

NEW INCOME TAX PLAN EXPLAINED BY THE GOVERNOR

Chief Executive Tells of Its Provisions over KGW in Portland, Ore., Last Night.

In an address delivered over the Oregonian radio station, KGW, last night, Governor I. L. Patterson explained his new income tax which will be presented to the people of Oregon at a special election June 28.

The full text of his address follows: "It has been my intention, since the close of the thirty-fourth legislative assembly, to review, to some extent, the activities of the session with reference to revenue measures; however, the pressure of duties attendant upon establishing a new administration has prevented me from carrying out my plan until this late date.

"At this time I am particularly anxious to speak of the two tax measures which are on the ballot to be voted up at the special election on June 28—the income tax measure and the constitutional amendment providing for the change in the tax base upon which the state tax commission determines its levy each succeeding year, to computing a six per cent increase where a six per cent increase is necessary.

"In 1922 the state tax commission was levying, directly against property, taxes which produced revenue in the sum of \$3,500,000. This was the general property tax, exclusive of millage taxes, which had been voted directly by the people and have been regarded as not being within the six per cent limitation provision of the constitution. You will note that the constitution reads as follows: 'Unless specifically authorized by a majority of the legal voters voting upon the question, neither the state nor any county, municipality, district, or body to which the power to levy a tax shall have been delegated, shall in any year, so exercise that power as to raise a greater amount of revenue for purposes other than the payment of bonded indebtedness or interest thereon, plus six per centum thereof.

"The legislative session of 1925, as you know, enacted an income tax measure which was sustained by vote of the people. It was enacted for the purpose of reducing the direct tax against property. The revenue from the operation of this income tax resulted in a very much lower general property tax for the year 1924. In 1925, after the repeal of the income tax, the state tax commission failed to restore the former general property tax base, even though there was no tax against incomes to make up the deficiency. In fact, the general property tax for 1925, in the sum of \$1,900,000, did not represent, by some fifty thousand dollars, the constitutional increase of six per cent over the general property tax during 1924, when revenues were available from the operation of the income tax.

"As a result of this reduction in the tax base, the state tax commission, in December, 1926, found itself able to levy for the expenses of the year 1927, only \$2,100,000, or \$1,400,000 less than was levied in 1922. In the face of the cost of actual operating expenses of around \$300,000 more than could be provided by the tax levying body, you will agree that we can not reasonably expect the activities of the state to function properly in the year 1927 on less, by \$1,400,000 than was required in the year 1922.

"If you heard or read the special message to the legislature on the subjects of taxation and finance, which I delivered on February 2, you will remember that I reviewed the financial condition of the state and arrived at the conclusion that necessary state activities required, including this deficiency in actual operating expenses, about \$2,000,000 more than could, under the existing law, be provided for by levy made by the state tax commission. State revenues from sources other than direct taxes have been considered in arriving at the deficit with which the state was confronted on January first of this year.

"Having in mind that the state required \$2,000,000 more than could be raised without vote of the people, I suggested to the legislature the income tax and the titling bill, hoping that the income tax would produce about \$2,000,000 and the titling bill something less than \$1,000,000. The income tax was passed. The titling bill was defeated by the legislature. Appropriations were made aggregating approximately \$4,000,000 in excess of available state revenue, of which appropriations I vetoed bills providing for \$1,500,000, leaving a deficit of over \$2,000,000 for the current biennium.

"Section 44 of the income tax measure provides that the revenues derived from the income tax law, up to and including \$2,000,000 may be used to meet the larger portion of this deficiency in state revenues. While the section mentioned provides that the state tax

commission may levy, for the year 1928, \$2,000,000 in excess of the amount levied for the year 1927, it will not be so levied unless the income tax measure is passed by vote of the people, and if it is so passed, I apprehend that the income tax revenues will approximate the \$2,000,000 additional tax levy necessary to avoid a deficit for this biennium.

"Tells of Necessity "In order that we may not again face such a deficiency in this state and have to call upon the people to authorize an increased levy, such as will be authorized if the income tax measure is endorsed, a constitutional amendment raising the tax base to \$3,500,000 after 1928 has been prepared for your approval at the special election on June 28. This amendment will serve to restore the tax base to approximately what it was before it was cut down in 1922, when the previous income tax measure was in effect. I wish to assure you that while I am a member of the state tax commission, it will be my endeavor not to levy for more than is absolutely necessary to meet the actual requirements of the state, and I promise you that if a levy of less than \$3,500,000 will suffice for the actual needs of the state, the tax levy for such years will be reduced.

"By the way, this proposed constitutional amendment will clear up the question of which state tax levies actually come within the six per cent limitation of the constitution and which do not. A reading of the constitutional amendment will disclose to you that the millage taxes voted by the people are not within the six per cent limitation, and those levies made directly by the state tax commission will be within the six per cent limitation.

You will also note from reading the income tax bill, as well as the constitutional amendment, that the income tax, after the first year of its operation, will come within the six per cent limitation and will be used to reduce the general property tax.

"As to the income tax—in the past the income tax measures which have been placed on the ballot in Oregon have met opposition because they aroused an element of antagonism of one class of property owner against another. Their opponents saw in them a desire to place the burden of taxation on one class of property owner only. I do not favor imposing upon the incomes of Oregon a tax greater than that actually required for a proper reduction of general property taxes. I do not wish to be a party to the introduction of a tax measure which will impose an unfair burden upon any business or upon any individual, and would oppose any income tax which would not produce a lower general property tax. The income tax must be regarded as a measure for removing the present state deficit and for equalizing the present tax burden; not as a means for raising more money to spend. It must not be considered a measure to permit extravagance in the administration of the state's business, and the unwarranted advance of governmental expenditures.

"The income tax, as proposed by the measure which you will find on the ballot, will not impose an unjust burden upon any person within the state. It has for its purpose the taxing of incomes derived from Oregon business, and also the incomes from intangible property held by Oregon residents. The rates are low and the exemptions are low, so that while they may reach men and women of small income they do not place an unreasonable burden on either those of small incomes or those who enjoy larger incomes. Much is being said by those who oppose any income tax about the unfair burden that will fall on the man or woman of small income. This has no foundation in fact, as an examination of the measure will show.

"Exemptions. "Under the proposed law, exemptions are provided in the sum of \$1000 for unmarried persons and \$2000 for married persons or heads of families. An exemption of \$400 is allowed for each dependent. "The rates of tax on net incomes are one per centum on the first thousand dollars; two per centum on the second, third, fourth and fifth thousands, and three per centum on incomes in excess of five thousand dollars.

"For example, a single man or woman who has an income of \$1000 per year will pay no tax. On an income of \$1500 per year, the tax would be one per centum of \$500, or \$5. On an income of \$2000 per year, the tax would be one per centum of \$1000 or \$10. On an income of \$3000 per year, the tax would be figured as follows: net income, after deducting exemption, \$2000; tax, on the first \$1000 at one per centum, \$10; tax on the second \$1000 at two per centum, \$20—total tax \$30. For a single person earning one hundred dollars per month the maximum amount of tax to be paid would be \$2. With deductions other than the exemption, the amount paid would usually be less.

"Married persons or heads of families have an exemption of \$2000; thus on an income of \$2900, no tax will be paid. Married persons with one child will pay no tax on an income of \$2400; with two children no tax will be paid on an income of \$2800; and with three children no tax will be paid on an income of \$3200. A married couple with two children and an income of \$3000 per year—perhaps better than the average family earning power throughout the state, would pay an income tax of only two dollars per year; this being one per centum of \$200, or the difference between their income of three thousand dollars and their exemptions of \$2800. With other deductions and exemptions, this amount would, in practically all cases be less, and in no case higher.

"Exemptions provided by the law

Indiana's Prettiest Blond-Brunet



Here are two interesting testimonials—one blond, one brunette—the beauty that blooms in the state the Wabash river helped make famous. They are Miss Helen Service (left) of Greenfield, Ind., and Miss Frances Louise Murphy of Logansport. They were chosen as two of Indiana University's prettiest co-eds.

other than for dependents, are fair and equitable. Deductions may be made from the gross income in order to ascertain the taxable net income, as follows: (a) Expenses for doing business, including a fair compensation for personal services. (b) Interest on indebtedness. (c) Taxes accrued or paid within the income year except inheritance taxes or income taxes under this enactment. (d-e) Losses sustained in trade or business. (f) Loss by fire or other casualty not compensated for by insurance. (g) Bad debts. (h) Reasonable depreciation and obsolescence. (i) Contributions to religious, charitable, scientific or educational organizations, up to 15 per cent of the net income. (j) Dividends from stock in corporations.

"Exemptions permitted under the proposed law include: (a) Proceeds of life insurance policies. (b) Value of property acquired by gift or bequest. (c) Interest on Liberty bonds or other national or federal obligations. (d) Salaries and wages of federal employees. (e) Income from the operation of the workmen's compensation act. (f) Income from health or accident insurance policies. "A very simple blank will be provided, and no person need fear legal charges for filing income tax returns. "On large incomes the rate of tax is not so heavy as to be burdensome, because the tax is against net income, and will, with income tax payers of large amounts, as well as those of lower incomes,

anxious to bear their just share of the burdens of government. There is no one who does not receive direct benefits from governmental functions and governmental activities. I believe there are few, if any, who will not be proud to know that they are actually bearing a share of the cost of the government under whose protection they live and whose benefits they enjoy. "I earnestly urge your careful examination of these two measures for stabilizing the finances of Oregon which will be submitted for your approval on June 28, because I believe that if adequate and accurate information concerning their character and purpose is in the hands of the people who are to pass on them, they will be sustained."

KOKOMO LOFTY TOWN KOKOMO, Colo.—Kokomo, the highest incorporated town in Colorado, is 10,618 feet, nearly two miles, above sea level, in the Rocky Mountains.

have a reflection in lower taxes on general property. "I have always held to the theory that a very large majority of the people in the state will pass intelligently upon any governmental matter, when all the facts are fairly understood by the public. I believe, also, that a very large majority of the people are not only willing, but

Advertisement for Mazola Salad Dressing. Includes a picture of the product and a coupon for a recipe. Text: 'Ever Taste Anything Better Than These Deep Fried Tomatoes? Besides being a treat that you and every member of the family will enjoy, these Fried Tomatoes will demonstrate to you what a remarkable fat Mazola is for deep frying. Being a pure vegetable oil—pressed from the hearts of golden corn kernels—Mazola fries foods so that, when ready to serve, they are greaseless and easily digested. And after frying, merely strain the Mazola, using it over and over again—as it never carries odors or flavors from one food to another. This recipe is from Ida Bailey Allen's New Book—see coupon below. Fried Tomatoes: 4 medium sized tomatoes, 1 egg, Fine dry bread crumbs, 1/4 cup milk, Mazola. Wash and dry the tomatoes and slice crosswise to make three thick pieces. Dust with salt, pepper and a little sugar and roll in fine dry crumbs. Beat the egg, add the milk, dip the slices in this, dip again in crumbs and fry in deep Mazola, hot enough to brown a bit of bread in one minute, 375 degrees F. Drain the tomatoes on crumpled paper and serve plain, or on toast with white sauce.

pass on them, they will be sustained."

Large advertisement for suits and shoes. Features the headline 'WE'RE READY! WITH FASHION'S NEWEST CREATIONS FOR EASTER SUITS'. Includes illustrations of men in suits and shoes, and text for 'BOSTONIANS Shoes for Men' and 'YOU'LL WANT NEW HEADGEAR, TOO! HATS NEW FELTS HATS'. Prices range from \$33 to \$50 for suits and \$7.50 to \$8.00 for shoes. The store is identified as 'Westenhaver & Gilbert The Store For Men'.