

TAXATION OF CORPORATIONS

BUREAU OF CORPORATIONS MAKES NOTABLE REPORT

Presents a Digest of the Corporation Laws Enforced in the Various New England States — Corporation Tax Yields One Half of the State Expenses in Maine — Results in Other States.

The Bureau of Corporations, of which Herbert Knox Smith is commissioner, has issued its first report on the methods of corporation taxation practiced by the various states. The following is devoted to the New England states.

Maine

Approximately one-half of the expenses of the Maine state government which amount to over two and a half million dollars annually, are met by special taxation of corporations.

The taxation of railroads in Maine, including street railways, is based upon gross receipts. This law has been sustained by the supreme court of the United States as not being a tax upon receipts, in which case it would be a tax upon interstate commerce, and therefore unconstitutional. It was held that receipts were merely used as a measure of the corporation's ability to pay taxes. This law is known as the Maine system of taxing railroads. Several states have used it as a model. From it Maine realizes over \$600,000 annually. Following this law, Maine now taxes her telephone, telegraph, express, and parlor car companies on the basis of income.

The Maine corporation laws favor incorporation by persons and business in no way connected with Maine. From the several thousand corporations taking advantage of the Maine laws in this way Maine receives in taxes and fees from interest wholly beyond her borders over a quarter of a million dollars annually. The basis of this taxation is the same as in other states such as New Jersey, Delaware, and West Virginia, namely, the par value of the capital stock, irrespective of whether any portion of it is employed within Maine. Maine is the only New England state resorting to this method for the purpose of revenue.

The item of taxes from corporations next in importance is the state tax on deposits and assets of savings banks, producing nearly half a million dollars a year.

The Maine tax commission of 1908 has recently sent in its report to the legislature.

New Hampshire.

The total amount of revenue in New Hampshire for state purposes is a little over a million dollars a year; from the special taxation of corporations there is derived for state purposes a little over one-fourth of this amount.

Through a construction placed upon the New Hampshire constitution, all attempts in New Hampshire to tax corporations upon any other basis than property have been abandoned. There is however, a central state board which administers the taxation of railroad, street-railway, express, telegraph, and telephone companies. This

centralized administration of the law as to these corporations constitutes the chief difference between the taxation of corporations and individuals in New Hampshire.

A large portion of the revenue thus collected by the state is distributed to the towns where the property of the corporation is located or where its securities are held. Under this arrangement the allotment to the town by the state frequently exceeds the town's share of the state expenses, with the unusual result that the local authorities collect and pay to the state hundreds of thousands of dollars under the general property tax, while the state collects and turns over to the towns hundreds of thousands of dollars collected from corporations, but also based upon property.

The two largest items collected by the state from corporations are from railroads and savings banks, and amount approximately to a half-million dollars each.

A large part of the railroad tax and practically all of the bank tax is distributed to the towns by the state.

The New Hampshire tax commission of 1908 has recently sent in its report to the legislature.

Vermont.

All of the expenses of the state government in Vermont, approximately a million and a half a year, are met by the special taxation of corporations and by other special taxes collected by the state. The corporations are paying approximately 56 per cent of the total state expenses.

The chief feature of corporate taxation in Vermont is the policy of providing in detail for important corporations two methods of taxation, and permitting the corporation to elect to be taxed under either provision. The two systems have different bases, one being property and the other receipts. The purpose of this alternative is to avoid raising a constitutional question as to the taxation by the state of receipts from interstate business. The tax on receipts is made attractive by making it lower, and a large number of corporations elect to pay on this basis, and are thus precluded from raising the constitutional question.

Another feature of the Vermont system worthy of special note is the tax based upon par value of capital stock and applied to all corporations in the state, domestic and foreign, irrespective of whether all the capital stock is employed in Vermont. This provision extends also to all unincorporated associations doing business in the state, whether they have capital stock or not. If a concern has no capital stock, the tax is based upon the "deposits;" in other words, the assets. While the rate of this tax is low, the scope of its application—namely, to all corporations or associations, domestic or foreign, doing business in Vermont—is as wide as any single provision of corporate taxation known.

The important items of revenue, as is usually the case in New England, come from savings banks and railroads.

The report of the Vermont tax commission of 1908 was recently submitted to the legislature.

Massachusetts.

The total expense of the Massachusetts state government in 1907 was approximately \$13,500,000. The receipts from the special taxation of corporations in Massachusetts paid about one-third of this sum.

Massachusetts is the only New England state which adopted a theory of corporate taxation at an early date and has consistently adhered to it. The corporation is taxed upon its real estate and tangible property in the locality where the property is situated. Just as property is taxed to individuals, and then the state tax commissioner estimates the value of the capital stock of the corporation, deducts therefrom the amount of property taxed by the localities, and taxes the corporation upon the residue, called the "corporate excess." This principle extends broadly to all Massachusetts corporations—financial, public-service, and general business. The entire system of corporate taxation in Massachusetts is characterized by uniformity of theory, careful classification of different businesses, and expertness of administration.

A feature of the Massachusetts system worthy of special note is that the tax for state and local purposes upon corporate excess is extended to what is known as "business corporations" (manufacturing and mercantile). From this class of corporation alone there is received over \$2,000,000 of revenue. When it is considered that this large sum comes from the taxation of the tangible value of a class of corporations which goes practically untaxed under the systems of other states some idea of the significance of the Massachusetts system is realized.

Opinions may differ as to the application in some cases of the corporate excess system, but there is no doubt of its effectiveness. Not the least of its strength lies in the possibility of applying to all classes of corporations. Referring to the revenue received from the corporate-excess tax on that class of corporation which always contributes a large item (public-service companies), the commission of 1907 says that practically all recent legislation in other states has included an approximation toward the standard of Massachusetts, adding:

"The public-service corporations of Massachusetts now contribute more nearly their fair share to the public revenue than do the public-service corporations of other states."

Rhode Island.

To corporations desiring to do business in Rhode Island the tax system of that state offers an inducement to incorporate under her laws. This consists in a deduction for actual indebtedness from taxable personal property to domestic corporations only, corporations without a Rhode Island charter not being allowed this privilege.

Moreover, no corporation doing business in Rhode Island is taxed on its intangible personality, such as bank deposits and net credits. The result is that it is not uncommon for most, if not all, of the personal property of a domestic corporation to escape taxation, the intangible personality not being assessed according to law, and the tangible personality being canceled by indebtedness.

Perhaps no other state in the Union certainly none in New England, applies the local general property tax to corporations so widely as does Rhode Island. Even her steam railroads are taxed only locally on real property, precisely in the manner as individuals. The classes of corporations in Rhode Island subject to a special state tax are not many. They are savings banks and insurance, telegraph, telephone, street-railway, and express companies. The state taxes the deposits of savings banks and the receipts or earnings of the others. The total state receipts from this special taxation of corporations in 1908 was nearly \$900,000, of which savings banks paid nearly half, the insurance companies over a third, and street railway, telegraph, telephone, and express companies nearly a sixth.

The state general property tax, or the proportion paid to the state by the towns from their taxes on real and personal property, in 1908 was also nearly \$900,000. Part of this state property tax was collected by the towns from corporations, but it is practically impossible to tell how much was so collected.

The total receipts from all sources to the Rhode Island state treasury for state purposes in 1908 were \$2,152,490.79. In connection with the urgent need for more state revenue, as reported by the state treasurer, it is interesting to note the low percentage of the total state revenue derived from the state taxation of corporations. In

1908 this was only 29.78 per cent—quite a contrast to percentages in some of the other states. In Connecticut, for instance, such a percentage is 85.54. Rhode Island is one of the very few states having no inheritance tax.

Connecticut.

Over four-fifths of the total revenue for state purposes in Connecticut comes from state taxation of corporations. In 1908 the total state expenses were nearly three and a half million dollars, of which the corporations during business in Connecticut contributed nearly two millions; and of this three millions the railroads paid over a million, savings banks over a half a million, and insurance companies over half a million.

Since the suspension in 1890 of the state tax on real and personal property, there has been a complete separation of the sources of state and local revenue. One of the methods proposed for supplying and increase of state revenue is the re-enacting of the state general-property tax.

Another method proposed for increasing the state income is to tax the corporate excess of manufacturing and mercantile corporations. Such corporations, sometimes referred to as "general business corporations," are at present taxed locally on property in the same manner as individuals and therefore pay little, if anything, directly to the state.

In an address before the Farmer's association of the legislature on March 10, 1909, Mr. Corbin, state tax commissioner, said:

"The value of the shares of the capital stock and the indebtedness represents the fair value of the property, tangible and intangible, of every solvent corporation."

"When a corporation is taxed on its property in the same manner as individuals, the aggregate value of the various assessment schedules may fall far below the value of the entire business plant or enterprise of such corporation considered as a unit and measured by the aggregate value of its bonds and shares of stock. On the theory that every element or factor which gives to a corporation value for income or sale should be considered in fixing the taxable value, this unassessed residuum may be reached by a tax which is generally termed the tax on 'corporate excess.'"

"A list of eighteen corporations of this state selected at random, nearly all from two cities, showed the bid value of the stock as given by the local brokers on October 1, 1908, as \$35,862,250, while the assessed valuation of these same corporations by the local assessors was \$12,746,361. This shows a 'corporate-excess' valuation of over twenty-three millions dollars, not including any bonded indebtedness. The aggregate of such excess valuation of all similar corporations throughout the state which now escapes taxation must be very large."

This recommendation means that manufacturing and mercantile corporations would be taxed in the same way in which Connecticut now taxes her railroads. Indeed, the inclusion of the bonded indebtedness as part of the taxable value of a railroad company is unique, and is often referred to as the "Connecticut method."

Another unique feature of Connecticut's system of taxation, not especially of corporations, is the so-called "choses-in-action" tax, by which holders of bonds, notes, and other choses in action can pay to the state a low uniform rate of 44 a thousand instead of the regular local property tax of about 2%.

State of Ohio, City of Toledo, Lucas County, ss.
Frank J. Cheney makes oath that he is senior partner of the firm of F. J. Cheney & Co., doing business in the City of Toledo, County and State aforesaid, and that said firm will pay the sum of ONE HUNDRED DOLLARS for each and every case of Catarrh that cannot be cured by the use of Hall's Catarrh Cure.

FRANK J. CHENEY.
Sworn to before me and subscribed in my presence, this 6th day of December, A. D. 1886.

A. W. GLENNON,
(Seal.) Notary Public.
Hall's Catarrh Cure is taken internally and acts directly on the blood and mucous surfaces of the system. Send for testimonials free.

F. J. CHENEY & CO., Toledo, O.
Sold by all Druggists, 75c.
Take Hall's Family Pills for constipation.

WOMAN'S FIGURE BEING SPOILED BY FASHIONS

Boston—Hugh H. Cain, the Boston sculptor, declares that women's figures have been ruined by devotion to fashion.

"Woman's figure is getting poorer and poorer every year," declares Cain. "The female form is degenerating because of style."

"The women of today are getting further and further away from the Greek figure of 2000 years ago, which they are all seeking to attain and which the whole world admires. As one instance of this, those who determine what is fashionable are trying to bring to waistline further down all the time."

"At present an effort is being made to get it down as low as the hips. This is all wrong, of course, for nature long ago decreed that it should be just below the breast, allowing a soft, graceful line from hip to armpit."

Won't Slight a Good Friend.
"If ever I need a cough medicine again I know what to get," declares Mrs. A. L. Alley of Beals, Me., "for, after using ten bottles of Dr. King's New Discovery, and seeing its excellent results in my own family and others, I am convinced it is the best medicine made for Coughs, Colds and lung trouble." Every one who tries it feels just that way. Relief is felt at once and its quick cure surprises you. For Bronchitis, Asthma, Hemorrhage, Croup, LaGrippe, Sore Throat, Pain in chest or lungs it's supreme. 50c and \$1.00. Trial bottle free. Guaranteed by Tallman & Co. and Pendleton Drug Co.

Fine new line of Hams, Bacon, Smoked Meats and Lard at Pendleton Cash Market. Phone Main 101. Pendleton Cash Market, best meats.

THE UMATILLA MEADOWS

What they are and what they sell for

They are all under irrigation. They are all under cultivation, being in alfalfa hay, cutting 8 tons to the acre last year, and alfalfa hay sells for an average of \$6.50 per ton in the stack.

Now Look Here

You can buy 5 acres of this land including a free perpetual water right for \$875. 1-4 or \$218.75 down and \$218.75 a year.

Let us consider that you are investing \$218.75. If you make this investment now you will have advantage of this years alfalfa crop. Viz:

5 acres at 8 tons an acre—40 tons.
40 tons at \$6.50 per ton—\$260.

\$260.00
\$218.75
\$ 42.25 made on your first payment.

Do this for 4 years. You see you make \$42.25 a year or in 4 years 4 x \$42.25 or \$169 and the land belongs to you.

The above results can be made with about 2 weeks work a year.

FOX REALTY COMPANY
D. J. Cash Local Representative.
Care of Hotel Pendleton, Pendleton, Ore.
Please send me particulars concerning the Umatilla Meadows.
Name _____
Address _____

Fox Realty Co.
D. J. Cash Local Representative
Hotel Pendleton, Phone Main 11

THE QUELLE Gus La Fontaine, Prop.
Best 25 cent Meals in the Northwest.
JUST RECEIVED
Fresh Crabs, Eastern Oysters, Toke Point Oysters
Meals at all hours
Open all night
Best cooks in city
First-class service
La Fontaine block, 626 Main street.

"Let the Women Do Your Work"
We are prepared to do gentlemen's and ladies' pressing, cleaning and dyeing with promptness and care. Your garments are made to look like new and at little expense when you send them to the
City Dye Works
HAYES & FINNEY.
912 Main Street. Phone Main 198.

Byers' Best Flour
is made from the choicest wheat that grows. Good bread is assured when BYERS' BEST FLOUR is used. Bran, Shorts, Steam Rolled Barley always on hand.
Pendleton Roller Mills
W. S. BYERS, Prop.

"That which is worth having is worth advertising for."
The old adage that what is worth having is worth asking for is still true—true of the more intricate life of today. The thing you want—whether it is a used piano or a home, whether it is a ready-made business or a lost pocketbook—is obtained readily through advertising, and with difficulty, or not at all, through other means.

THE PENDLETON DRUG CO.
IF IT'S GOOD WE HAVE IT

"STANFIELD"
at 12:01 a. m., Sunday, May 16th, was officially announced to the world as a station on the O. R. & N. Ry. Just another step in the building of this new and up-to-date city.
Teams and men are now busy grading streets and making other improvements.
Invest now and double your money quick.
Columbia Land Co.
East Oregonian Bld'g., Main St., Pendleton
Office open evenings until 9 o'clock.
JAMES M. KYLE, **PAUL B. POWERS,**
Manager Special Representative