and property of the State.*"

#### PRESENT SYSTEM OUT-OF-DATE.

Now, if you will keep that resolution in mind, you will begin to see what the object in creating that tax commission was; what it was empowered to do, and who empowered it. The Legislature, of the same party faith as my own, declared that the present system of taxation in this State (which was practically devised before the days of railroads, telegraphs, telephones, great corporations, coal and oil and gas developments, and of vast commercial and transportation consolidations of capital) was not adapted to the changed conditions of the State, and authorized this commission to recommend such changes as necessary to raise the needed revenue with the least possible burden upon the people.

#### PERSONNEL OF COMMISSION.

Acting under the authority of the resolution above recited, I appointed

as members of the Tax Commission representative citizens of the Commonwealth. At its head was the president of a railroad company, the leader of the bar in the State and one of your most distinguished and highly honored fellow townsmen. Another member was one of the State's great developers, and at the time of his appointment and making of the report, probably the largest individual coal operator in the State—certainly the largest owner of railroads in the State and the largest taxpayer in the State. Another member was my honored competitor for Governor, a constitutional lawyer of conceded ability and power, who represents many coal corporations. Another member was one of the largest and most successful farmers in the State, who served in the Legislature and for many years as a member of the county court of his county, and thoroughly conversant with county affairs. Another member was a lawyer in one of the largest and best agricultural districts in the State, and thoroughly identified with the farming element. Now, these five men all took their consciences into their work and spent many months in studying and investigating the tax problem, and while they represent very divergent business and political interests, they all united and agreed upon what was best to be done. They do not claim that their work was infallible, but that what they presented was far better than the present system. No one has insisted upon the adoption of all or none of their suggestions, which everyone recognizes were made for the consideration only of the Legislature.

#### ADMINISTRATIVE AND REVENUE FEATURES.

The administrative features of the report I shall not have time to discuss at length, but may refer to several of them. At best they are not vital to the plan of wiping out direct taxes. They seek more efficient local government and economies which are desirable.

The subject I am most interested in, and which I take it you are most interested in, is the raising of the necessary revenues for the State without the imposition of a direct tax upon the property of the State. I shall, therefore, address myself more particularly to the revenue features of their report, as I did in my message to the Legislature.

#### CONSIDERATION ASKED.

Permit me to say that in presenting the report of the Tax Commission to the Legislature I dwelt more particularly upon the tax-raising features of the plan and asked for it careful CONSIDERATION, expressing the hope that *most* of the Commission's recommendations might so commend themselves to the judgment of the Legislature as to be approved. What I stood for then, and what I stand for now, was that the subject should be carefully, disinterestedly, fully and fairly *considered*, and such relief afforded the people as the Legislature might deem expedient and best. It is not the duty of the Legislature to adopt anything that does not meet its views; but, in my judgment, it is its duty to give consideration to such an important matter as this, and that duty cannot be rightfully evaded.



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*THE KEYNOTE.*

The keynote of the Tax Commission's report is the abolition of the direct tax of thirty-five cents on the hundred dollars of valuation, and the raising of the necessary revenues in lieu thereof, by the imposition of license taxes,—the increase of license taxes upon some pursuits and the creation of new license taxes on other pursuits. The Tax Commission decided just what any other students of affairs would, who would study the question and familiarize themselves with the conditions in this State and then with that which is being done in other States. Their conclusion is sound in economics and wise in statesmanship. That conclusion is, that the only way to equalize taxation in this State is to stop the unnecessary direct taxation for the support of the State government and raise the funds necessary therefor through the widely diversified field of indirect or license taxes, paying due respect to our constitutional limitations. The corollary of this proposition is, that under our present system of assessing by counties personal property and real estate improvements annually, and of assessing real estate by local county officers at long intervals of years, we could not have either uniformity in values, as among similar property in different sections of the State, or equal and just taxation among the several counties of the State.

My fellow citizens, whether you are in favor of that conclusion or not, the fact remains that there are so many just ways of taxing franchises and privileges, that you can take from property the direct State tax without even accepting all of the Tax Commission's plan. They present one plan. If you do not agree with that plan and desire to meet this question fairly there are still many ways to raise the revenue to run the State of West Virginia without levying direct State taxes.

*FIFTY-FIVE ASSESSMENT UNITS.*

The officer who assesses your property for taxation is an officer of your own county, and so it is in other counties. Therefore, we have fifty-five distinct units of assessment in this State, there being fifty-five counties. And we find the widest differences in values as among the different counties. Here in Ohio County, for example, certain unimproved real estate, such as farming lands, may be assessed at five or ten dollars an acre more than just as valuable real estate is assessed in some adjoining or distant county. We find no property assessed uniformly in this State. There are fifty-five different yard sticks of measurement, and some of these yard sticks are not three inches long! If the proposition is true that the farm lands in Ohio County are assessed five dollars an acre more than in X county, fifty miles away, where they are underlaid with coal and oil and gas, then what is Ohio County doing? On every acre of her land she is paying more than her share of the State taxes, of thirty-five cents on every hundred dollars of valuation, for the amount per acre in excess at which she is assessed over that of other counties, which are undervalued. And when you come to investigate at Charleston you see the most monstrous differences among the valuations of the several counties. You find that some of the counties have more natural wealth by half than Ohio County, and they are not even fully helping to educate their

children and enforce the laws and carry on the criminal courts, because those counties are not assessed high enough to do their part of the work, while Ohio County raises more than is necessary for her share of the work.

#### *TAXATION UNIT SHOULD BE COUNTY.*

Therefore, you can lay it down as a correct proposition that your taxation unit should be identical with your assessment unit. Your assessments are now made by counties; hence your taxation should be by counties. That is a controlling reason why I am in favor of abolishing the State tax on real estate and personal property. There can be no State revisionary board with the necessary knowledge to equalize the different assessments among all the fifty-five counties, and the county courts cannot raise the assessment of any county above the total amount at which the assessors fix it. Yet we have to levy these State taxes, under our present system, upon the various assessments of the counties, some being relatively high and some relatively very low. It, therefore, follows that taxation based on such a system of valuation must be very unequal, exceedingly lacking in uniformity, and grossly unjust. I am informed by a well posted gentleman, who has given the matter of taxation years of study and who is conversant with the conditions of which he speaks, that the property of one county in this State is assessed at but three per cent. of the total value of its real estate.

I do not think you will dispute the proposition that if you are going to have a State tax, that such tax should be equally borne by the property of the counties of the State.

Many of the older States have resorted to every effort to equalize valuations between different counties, employing complicated assessment machinery and appraisement boards, but it has been found that the wit of man cannot devise a system which will make assessments uniform over a whole State whereon can be levied a just and equal tax for State purposes. Unequal assessments make unequal taxes; unequal taxes are unjust taxes.

#### *UNEQUAL TAXATION.*

Let me illustrate what we mean by unequal taxation. The last Legislature authorized a certain city in this State to appoint a special commission to make an assessment for city taxes only. It was represented that the city needed more revenue; their assessment was so low that they could not raise the amount needed to run the city government. That commission was in session for months, and recently it made its report to council. The property of that city was previously assessed at about three million dollars' worth. What did these assessors find? They reported to the city council eighteen million dollars' worth of property in that city. Then, because the city council said six million dollars was enough, they fixed the taxable value at one-third of the value of the real estate in that city for taxation, returning a total of about six millions. The old valuation in that city still holds for State purposes. I do not suppose there are many taxpayers in this room whose property is assessed as low as one-sixth of its value. Do you begin to understand what inequality in taxation means?

*HOME RULE TAXATION.*

Now, let us suppose that Ohio County property was assessed for taxation for county and other local purposes only, then it would not make any difference to you how they assessed property in Kanawha, Cabell or Wood. You would have your own taxation assessor, who would fix the values and the county court, under certain restrictions, would fix the rate of taxation. That is local taxation; local home rule; that is putting the taxing power and the spending power together and making them accountable to the people whom they tax; that is not giving these powers to an irresponsible body. If your assessment is unequal it can be equalized, for there can be created in Ohio County, or in any other county in the State, a board of equalization which can act intelligently and effectively in such matter, because the territory is small and homogenous, and such a board can gain the necessary knowledge to enable it to make a fair equalization of the valuation of the property of the citizens of the county.

*TEN YEAR ASSESSMENTS.*

As a rule we assess the real estate for the purpose of county and State taxation about once in ten years. The Tax Commission found the existence of these great inequalities among the counties and they recommended that real estate be assessed just the same as personal property and railroads—once a year. I never met a farmer in my life who objected to his farm being assessed yearly. Who objects to it? It is the property owner in the congested centers or rapidly developing mineral sections. His property increases in value in a short time; and while his lands and property increase enormously in value, is it fair to the other taxpayers, whose lands have a fixed value and remain so all the time, that the other man pay on a mere nominal proportion of the real value of his property? And why should this wrong be multiplied and continued for a term of ten years?

*REASSESSMENT OF 1900.*

In the year 1900 we had our last assessment of lands in this State, and prior to that in 1890. In 1899 the Legislature said, "We need more revenue; our lands have become very unequal in value by reason of the oil developments, the coal developments and the rapid growth of our towns and cities." There had been enormous increase in real estate values and the assessors went through the counties of the State reassessing real estate. What was the result? Fifty-five varying yard sticks—fifty-five assessments; and when the returns were all simmered down and added up we found we were just about where we started and that West Virginia real estate had not increased appreciably in value since 1890.

My fellow citizens, do you believe, with all the development going on in this State since 1890, that the real estate is not worth much more than it was thirteen years ago? Look at the great coal counties of the State. In Fayette County the valuation per acre, including buildings, increased in these ten years only from \$8.48 to \$9.29; in Kanawha from \$6.97 to \$7.43; in Mercer from \$5.57 to \$5.67; while in McDowell it actually decreased from \$5.95 to \$5.09! In the oil county of Wetzel the acreage

value fell from \$10.38 to \$9.51; while in the coal and oil county of Harrison the acreage value, including buildings, fell from \$17.89 to \$17.85; and in Marion from \$16.26 to \$15.16. Ohio County's valuation *increased* from \$36.31 to \$52.14! Now, what is the matter? Fifty-five units of assessment. Fifty-five varying yard sticks of measurement!

Mr. Hubbard, in his address before the State Editorial Association, called attention to the fact that one coal company in Logan County had paid for a tract of 30,000 acres in that county, an amount equal to two-thirds of the entire valuation of that county for taxation purposes. All the lands, including the buildings thereon, in that county, are valued at \$2.77 an acre. Now, do you believe that these are just valuations as compared with valuations in Ohio County? Or do you think they are proportionate values as compared with values in Ohio County? And, if not, why should these valuations be permitted to stand for ten years?

#### HOW OFTEN TO ASSESS.

The twenty-eight gentlemen who protested against any consideration of the Tax Commission's plans, or tax reform, are especially emphatic against the valuation of real estate every year. If once every year is too often to assess real estate, what is the proper time limit? Is this not a question which the Legislature should consider carefully, and decide? If property is to be assessed only for local taxation, why should anyone object to more frequent assessments of real estate? This is one of the administrative features of the Tax Commission's plan which is certainly worthy of careful consideration.

#### MINERAL RIGHTS.

While discussing this subject of taxing real estate it may be well to say that objections have been made to the Tax Commission's report, alleging that it does not provide for reaching the mineral values of lands where the mineral and the surface are owned separately. Section 25 of chapter 29 of the Code provides:

"When a tract or lot of land becomes the property of different owners, in several parcels, or one person becomes the owner of the surface, and another of the minerals under the same, or of the timber alone on said land, the assessor shall divide the value at which *the whole had before been assessed*, among the different owners, having regard to the value of each interest compared with that of the whole."

Now, let us see what the Tax Commission proposes. Section 39, draft C, page 75 of the bills of the Tax Commission provides:

"When a tract of land becomes the property of different owners in several parcels, or when one person becomes the owner of the surface and another of any minerals under the same, or of the timber alone on said land, the assessor shall, *without regard to the former assessment of the whole*, assess the respective interests separately to the individual owners thereof, giving to each of said interests its true and actual value."

Now which plan do you think will result in securing fairer returns on mineral and timber rights?

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*RESULTS IN OTHER STATES.*

Possibly we will get more light on this question of taxation if we consider briefly what has been done in other States similar to ours in resources and industries and located near us.

In Ohio, under Governor Nash, they have reduced the State tax from twenty-eight cents on the hundred dollars of valuation to thirteen and one-half cents, by having the corporations bear a more just share of the public burdens of the State government. And the intention is to eliminate altogether direct State taxes; and for that purpose they are seeking to pass a constitutional amendment next month which will permit them to classify property for purposes of taxation. Both of the leading political parties have endorsed this plan in their platforms and there seems to be no doubt that the amendment will be adopted and Ohio soon cease to have any more direct State taxes. In this State we do not have to wait for a constitutional amendment to abolish State taxes. Allow me to emphasize again what I said before—that we have ample sources from which we can get the needed revenues, by means of license and privilege taxes.

In Pennsylvania it requires nearly \$25,000,000 annually to run the State. They do not know what a direct State tax is Pennsylvania, for it has been so long since they have had it. Every dollar of that vast sum comes off the special privilege classes and franchises of that State.

How is it in Maryland? It took \$3,600,000, or twice the amount necessary for this State, to run the State of Maryland last year. They do not levy one dollar of direct tax for the support of the State government. The expenses of the State government are over \$2,000,000 a year, and these funds are raised by indirect taxes. They do levy a direct tax in Maryland to pay for running the public schools and to extinguish the public debt. The levy last year was seventeen cents on the hundred dollars; and, of that, ten and one-half cents is the public school tax, one and three-fourths cents is to pay for the school books for the children, and the balance is to extinguish the public debt. The settled policy in Maryland seems to be to pay the ordinary expenses of the State government by indirect taxation and to support the public schools and extinguish the State debt by a direct tax.

In New Jersey, as you know, they do not levy any direct State taxes.

In the Empire State of New York it requires about as much money to run the State government as in the State of Pennsylvania. Where do they get it? In 1895 the State tax in New York was almost as much as our State tax, thirty-two cents and a fraction. Just four years ago it was nearly twenty-five cents. In 1900 they commenced doing business in New York under Governor Odell and the tax dropped to nineteen and six-tenths cents, and in 1901 the direct tax dropped to twelve cents. Do you know what it is this year? The direct tax in the State of New York is one and three-tenths cents on the hundred dollars, because the constitution requires them to levy a tax for education and the public debt. They are pressing for a constitutional amendment whereby they may no longer require a direct tax in New York.

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*GOVERNOR ODELL'S VIEWS.*

In a letter written me by Governor Odell last month he said, among other things:

"I am much interested in the efforts which are being made in the State of West Virginia to do away with a direct State tax. That is a problem which has received a great deal of consideration in this State, especially within the last two or three years, and it has been solved most successfully. There are still some who question the wisdom of an indirect system of taxation for the maintenance of the State, but their number is growing less year by year as time has vindicated the wisdom of that policy.

"Starting with a few hundreds of thousands of dollars of indirect tax collections a decade ago, the system has been built up gradually until today our indirect taxes amount to about \$23,000,000 annually. This has been accomplished, too, without placing unjust or onerous burdens on any interest. We have simply relieved the real estate of an unfair proportion of the State's expense and placed it upon those interests which heretofore have escaped their share of the burden. Our principal sources of indirect revenue are the excise tax (one-half of which goes to the State and one-half to the locality) corporation taxes, taxes on collateral inheritances, etc.....

"The statements which I have just made will indicate, I think, how successfully the indirect system is operating in this State. It has become so firmly established that I have no hesitation in saying that New York will never again levy a direct tax for the State's maintenance except in the event of some emergency which is now unforeseen.

"I congratulate you on the progress which is being made in the same direction in West Virginia, and I am sure that when the system is once established it will be as satisfactory to the citizens of your State as it is to the taxpayers of New York."

The above are the words of experience and I commend them to your thoughtful consideration. Are the friends of Tax Reform unreasonable when they insist that what is good for New York, what is good for New Jersey, what is good for Maryland and Pennsylvania and Ohio, States similar to ours in resources, is at least worthy of decent treatment and fair consideration at the hands of the Legislature of West Virginia?

*AMPLE RESOURCES AVAILABLE.*

Can we raise the necessary amount by indirect taxes? Yes. Pardon me for saying it again, but what I have said on this subject has been said in my message, and in written communications. I stand upon broad principles and am not committed to every detail. I say we can raise the money necessary to run the State government without any direct tax upon the property of this State. The Tax Commission presents a plan. There are ample resources from which to get the needed revenue. One of these I recommend to the Legislature, and the Commission did not.

The Tax Commission made their report to me on the 20th day of October, 1902. I immediately put that report into the printer's hands and it was promptly printed and put into the hands of the members of the Legislature and widely circulated early in November. The members of

the Legislature had two months in which to consider the report. I regret very much that it was not possible for the Commission to formulate the bills before late in December, making it impossible for us, in the congestion of departmental and institutional reports and messages, to get them out of the hands of the public printer before the Legislature met in January. But the bills merely carried into effect the recommendations made in the report, which was made late in October. I wish in this connection to state emphatically that there was no suppression of these matters by your executive officers.

#### GROSS INCOME TAXES.

There was a constitutional amendment pending at the November election which limited our irreducible school fund to one million dollars. The effect of that amendment is that revenues hitherto going into that fund will now go into the distributable or general school fund. The Tax Commission could not anticipate the adoption of that amendment, and though they, on page 44 of their report, discussed the fairness of gross income taxes for certain public service corporations, they could not then advise their imposition, as the proceeds would go to the irreducible school fund, and, therefore, not be available either for State purposes or the immediate support of the schools.

As we have in some districts in certain counties, owing to the small amount of taxable property, but three months of public school, and in some districts only four months, and in a large majority but five months, I saw an opportunity to do something for the common schools of this State. I recommended that we levy a tax similar to that of other States upon the gross incomes of some public service corporations, especially railroads, if we took off the thirty-five cents direct tax. They enjoy privileges that other corporations do not have; their franchises and grants have become very valuable. I could heartily recommend this income tax because it would now go to the distributable school fund under the amendment.

#### PROPOSED RAILROAD TAX.

Let us talk about this railroad tax. Do you know how West Virginia ranks among the States, as regards the amount of total taxes of all kinds that the railroads pay per mile? She is not up among the first dozen or so, though she is one of the States that compares in tonnage with the best States in the Union. Pennsylvania, of course, excels us. But few States in the Union exceed us in the tonnage we produce and have going over the railroads. Now, where do you suppose West Virginia ranks? You will find this in the Interstate Commerce Commission's report; they include all forms of taxes the railroads pay in the States. We find that West Virginia is located away down in the middle of the column. She is the twenty-second State in rank. Twenty-one States precede her. So that shows that we are not treating the railroads in West Virginia unfairly; we have not been overtaxing them, certainly. The railroads can also afford to treat us fairly in return.

#### SOME COMPARISONS.

The railroad mileage in Ohio in 1901 was 8,833 miles. In 1902 they had



the direct tax of thirteen and one-half cents, producing \$152,000. The railroads of Ohio support the Railroad Commission of that State, and they pay \$17,500 a year for that; then they pay a tax of one per cent. upon their gross earnings, and, in 1902, this amounted to \$1,100,000, making a total of \$1,270,000 that the State of Ohio taxed the railroads of that State for the support of the State government.

Now, on the mileage basis, what would the *steam* railroads in West Virginia pay if we taxed them the same way as they do in Ohio? They would pay \$336,000. What do they pay? In 1902 they paid for State purposes—thirty-five cents on the hundred dollars—less than eighty thousand dollars, and that is all they paid to help run your State government. If we taxed them in the manner that Ohio taxes them they would pay \$336,000 a year. It is begging the question to state that the railroads pay local taxes, also. Of course they do. So they do in Ohio, Maryland, New York and other States which tax their gross incomes for State purposes. They also pay able lawyers to represent them and men to operate their trains. I am talking about what they are doing toward the support of our State government.

Pennsylvania taxes railroads eight-tenths of one per cent. upon their gross earnings, five-tenths of one per cent. on their capital stock, and four-tenths of one per cent. upon their bonded debt. What did the steam railroads pay in 1901 to help run the State government of Pennsylvania? They paid \$3,565,090. What did the street railways pay? \$1,223,042; making a total of nearly five million dollars that Pennsylvania taxed the railroads of that State to help support the State government. Compare that with the eighty thousand dollars tax from the railroads in our State. If we taxed our steam railroads for State purposes as they do in Pennsylvania they would have to pay, in proportion to mileage, nearly \$800,000. Compare that with \$80,000!

Take the State of Maryland. There the railroads pay no direct State tax. They are relieved of the State school tax and the public debt tax. The State taxes them eight-tenths of one per cent. upon the first \$1,000 of gross earnings per mile, graduated up to two per cent. when the earnings exceed two thousand dollars per mile. But one of the most important railroads in Maryland is the Baltimore & Ohio. It does not pay this tax of two per cent.; it pays just a small tax—one-half of one per cent., but the other railroads mostly pay two per cent. What do the railroads of Maryland pay for the support of the State government? Well, they paid last year \$228,555, including the B. & O.'s small tax. West Virginia has practically twice the mileage that Maryland has. If West Virginia taxed the railroads at the rate that Maryland does, they would pay to support our State over \$400,000 a year.

Go to New York. How do they tax railroads there? One-half of one per cent. on the gross earnings, then a tax upon their capital stock, which is graduated upon the dividends paid. In no case is the latter tax less than one and one-half mills on the dollar. The railroads paid to support the State government of New York, in 1902, \$1,510,000. Upon the New York basis, according to mileage, the railroads in West Virginia would pay \$431,000 to support the State government.

Are the railroads running in New York, Pennsylvania, Maryland and Ohio? They were at last accounts. Do you hear any complaints or objections? No. They did not even send a lobby to Columbus when they raised the tax from one-half of one per cent. to one per cent. on gross receipts, because the public men in Ohio think that the railroads have special privileges and that the tax is fair and just. There was no railroad lobby in Columbus when that law was passed in Ohio. Yet when your Governor in West Virginia suggests that we do away with the direct tax of thirty-five cents on the hundred dollars and levy this income tax upon the railroads he is answered that he is asking too much. When he asks for the same rate of tax for the railroads that they have in Ohio, far less than they have in Pennsylvania, less than they have in Maryland, he is answered that he is asking something that he has no right to ask.

There are other States which tax more or less heavily the gross earnings of railroads. I have not had time to investigate all of them, but I might mention the Vermont tax of two and one-half per cent. on the gross receipts; the Wisconsin license tax of from two to four per cent.; the Virginia tax of one per cent. on net receipts; the Maine tax from one-fourth of one per cent. to three and one-fourth per cent.; the Michigan tax of from two to two and one-half per cent.; the tax on gross earnings in Minnesota and North Dakota.

There is no escaping this conclusion, that either these States which I have mentioned are unjustly taxing the railroads or else we in West Virginia are not getting such a contribution from the railroads toward the support of our State government as we ought to have.

#### *PRESENT RAILROAD TAX METHODS.*

It is fair to presume that the Board of Public Works in this State, in the long series of years during which they have been assessing railroad property for taxation, have conscientiously endeavored to do their duty and to fix the physical values of the roads in proportion to that at which the values of other property are fixed. The present method does not produce the results that a tax on the gross earnings would. That is a tax which reaches the core of the matter and is adjusted to the business which the road does. The proposed tax upon the gross incomes of railroads would produce more revenue than any system of assessment of the physical property of a railroad would, if that assessment is to be anywhere within reason or justice. I advocate a tax on the gross incomes of railroads because it will produce larger results and operate fairly and will give the State needed revenue. Those who cannot see this distinction between the two methods of taxing are beyond the reach of argument. The railroads will continue to be assessed on their physical property for purposes of county, district and municipal taxation.

Now, I think that West Virginia is entitled to just as much consideration from the railroads as Pennsylvania, New York, Ohio or Maryland. If you want relief from the thirty-five cents on the hundred tax, this is one avenue that is open to you. It was presented by me to the Legislature in direct connection with the Tax Commission's recommendations. You certainly need not levy the ten cents school tax, if you tax railroad earnings,

because this tax as proposed will produce *more revenue*, by a large amount, than the present ten cents school tax. Why should we tax ourselves ten cents of direct taxes on the hundred dollars for school purposes, when such a just and fair income tax on railroads will produce larger results?

#### OTHER SOURCES AVAILABLE.

There are other sources of special taxation that other States have and use, which this State does not employ. The tax I have just referred to is only one source of taxation, but I confine myself to my message and will not tonight go outside of it further than to say that the field of indirect taxes is large enough to produce the necessary revenues whenever the Legislature wishes to fairly consider the matter and to make an earnest effort to afford the people relief from the present inequitable, unjust and outrageous system of direct taxation for State purposes.

#### THE DISTRIBUTABLE SCHOOL FUND.

I am in favor of the Tax Commission plan of taxation, among other reasons, because it will increase the receipts of the distributable school fund. We will confine our remarks entirely to what the Tax Commission proposes and have no reference to the proposed railroad gross income tax. We will take the statement of the receipts of the general school fund from June 1, 1902, to May 31, 1903, and consider what would have been the effect on the amount of this fund if the Tax Commission's plan of taxation had been in effect during that period. The receipts of this fund for that time were as follows:

General school tax and poll tax.....	\$400,566.32
Fines by courts.....	22,498.83
Dividends on bank stock.....	9,000.00
One-half interest on State deposits.....	19,807.05
Interest on bonds and notes.....	27,544.62
School tax on railroad property.....	25,024.16
Redemption of lands.....	1,805.41
Sale of delinquent lands.....	5,920.53
Sale and redemption of forfeited lands.....	1,054.46
Forfeited recognizances.....	550.00
Transfer of school fund, J. R. No. 15, Acts 1903.....	36,767.39
<hr/>	
Total .....	\$550,538.77
Disbursed for salaries, printing, etc.....	34,322.70
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Total distributable portion (including \$14,550 paid county superintendents) of school fund.....\$530,666.07

The only items making up this fund, which would be affected by the Tax Commission's bills, are the receipts from the general school tax, which I estimate very liberally at \$240,000; the school tax on railroad property, amounting to \$25,024.16, and the \$8,000, in round figures, derived from the redemption of lands, sale of delinquent lands, and sale and redemption of forfeited lands. These last three items would not disappear all at once,

but for the purpose of this discussion we will consider that the total amount of income wiped out by the Tax Commission plans aggregates \$273,024.

#### WHAT TAX COMMISSION PROVIDES.

Now, let us see if the Tax Commission provides sufficient revenues to take the place of this \$273,024 of taxes. Their plan provides that two-sevenths of all licenses, privileges and franchise taxes shall go to the school fund. The Dawson corporation, or license charter tax, produced last year \$386,000 of revenue. The proposed coal tax of one-third of a cent on 24,000,000 tons of coal, in round figures, would have produced \$80,000 of revenue. The oil tax of one-half cent a barrel, on a production of 16,000,000 barrels, would have produced \$80,000. The proposed tax on natural gas is estimated to produce not less than \$30,000 and not more than \$70,000 during the same period. \$30,000 is certainly a very conservative and low figure. The proposed license tax on dealers in manufactured tobacco, cigars, cigarettes and cigarette paper, at \$10, would produce not less than \$75,000 a year. In the year 1890-'91, when I was Collector of Internal Revenue for the District of West Virginia, 6,606 merchants in this State paid such a tax to the National Government, and the probabilities are that this tax would produce nearer \$100,000 than \$75,000. The whole object of the Tax Commission's plan is to strengthen the license tax system, both in collections and by increasing the rates on certain subjects. The total amount of liquor and corresponding license taxes paid during the license tax year ending July 1, 1902, was \$327,826. (See table 60, Auditor's report.) There was an increase this year. The Tax Commission increases the liquor tax from \$350 to \$500 a year, and increases a number of other license taxes. It is certain that the increased income from the license taxes covered by this schedule would have put the receipts for the year at over \$400,000. The insurance license tax this year amounted to over \$40,000, and of course would be undisturbed. The telegraph, telephone and express licenses amounted to about \$5,000. The professional licenses proposed are estimated at the very low figure of \$15,000. They will probably bring in \$25,000; but call it \$15,000. The proposed license tax on the two hundred banks in the State would produce \$10,000. Now, the aggregate of all these licenses taxes, supposing them to have been in effect, and basing them upon what has been done, would have been at least \$1,121,000. Two-sevenths of this amount would be over \$320,000, or about \$50,000 more than the \$273,000 of taxes wiped out. These license taxes will gain largely in the years to come and give steady gains to the school fund, as against the practically fixed receipts from the ten-cent direct tax.

#### THE POLL TAX.

And this is not all the increases there would have been in the distributable school fund. The Tax Commission's plan provides that the capitation or poll tax may be collectible from the employer. There are over 250,000 people in West Virginia subject to poll tax. 221,000 of them voted in 1900. It is estimated that the poll tax paid last year aggregated \$160,000, showing a heavy delinquency in the payment of poll taxes.

By making the poll tax a claim on a man's debtor it is estimated that not only will the number of names listed be increased, but the number of capitation taxes reported delinquent diminished. I have seen no estimates that would put the gain at less than \$40,000 per annum, and well informed people believe that it will go as high as \$60,000 per annum. Certainly there is no reason why the poll tax receipts should not approximate \$200,000 if the recommendations of the Tax Commission as to this matter are adopted. This would be a gain of \$40,000 over present receipts.

#### *A GAIN OF NINETY THOUSAND DOLLARS.*

Add that to the other gain of \$50,000, and the distributable school fund would have increased, under the operations of the Tax Commission bills alone, \$90,000 more than it was, or reached an aggregate of \$620,000.

The public school people of the State have looked with longing eyes toward having a distributable school fund approximating \$1,000,000 a year. If the gross income tax on railroads were added to the Tax Commission's provisions for the distributable school fund, that fund would reach, approximately, under those conditions, nearly \$1,000,000. I have been somewhat surprised that the school teachers and public school officers of the State have not seen more clearly hitherto what there was in this tax upon the gross incomes of public service corporations of benefit to the schools.

#### *GENERAL STATE FINANCES.*

People have been going about saying that the Tax Commission's plans of raising revenue and of economy would not enable the State to make both ends meet. In no year, since our State existed, have we appropriated or spent as much as \$1,200,000 for "annual necessary expenditures, exclusive of buildings, etc."

The estimates made to the Legislature of 1903 by the Auditor (see pages 134-135) of the probable charges on the public treasury for 1903, including \$65,000 for the Legislature and \$85,000 for the annex, but excluding all other buildings and betterments, was \$1,064,000; and for 1904, the estimate was \$913,900. The appropriations on the general fund of the State treasury for 1903, including some extraordinary appropriations, such as for the Legislature and for much authorized but unappropriated for building by the Legislature of two years before, aggregated less than \$1,577,000, of which \$388,471 was for buildings and betterments. This left \$1,189,000 as the appropriation for general purposes, including the Louisiana Purchase Exposition and the legislative appropriations.

For 1904 the charges on the general fund are \$1,425,000, of which \$330,728 is for buildings and betterments, leaving \$1,094,000 appropriated for general purposes. So it will be seen that the estimates we have been seeing in print as to the amount of \$1,500,000 being needed annually for running expenses, are \$717,000 too high for the current biennial period and are absolutely valueless as estimates. It is safe to say that every reasonable need of the State for some years to come, including \$200,000 annually for new building, can be met by a general fund of \$1,400,000 a year. The appropriation for 1903 exceeds this, owing to the large accumulation of authorized

building not previously appropriated for by the Legislature of 1901, awaiting results of the new corporation law, and for which we had accumulated a surplus of several hundred thousand dollars by the increased receipts of the Dawson corporation law at the close of the fiscal year, September 30th, 1902. Certainly \$200,000 is a liberal estimate for new buildings for each year, for the immediate future.

The Auditor's estimate to me in writing of February 27, 1903, was that of the balance on hand September 30, 1902, \$350,000 could be regarded as a surplus. He estimated at that time, also, that we would be going "beyond the danger line" or expending more than our income if the aggregate appropriations for 1903 and 1904 (two years) exceeded \$2,900,000. I have shown that the appropriations, as finally allowed, aggregated, in round figures, three million dollars for these two years. There will be no building deficiencies (aggregating as in 1903 several hundred thousands of dollars) to provide for by the Legislature of 1905.

Now all this is under our existing system of taxation.

It is charged by some that the tax plan reported by the Tax Commission would produce but \$1,100,000 annually, and, counting the charges of \$209,500, as proposed to be put back on the counties, this would make the equivalent of a revenue of \$1,300,000. I will simply say this, that ample revenue will be secured when the Legislature considers the Tax Commission's plan. Certainly there can be no question about this, if the tax on the gross incomes of railroad and street car companies is added, as I have recommended.

#### *SOME OBJECTIONS.*

Let us consider briefly some of the objections made to the Tax Commission's report. A few weeks ago a syndicated manifesto was issued by twenty-eight of our prominent citizens, the cap sheaf of whose argument was that they believed our present system of taxation to be the correct one and good enough. Now, if you tax payers in Ohio County think that the present system is good enough and wish to continue to pay direct taxes for the support of the State government, and to let the privileged classes and corporations and valuable franchises continue without the payment of license taxes, which will more equitably distribute the burdens of government, then the argument between us is at an end. For my part I do not think the present tax system is good enough. I think it is about as bad as it could be and is fatally defective. The results reached under it are so monstrous in their inequalities and in the burdens they place upon some classes of property, and the unnecessary relief from taxation which it affords other privileged classes and corporations, that I am in favor of changing the present system at once, and the sooner the better. I think that what has proven wise and good for other States similar to ours would be good for West Virginia.

I agree with the plan of the Tax Commission for collecting the State revenues off of those interests imposing burdens upon the State, or those enjoying special privileges, and making the taxing unit for direct taxation the same as the assessment unit, thus taxing property directly only for local purposes. That is the cause I champion.

*TAXING OIL, GAS AND COAL PRODUCTION.*

Let us come to the real milk in the cocoanut—the real source of organized opposition to the Tax Commission's report. These are the three privilege-tax recommendations in the report of the Tax Commission on the production of oil, gas and coal; and we hear a great deal about these natural resources and the injustice of taxing the producers. Speaking frankly, I do not personally care whether you tax oil, gas and coal through license taxes or not, provided you take off the thirty-five cents on the hundred dollars for State purposes, because we would still have avenues left for getting the necessary amount for running the State government. But some of us have thought that these taxes as proposed are just, if we remove the direct State tax, and certainly they are not oppressive.

It will be remembered that the Tax Commission did not propose any special taxes upon the railroads, in lieu of the thirty-five cents of direct tax to be taken off of all property, and yet the railroad representatives at Charleston were active and united in opposing consideration of the Tax Commission's report. The secret of their opposition was no doubt twofold. First, the present system of taxation is good enough for them and they do not wish to change it. Second, as has been well remarked, the distinction between those engaged in producing and those engaged in transporting coal has nearly disappeared. Certainly the railroads do not regard the Tax Commission's report in the light which the gentlemen of the manifesto do, who fear that if the Tax Commission's recommendations are enacted into law the railroads would not be required to pay their full and equal share of taxation. The opposition of the railroads is a fact. They are satisfied with the present system. It is a good enough system for the railroads, but it is not a good enough system for the States of Ohio, Pennsylvania and the others which I have enumerated.

*OIL AND GAS.*

In Ohio they tax oil more than we propose to tax it. The pipe lines have to pay one per cent. of their gross receipts. Pennsylvania also taxes them. Why should not West Virginia tax them?

Let us consider the proposed license tax on the privilege of mining oil, gas and coal for a few minutes. Did you ever hear of anybody owning a cubic foot of gas or a barrel of oil paying one cent of tax on them in West Virginia? The only instance I know of was that of a tank of heavy lubricating oil in litigation in Parkersburg belonging to a Mr. Harkness. That is the only oil I ever heard of in West Virginia that paid any tax. The minute it is brought out of the ground it loses its identity, is run into tanks, then into pipe lines and is taken out of the State. The same way with gas. You know that we have a great gas line that extends from Wetzel County, West Virginia, to Cleveland, Ohio, and West Virginia's natural product is going by many lines into other States, and your natural resources are taken away and are making other States richer. What is the price of oil today? Say it averages \$1.25 a barrel; that is twenty million dollars a year and in ten years two hundred million dollars. Do you know of any personal property of yours worth \$200,000,000 that is not taxed? Wouldn't you like to play in such luck as that? Yet a tax on oil

and gas is said to be robbing the producer and is putting the West Virginia operator at a disadvantage with the Ohio operator. Put a tax, then, if you wish, upon the gross receipts of the pipe lines and let it go to the school children of the State. Treat the oil men fairly and let the corporations be treated fairly and the State of West Virginia fairly, too. Is that unfair?

#### COAL.

Pennsylvania taxes the production of coal by a tax of one-half of one per cent. upon the capital stock employed. If you will take your pencil and figure you will see that this is a greater tax than one-third of a cent a ton, as is proposed in this State. Take a man in Pennsylvania who is producing three hundred tons of coal a day—take a plant of the size that is capable of producing 100,000 tons a year,—and you have a capital employed that at one-half of one per cent. would have to pay a greater tax than if the tax were one-third of a cent per ton. But when we propose this privilege tax in this State of one-third of a cent a ton, we are told it is unfair. They do not object to the size of the tax, but they object to the principle of *being taxed this way*. Let the Legislature consider it. I think it is a fair tax for several reasons.

In the first place we have laws to regulate and control the mining of coal, which are administered and enforced by a mine inspecting bureau at a large expense to the State; we maintain three miners' hospitals at an expense of many thousands of dollars a year. The mining industry increases the educational and criminal charges. The coal mining business is similar to the oil and gas business—it is taking away a natural resource of the State. Can any one tell how much natural gas or oil there will be in West Virginia in twenty years from now? When coal, oil and gas are found underneath the ground they are part of the natural wealth of the State. When taken out and shipped away they are gone forever. In addition to the other expenses which the coal business entails upon the State there is the expense of keeping up the National Guard to preserve law and order. Last year we had to pay a large amount of money on account of the Guard that were on duty in the New River coal field.

The Tax Commission, embracing in its membership a large coal producer, said that you could not in fairness tax the production of oil and gas if you did not likewise tax coal. They are all mineral products and when brought to the surface become personal property and leave the State. The Commission proposed taking off the thirty-five cents of direct tax now levied on the valuations of the coal industry. The one-third of a cent a ton privilege tax proposed upon the coal industry last year would have produced about \$80,000, and it is a fact that the coal industry costs the State of West Virginia a great deal more than that, indirectly; and, in inspectors, miners' hospitals and the National Guard, it directly cost the State last year fully that much of an outlay. The Tax Commission argues that the coal industry ought to pay that much tax and reimburse the State to that extent. The coal operators say no, because they allege they are afraid to trust the Legislature, for fear that the tax will be raised in time. Therefore they were not in favor of having the matter even considered.



*A SUGGESTION AS TO COAL.*

If they are not in favor of this tax, let me ask then, why should not the coal operators be taxed for the inspection of their mines the same as the banks, and thus maintain the bureau of mining and also maintain their hospitals? If we relieve them of the thirty-five cents on the hundred dollars tax, can't they do something to help carry the burdens they impose upon the State?

*SHOULD BE CONSIDERED.*

About ninety-five per cent. of the coal produced in this State is exported out of the State. If this proposed tax is paid by the consumer, then the people elsewhere, who use this coal, would be paying this tax. If this proposed tax were paid by the operator, consider that he is now paying a direct tax of thirty-five cents on the hundred dollars of valuation; and do you think that if the immense coal business of this State were assessed for taxation in proportion to the valuations of the farm lands and small property owners in Ohio County, they would not pay a tax that would amount to \$80,000 a year? My friends, it would amount to a great deal more. In my judgment, the proposed tax is actually less than that under our present system, if their properties were assessed in proportion to their actual value and were listed the same way that the farming property and the modest mechanic's home is in Ohio County. But you remember what I told you about those fifty-five varying yard sticks of measurements. As I understand the matter it is the kind of tax to which these gentlemen object. Now that is a question for the Legislature to consider. Because the coal men do not want this tax report considered is no reason why the Legislature should not consider it and see what they can do, and is no reason why they cannot grant you relief from direct taxation.

*"NEW AND UNTRIED SCHEME."*

Another objection is that what is proposed is a new and untried scheme. Only forty per cent. of our present revenues are derived from the direct tax. Sixty per cent. come from other sources. Now, which is the untried plan,—the sixty per cent. or the forty per cent? I wish the gentlemen who oppose license taxes would be consistent and logical enough to advocate the raising of all revenue by direct taxation and the abolition of the present license taxes. I deny that what is proposed is a new and untried scheme. I have shown you that it is right in line with what they are doing in New York and other States.

*"UNCONSTITUTIONAL."*

Another objection is that what is proposed is unconstitutional. If it is, then chapter 32 of the Code, imposing our present license taxes, must be wiped out. If you cannot tax the privilege of coal mining, then how can you consistently tax peddlers of sewing machines? I am not trained in the law, nor accustomed to splitting legal hairs, but I believe that what is proposed is constitutional and I have no fears but that it would be so

held. The very strenuousness of the opposition to any consideration of the Tax Commission's report is a clear refutation of the charge of these gentlemen that they believe that what is proposed is unconstitutional. In their opposition they do not act as they profess to believe. If unconstitutional, they could easily defeat it in the courts. The same objection was made to the Dawson Corporation law, from which we derive nearly one-fourth of our State revenues, when it went into effect in the spring of 1901. We were told that it was unconstitutional and able lawyers so contended and took the matter to the Supreme Court, but it was held to be clearly a constitutional method of taxation. The cry of unconstitutionality is a scare-crow. The matter may be tested in the courts, but the Tax Commission have provided for every possible contingency and for sufficient revenue to run the State while the new laws are being tested.

#### *LAND FORFEITURES.*

It is also objected that you cannot omit real estate from taxation for State purposes for five years without working a forfeiture of certain lands. This is such a manifest absurdity that I need only appeal to your common sense to answer it. Suppose that the Dawson Corporation law raised \$1,400,000 of revenue per annum instead of \$400,000. There would then be no necessity for the Legislature to levy a State tax. Certainly none would be levied. Would any court in this State take away a man's property because he paid no State taxes when none were imposed? Certainly not. The provision as to forfeiture is remedial. If a tax is levied and charged to the property and not paid for five years, then the remedy is applied, and not otherwise.

Suppose there is no State tax for five years, and therefore the title to a thousand acres of land or more should be forfeited to the State; the owner of the land can redeem the State's title upon the payment of all taxes chargeable upon the lands, with interest. It is to be presumed that the land owner has paid all his taxes except this non-existing State tax. Then, as Mr. Hubbard well says, he would be entitled to redeem his forfeited land upon the "payment of nothing with interest. If a man's land may be forfeited because he owes nothing, surely it may be redeemed upon the payment of nothing."

#### *ALL PROPERTY SHOULD BE TAXED.*

The objectors claim that all property should be taxed. It will be taxed in its local unit—the county—and more fairly than now. But it will not be taxed for State purposes if such a tax is not needed.

#### *TAX ON PRODUCTION.*

Another objection is that some of these taxes proposed are taxes upon production. Most taxes are upon production and productive energy. Certainly it is a tax upon production when the production is of a kind enjoying special privileges or imposing special burdens. No one contends that it is a tax upon production because it is production. If a license tax is unconstitutional these protestors stand for taking off the tax upon the liquor traffic. That is where they will logically end.

*CRIMINAL CHARGES.*

Another objection to the proposed plan of the Tax Commission is their recommendation that a portion of the criminal charges should be paid by the counties. Six coal counties drew out of the State Treasury in the past two years about \$113,000, or nearly one-half of the total amount expended. I do not care whether the county pays one-half or only one-tenth of these charges. I believe it ought to pay part of them. I believe that when the county court has to pass upon claims created by county officers, the charges are going to be more closely inspected and some of them cut off. The summoning of unnecessary witnesses in trials and the creation of unnecessary expenses will be largely reduced, if the county has a part of the burden to bear. As I said, it is immaterial to me whether the county pays a half or a tenth. As a proposed law I like it. The object sought to be accomplished is salutary and needed. The Legislature in its wisdom can modify it, if it chooses, or reject it; but, gentlemen, can it not at least consider it?

*TAX ON MANUFACTURED TOBACCO.*

A distinguished member of the Legislature, in a published interview, stated that he was opposed to "a tax on tobacco because that is a direct burden on the farmers in my locality." As there is no proposed tax on tobacco grown by farmers, one is at a loss to know whether the statement of the gentleman is based upon misinformation or not. A tax of ten dollars a year is proposed upon those who sell cigars, manufactured tobacco, cigarettes and cigarette paper at retail. This tobacco objection is as consistent as many others and fully as ridiculous. The exact language of the proposed act is, "to sell cigarettes, cigarette paper, cigars, snuff or other preparation of tobacco at retail."

*CONSTITUTIONAL CONVENTION.*

It is urged by some that the best way to settle this matter is by a constitutional convention. The gentlemen who urge this must know that this means a delay of from four to six years in affording the people any relief, with all the uncertainty and opposition of corporate interests to prevent the adoption of any plan which would compel them to assume a more just share of the burdens of the State government. A new constitution is desirable; but we need no constitutional amendments or new constitution in order to afford the people some immediate and substantial relief. Whenever the Legislature is willing to consider the question of affording the people relief from direct taxation, in a spirit of fairness to the people and all concerned, there will be ample resources found without working a hardship on any one interest.

*A SPECIAL SESSION USELESS.*

The most remarkable objection which we find in the manifesto is the conclusion of the syndicated gentlemen that a special session of the Legislature to consider tax reforms would be "USELESS." How do they know this, and why should it be true? I have asked who told them so. Do they mean to say that from personal knowledge they know that the

members of the Legislature of West Virginia could not and would not afford the people any relief, and that the present laws are so good that they would leave them as they are? I think it is an insult to the members of the Legislature to thus boldly state that a special session of the Legislature, called to consider the question of taxation, would be "useless."

#### *SHOULD DO SOMETHING.*

The only time I raised my voice at Charleston on this subject, during the session of the last Legislature, was when upon invitation I went before the Senate Finance Committee, which was considering resolutions to throw the consideration of the Tax Commission report out of the Legislature. I did ask that Committee if they could not do something for the relief of the people. I asked them to postpone action twenty-four hours and let me send for a representative of the Tax Commission who could present their report intelligently to them and answer the objections of the able attorneys in opposition. I did not get any extension. I asked that a member of the Tax Commission, appointed by authority of the Legislature of West Virginia, might be heard upon a report prepared by it, but it went without a hearing. Then I also said, "Gentlemen, you can reduce the tax rate ten cents at least. Will you not do something? Will you not do this much?" Nothing was done.

#### *CONSIDERATION REFUSED.*

All I have stood for was a fair consideration of these matters at a time when the Legislature would give them consideration, and then for the matter to be taken up and settled in the interests of the people fairly, and to corporations fairly. In my judgment you cannot stop a movement of reform by suppression. I say it was a great mistake, in the interest of the corporations themselves—this unfair effort to stifle a hearing by the evil process of suppression.

My fellow citizens, the Tax Commission made its report; made it by the authority of a Legislature that practically unanimously created it, and unanimously asked them to provide for the necessary revenues with the least possible burden upon the property and people of the State. It is claimed that the report was made so late, and the bills to carry it into effect followed so closely upon the opening of the Legislature, that proper consideration could not be given the matter during the session of the Legislature. Some thought, and I was one of them, that it was the duty of the Legislature to consider the matter; to take it up and discuss it and see if they could agree, and, if they wished more time to consider it, then to do so at an adjourned session or a special session. How was the report received? It was received properly in one wing of the Capitol and in the other wing consideration refused absolutely.

#### *IN CONCLUSION.*

Now, my friends, I have taken more time than I should, owing to the many phases of the subject discussed. Suppression is not the American policy. You have a right to demand of your senators and delegates in the

Legislature that they give you fair play and decent treatment. Now that is not communistic nor anarchistic. They owe it to you. Misrepresentation and abuse of the men who stand fairly for tax reform in this State are no arguments on the question. The issue must stand upon its merits. If we stand for that which is right, consider it. Consider it upon its merits.

I insist upon fair treatment of all corporate interests in this State; not to distress them, and least of all to destroy them, nor to keep capital out of the State. I have told you what they are doing in other States. It is all the same story. We are not asking as much of the railroads as they have to pay in other States. We are asking nothing unfair or that will cripple our State. I protest that West Virginia is not an undeveloped State. West Virginia is a greater State today, in many respects, than the State of Ohio. She produces more coal, oil, gas, coke, and manufactures more glass, and produces more lumber than the State of Ohio. We are not a new State; we are not beggars; neither ought we to be in such a condition that we cannot require corporations to contribute their fair share of the State burdens.

In conclusion, permit me to say again that we do not need one cent of direct tax in order to raise the necessary revenues to run the government of the State of West Virginia, and every cent of direct State tax is unnecessary and therefore unjust to the people of West Virginia.

## APPENDIX.

The following paragraphs are from Governor White's message to the Legislature of 1903, and cover his entire discussion of the Tax Commission's report, as well as his own suggestions in regard thereto and a proposed gross income tax on certain public service corporations:

### *THE TAX COMMISSION CREATED.*

It being necessary to obtain more revenue for State purposes, and desirable to amend the laws concerning the subjects, rate, assessment, collection and disbursements of taxes in itself, as well as incidental to the principal object of increasing the State revenues, led the last Legislature, after consideration, to adopt a joint resolution authorizing the Governor to appoint a Commission to draft measures to secure these objects, as well as some others expressed in the resolution. This Commission was directed to prepare their report in time for consideration by this Legislature. Accordingly the following gentlemen were named by me as members of the West Virginia Tax Commission: Hon. William P. Hubbard, of Wheeling; Hon. Henry G. Davis, of Elkins; Hon. L. J. Williams, of Lewisburg; Hon. John H. Holt of Huntington, and Hon. John K. Thompson, of Raymond City. This Commission promptly organized by electing Hon. W. P. Hubbard, President, and Judge Alfred Phillips, Secretary, and entered upon a thorough investigation of the subjects entrusted to them for consideration. They held meetings at various points in the State, and also attended the meeting of the National Civic Federation held at Buffalo.

Their preliminary report was made in November, 1901, and was promptly published. It presents a number of carefully prepared tables of statistics, as well as a tentative discussion of the various measures proposed and discussed at their public meetings held at Charleston, at White Sulphur Springs, at Parkersburg, at Wheeling, and again at Charleston.

### *FINAL REPORT OF TAX COMMISSION.*

The final report and recommendations of the Commission were made October 20th, 1902, and were immediately published and have been given wide distribution. I deem it fortunate that I was able to enlist in this work men of such distinguished ability and wide experience in public affairs, whose judgment all recognize as pre-eminently sound and whose conclusions appeal with great force to all who have given the subject of taxation under our State constitutional limitations any study. It has been apparent for some time that the changed conditions in modern business and the development of corporate enterprises have rendered new methods of taxation necessary. A number of the States have done away with the State tax on land and personal property, or upon lands; or have greatly reduced their former levy for State purposes on lands and personal property, and are aiming to raise the necessary revenues for State purposes from licenses and other indirect taxes, releasing the landed and personal property of the State for the purposes exclusively of local taxation.

With many others, I have been of the opinion that West Virginia could raise all needed revenues without levying a tax for State purposes upon real and personal property. New Jersey has had no State tax for many years. Pennsylvania has no State tax upon her lands. The State of New York has reduced her State taxes many millions of dollars recently, and will probably abolish them altogether. The State of Ohio just last year reduced its State taxes from twenty-eight cents on the one hundred dollars to thirteen and one-half cents. In West Virginia we have levied a State tax for general and school purposes of thirty-five cents on the one hundred dollars, ten cents being for the general school fund and twenty-five cents for general purposes. Our revenues from the levy of the State and school tax of thirty-five cents the last fiscal year were about \$800,000. The problem to be considered is whether methods can be devised by which this amount of revenue can be otherwise provided and the landed and personal property be released from a direct State tax. It is very evident to my mind that, if it were not for certain constitutional limitations, this problem could have been very easily solved.

*TO ABOLISH DIRECT STATE TAXES.*

The report of the State Tax Commission discusses all these matters with such thoroughness and detail that it is unnecessary for me to attempt to enumerate the arguments adduced showing why they recommend such a method of taxation, other than to say that the releasing of the lands and personal property from State taxation and reserving them for purposes of local taxation only, would for one thing remove the great inequality that now exists between the valuations of real estate and personal property in one section of the State as compared with similar valuations in other sections. By making the county the unit of assessment for lands and personal property, whatever inequalities exist in the execution of our assessment laws would be limited to the county, and more easily adjusted. Local taxation would be high or low, according as the administration of local affairs was efficient and economical, and, also, according to the high or low valuation of property fixed by the local assessors. Thus each county could control more efficiently the valuations of lands and personalty for purposes of taxation.

I COMMEND the report and the conclusions reached by the Tax Commission to the favorable CONSIDERATION of the Legislature. Bills have been prepared to carry into execution their recommendations. It is respectfully suggested that their report and recommendations be CONSIDERED AS A WHOLE BY SPECIAL COMMITTEES, if thought best, appointed for this purpose. It will be a great boon to our taxpayers to be relieved of the State tax of thirty-five cents. About the desirability of doing this, I think, we will all agree. It can be done; and, in my judgment, it ought to be done. It is not a partisan question, and I congratulate you that you meet at a time when there are no disturbing or outside questions to divert your attention from the real interests of the State and the careful CONSIDERATION of the taxation question. It is my confident hope and belief that the conclusions and recommendations reached by the Tax Commission, as a whole, will so commend themselves to your judgment as to result in the adoption of MOST, if not all, of their recommendations.

*TAXING GROSS INCOMES.*

At the time the Tax Commission were considering the problems committed to them, the pending constitutional amendments had not been ratified. One of these amendments makes such changes in our organic law as to admit of a tax being laid upon the gross incomes of corporations, without the proceeds of such taxation going into the Irreducible School Fund. By this amendment the amount of the Irreducible School Fund is limited to \$1,000,000; and any excess of that amount goes into the General School Fund. I call your attention in this connection to the advisability of levying a tax similar to that levied by the Cole law recently adopted by the Legislature of Ohio, upon the gross incomes of quasi-public corporations. Doubtless the Tax Commission would have considered this matter in their report had the Constitution admitted of their so doing at the time they were preparing their recommendations. In discussing the taxation of oil and gas, the Tax Commission, on page forty-four of their final report, say: "Other methods have been suggested. One which would commend itself to the Commission would be a tax upon the gross receipts of corporations engaged in the kinds of business here referred to, but under the State constitution such taxes must be paid into the permanent or invested school fund, so that they would not serve the present purpose of the Commission, which is to devise laws which will produce additional revenues for the current expenses of the State and the present annual contribution of the State to the support of schools."

The Cole law in Ohio levies an excise tax of one per centum per annum upon the gross incomes of corporations which are engaged in public service. It is a tax upon the electric light, gas, natural gas, pipe line, water works, street, suburban or interurban railroad, express, telegraph, telephone, messenger or signal, union depot, and railroad companies. This tax in Ohio is in addition to their franchise license tax, and their State tax on the real estate, etc., owned by these corporations. It is interesting in this connection to note what this tax produced in revenue in Ohio for the fiscal year ending November 15th, 1902. It went into effect April 15th, 1902, and during the fiscal year ending November 15th, it produced the magnificent sum of \$1,432,097.92, as follows:

*OHIO EXCISE TAX, 1902.*

Electric light .....	\$ 24,910 28
Artificial gas .....	55,751 65
Natural gas .....	48,678 59
Water works .....	5,412 98
Steeping car .....	4,920 00
Pipe line .....	61,442 79
Messenger and signal .....	2,169 97
Express .....	12,339 65
Street railways .....	155,545 01
Railroads .....	1,010,885 80
Freight line .....	6,361 10
Telephone .....	40,384 58
Telegraph .....	3,295 52
Grand total .....	\$1,432,097 92

*SUCH TAX RECOMMENDED.*

Our present tax laws and the laws recommended by the Tax Commission levy excise taxes on a number of the companies enumerated in this Ohio law. It is not necessary to levy this tax on all the corporations covered by the Ohio law, but I recommend that such a tax be levied upon street car lines, railroad companies, etc., which are not reached under the excise taxes of existing laws or laws recommended by the Tax Commission. I make this recommendation in regard to street and steam railroads, especially, in view of the fact that they would be relieved by a repeal of the State tax of thirty-five cents on the one hundred dollars of all direct State taxation, and that they enjoy special privileges in doing public service business, which make them proper subjects for this excise taxation. This tax upon the gross incomes would be in lieu of all direct State taxes. A tax of one per centum upon the gross incomes of these corporations would add a large amount to the available school funds of our State, thus doing a great and necessary work, and release other subjects of taxation for general purposes, if deemed advisable.

*WHAT IT WOULD DO.*

It would enable the Legislature, if it desired, to increase the amount contemplated to be raised from the scheme proposed by the Tax Commission for general school purposes to a considerable extent. If the Legislature should act upon this suggestion, I would advise that the General School Fund get nearly all the revenue intended to be given it under the scheme prepared by the Tax Commission, which is approximately two-sevenths of the amount of the license, privilege and franchise taxes, as ten cents is two-sevenths of the thirty-five cents now levied. To illustrate my idea, if the tax from gross incomes of public service corporations should amount to \$150,000 a year, it would give the General School Fund \$150,000 of added revenue.

A careful study of the estimated revenues to be had from the proposed plan of taxation of the Tax Commission, as given on page forty-six of their final report, and of the estimated expenditures as given by them, convinces me that the Commission did not make enough allowances in the estimated expenses for building and other expenditures of recent growth. This makes the proposed tax on gross incomes of the public service corporations named, in my judgment, a necessary tax. It is also a just tax. In case such an excise tax is approved, I would recommend that section sixty of the proposed bill, Draft B six, of the Tax Commission, be amended so as to leave all of the revenue to be derived from the present license tax on charters of corporations for the general purposes of the State.

*OUR DUTY TO THE PUBLIC SCHOOLS.*

It is very desirable that the State should do more for our primary common schools than it is now doing. In a number of districts, though the maximum local taxation is had, and they have their share of the Distributable School Fund, the terms of the school year are less by one to two months than the minimum of five months prescribed by law. We are proud of our higher educational institutions, and we are spending hundreds of thousands of dollars annually upon our university, normal and preparatory schools, and institutes, but we are not doing our duty by the children of the State, and will not do it until the minimum school year has been raised to seven or eight months. We have been neglecting the foundation of the school system, and looking too much at the superstructure. If an excise tax of one per centum is laid upon the gross incomes of public service corporations, it would be in the power of the Legislature to raise the minimum school year to at least six months, which would be a step in the right direction, and one earnestly to be wished. The public school system needs the money for the people's schools. These public service corporations cannot reasonably object to the imposition of this excise tax upon their incomes, if they are relieved of the present tax of thirty-five cents on the one hundred dollars of valuation; and *now* is the time to levy this tax if the Legislature decides to abolish the State tax of thirty-five cents.

*LICENSE TAX ON COAL MINING.*

Special attention is called to a recommendation or two of the State Tax Commission. It will be seen that they recommend the levying of a license tax on the mining of coal. This tax should be small and fixed for a long term of years. The State Tax Commission give five uncontrovertible reasons why a tax of one-third of a cent per ton is a just tax to levy upon the right to mine coal for sale. In addition to that there is a sixth reason, viz.: the repeal of the State tax of thirty-five cents on the one hundred dollars of valuation of the coal producer's property. I am speaking now, of course, upon the assumption that the State tax of thirty-five cents is to be abolished, and that the recommendations of the Tax Commission as to raising the necessary revenues by license taxes are to be adopted. It would certainly be very ungracious in the coal operators of certain sections of this State, who recently appealed so earnestly for protection and military aid in the preservation of order, to ignore the fact that they do make special claims upon the State at times; that the miners' hospitals and the inspection of their mines are benefits not confined alone to the miners or workmen, but are of great benefit and a saving of money and frequently of property to the owners of the mines themselves; that the mining industry largely increases the burdens of the State for criminal charges and education.



A license tax on the production of oil and gas, such as is recommended by the State Tax Commission, is so reasonable in view of the fact that this business has so largely escaped taxation hitherto, that, I take it, it will not be necessary in this connection to argue at length in favor of such a license tax in case the State taxes are abolished.

*TO CONSIDER TAX PLAN AS A WHOLE.*

Allow me to emphasize the point made by the Tax Commission on page two of their final report by reproducing what they say:

"What is proposed by the Commission with respect to taxation should be considered as a whole. The bills submitted will show more accurately than this report the exact nature of that proposition. Some of those bills have merit as independent measures; for instance, those providing for the reduction of criminal charges, the change in the method of transporting convicts to the penitentiary, the office of tax commissioner, uniform methods in accounting; but even these will fall far short of their possible usefulness if they should be enacted without those measures which taken together look to the abolition of the State tax and the State school tax upon property; to providing other revenues instead of those taxes; to the annual assessment of real estate for county and municipal purposes; to doing away with unnecessary municipal assessments and collections.

"It is but fair then that those who may deem themselves affected by the proposed changes in the tax laws, as well as the members of the Legislature who are to pass upon them and determine their merits, should consider all parts of this proposition, and not merely those parts which may seem to bear particularly upon some one department of industry or some one branch of the public service. An apparent hardship at one place may find ample relief by reason of other provisions, and for some seeming loss there may be full compensation elsewhere. Of course, criticism of a given suggestion may be expected from those whose business it may be supposed to affect adversely, and such criticism will not be the less competent, and possibly not the less just, because it may have a selfish origin. Those who may feel called upon to criticize will remember, however, that no demonstration by them will be complete which does not prove that the system outlined by the Commission will as a whole be obnoxious to some constitutional prohibition or be no improvement over the present, or impose an unjust burden on some business or class without any compensating relief. Such persons will remember, too, that aside from any selfish coloring, their information and ideas will naturally be modified by their training in the particular business which gives rise to their interest in these questions, and they will consider that other modes of thought, a broader view, may disclose some merit which may not appear at first. Those, too, who have in charge the educational interests of the State, or its executive offices, or any other particular department of the public service, while they find their immediate duty in asserting the claims of their several charges, will recognize their larger obligation to the general interest of the whole State."

*REVENUES MUST BE PROVIDED.*

It is earnestly hoped that there will be no radical changes made in the Tax Commission's plan which will affect the production of revenue. The growth in the number of our State institutions and the demands upon the State in all departments are such that we must look to having ample revenues, and these revenues must be expansive and grow with the growth of the State. The Commission have shown very clearly that their recommendations will not be injurious to the several counties, and nearly every question that can be raised in regard to their report and recommendations is thoroughly discussed. Certain recommendations which they make as to administration of institutions, limiting the levies for building funds, etc., have to do with correcting abuses in present laws. I especially commend their recommendation as to a State Tax Commissioner. Such an officer is necessary.

The paragraph in regard to the taxation of car lines and pipe lines on page forty-four of the final report, to which reference has previously been made, owing to the adoption of the Fourth Constitutional amendment, is in harmony with my suggestion as to the taxing of the gross incomes of corporations. The funds derived from an excise tax upon gross incomes would now go to the General School Fund, and would thus enable a larger amount of other taxes to be used for general State purposes, if the Legislature so desired.

The recommendations of the Commission in regard to the disbursement of taxes are highly important, and it is very necessary to bear in mind that the report needs to be taken as a whole if we are to make both ends meet in raising and disbursing the revenues under the system proposed by the Tax Commission.

*A CONSTITUTIONAL CONVENTION.*

The concluding recommendation of the Tax Commission is favorable to a Constitutional Convention. Let me quote their first paragraph on this subject, found on page sixty-four of the final report:

"In conclusion, let it be added that it is the deliberate judgment of this Commission that there can never be established in the State of West Virginia a fair and effective system of taxation under its present Constitution. Even the limited changes that have been suggested in this report cannot be given full effect because of that

instrument; and at the best, if adopted, could only relieve the pressure at prominent points until such times as the removal of constitutional inhibitions would give the enlightened legislator a freer rein."

What is said above is brought home daily to the administrative officers of the State. Our present State Constitution, as I have before publicly remarked, creaks in nearly every joint. We cannot have an efficient and ideal tax system under our present Constitution with its limitations. I have already twice called attention to one feature of this matter in my comments upon the recommendations of the Insurance Department, as to the present method of taxing insurance companies, and in my recommendation for a tax upon the gross incomes of public service corporations. The present Constitution should be amended in many particulars, if the problems discussed by the Tax Commission are to be effectually met and solved. We cannot have an efficient secret ballot law under our present Constitution.

As to this, I speak as a layman and not a lawyer; and while I naturally shrink from incurring unnecessary expenses, I think that the expense of such a convention could readily be met by the increased efficiency that would be possible in our levying of taxes. If a Constitutional Convention is ever to be held it should be held in the near future. It is not a partisan question, nor one to be lightly disposed of on the objection of cost. Everything that is worth having, and every advance in the development of a State, costs. The bill drafted by the Commission provides that the general election of calling a convention to frame a new Constitution be submitted at the general election in 1904, and, if a convention be so called, the members thereof be elected at the general election in 1906. Thus there will be no special elections and no expense in ascertaining the will of the people. I recommend the adoption of the bill reported by the Commission.

#### *MORE AMENDMENTS NOW NEEDED.*

If we are not to have a Constitutional Convention, we should have four or five additional amendments to the Constitution at once, and these amendments suggest other amendments, and it will require unlimited patching to get at best a worn-out garment with incongruous and ill-fitting patches sewed in, in the attempt to hold it together a while longer. The fact that this Commission unanimously recommends a Constitutional Convention is significant. No better judges of the real necessity for a Constitutional Convention, or none more representative of the legal, business, farming, mining and producing interests of the State, could be found than the members composing the Commission.

#### *THANKS TO THE COMMISSION.*

I wish to take this public method of thanking the gentlemen who accepted service on the Commission for their patriotic, painstaking and thorough work. It was a work covering the better part of two years, and was largely a labor of love, in the interests and for the benefit of the State. There was no personal or adequate compensation to any of them for their services, but being drafted for public duty, they "quitted themselves like men." It is a proud heritage for any State to possess such citizenship.

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