

**Ex-Governor's Message**

From page 1  
 ful mountains of Oregon are de-  
 nuded of their timber, as they  
 will be in another generation unless  
 some action is taken. The same  
 disastrous consequence will follow  
 here that have resulted in other  
 parts of the world.

Fully 80 per cent of the tim-  
 ber in this state belongs to non-  
 resident individuals and corpora-  
 tions, and only a small part of the  
 lumber manufactured in the state  
 is consumed at home.

The State Board of Forestry  
 consists of the governor, the acting  
 head of the forestry school of the  
 Oregon Agricultural College, and  
 five electors of the state of Ore-  
 gon, appointed by the governor  
 from and upon the authoritative  
 recommendation of the Oregon  
 State Grange, the Oregon Forest  
 Fire Association, the West Coast  
 Lumbermen's Association, the Ore-  
 gon Wool Growers' Association,  
 and the United States Forest Ser-  
 vice. The board therefore consists  
 of seven members, five of whom  
 are appointed by five different pri-  
 vate organizations. I recommend  
 that the law creating this board  
 be so amended that the governor  
 may have the free and exclusive  
 right to appoint the members there-  
 of, without the necessity of a recom-  
 mendation from any organiza-  
 tion.

The two forestry bills that will  
 be presented at this session prac-  
 tically vest in the state board  
 of forestry and power of taxation,  
 a greater power than should be  
 exercised by any commission not  
 directly responsible to the gover-  
 nor or to the people.

Assessing property for the pur-  
 pose of taxation is one of the  
 most important function of govern-  
 ment. It is intolerable that such  
 powers should be exercised by a  
 board, the majority of the mem-  
 bers of which are appointed nei-  
 ther by the electorate nor by any  
 governmental agency whatsoever,  
 but solely by private organizations  
 standing in no responsible relation  
 to the state, and controlled, it may  
 be, by persons who are not even  
 citizens of the state. The manner  
 of appointing the members of this  
 board is repugnant to the whole  
 spirit of representative government.  
 The constitutionality of this law  
 should be tested at an early date.

I recommend that reforestation  
 be done by the state for future  
 generations. Nature has given us  
 the soil, the rain and the sun, the  
 necessary elements to grow the  
 tree. When the tree has reached  
 maturity it is not right nor just  
 that it should be the property of  
 descendants of men who are for-  
 tunate enough to own the land  
 and are powerful enough in pol-  
 itical circles to secure legislation  
 that will enable them to grow the  
 tree to maturity practically free  
 from taxes.

I do not believe that standing  
 timber should be taxed, but I do  
 believe in a severance tax. In for-  
 mer messages I have recommended  
 such a tax on timber, to be divided  
 into four parts, one-fourth to go  
 to the state, one-fourth to the ir-  
 reducible school fund, one-fourth  
 to the county in which the timber  
 is cut, and one-fourth for refore-  
 station. Vested interests seem to  
 be so strongly entrenched in this  
 state that it appears utterly im-

possible to secure the enactm-  
 of such a law, or recommend  
 that a severance tax be imposed  
 and the entire proceeds used for  
 reforestation by the state. We  
 should not allow our beautiful  
 forests to be cut, manufactured  
 into lumber, and sold in eastern  
 states and foreign countries, and  
 not realize enough revenue there-  
 from to start active reforestation  
 program.

**TAXATION**

In my first message I stated that  
 the seduction and redistribution of  
 the tax burden was the paramount  
 question. We have made progress  
 with the vexing problem, but it  
 is still a paramount issue. The  
 enactment of the income tax law  
 1923 was a signal triumph for the  
 overburdened taxpayers of the  
 state government, including the  
 millage taxes, should be collected  
 from sources other than a tax  
 on property. The income tax was  
 in effect only ten months, but  
 under its operation the state collect-  
 ed \$2,928,320.65, and the money  
 so collected has been largely re-  
 sponsible for the reduction made  
 in the state tax levy, which for  
 which in 1922 was \$9,376,289.11,  
 and in 1926 was \$7,200,830.79.  
 There has been a material reduc-  
 tion in the amount annually con-  
 tributed by each county in the  
 state. I claim and have a right to  
 claim full credit for this reduc-  
 tion, by reason of my championing  
 the income tax, vetoing bills and  
 curtailing the expenditure of state  
 funds. I have never faltered in  
 my demand upon the legislature  
 to enact laws for collecting money  
 for state governmental functions  
 without resorting to a property tax.  
 Ten years ago, for the second time  
 I returned to the state senate, ad-  
 vocating the principle that visible  
 property should not bear the bur-  
 den of maintaining state govern-  
 ment. Three tax investigating com-  
 mittees have reached the decision  
 that visible property must be re-  
 lieved of part of the burden. The  
 special tax investigating committee,  
 appointed by the last legislature,  
 went on record unanimously last  
 month as being in favor of this  
 principle. I consider the action of  
 this committee a complete vindica-  
 tion of what I have advocated so  
 faithfully.

There are several states in the  
 Union, California, Pennsylvania,  
 North Carolina and Virginia, that  
 levy no tax on visible property for  
 the maintenance of state govern-  
 ment. North Carolina collects al-  
 most all state revenue from a  
 tobacco tax and an income tax.  
 Pennsylvania, with a budget of  
 \$63,452,654.00, raises the money  
 from the following sources:

Charter stock tax	\$18,333,086
Corporate loans tax	6,851,989
Corporation bonus on charters	1,760,393
Gross receipts tax	4,104,414
Insurance premiums tax	4,026,489
Bank stock tax	1,455,701
Mercantile license tax	3,650,222
Anthracite coal tax	6,741,761
Emergency profits tax	2,125,000
Inheritance tax	11,561,367
License fees tax	2,444,274
Miscellaneous	397,955
<b>Total</b>	<b>\$63,452,654</b>

Ohio levies only \$2,800,000 on  
 visible property, while Oregon, in  
 1926, levied nearly three times as  
 much. Yet Ohio has a budget of  
 more than \$50,000,000 and has

fifteen times more wealth than  
 Oregon. The same situation pre-  
 vails in most of the states of the  
 Union. Only three states exact a  
 larger per capita contribution than  
 Oregon from the owners of vis-  
 ible property for the maintenance  
 of state government.

Columns and pages of misinfor-  
 mation have been published in the  
 press of the state during the past  
 two years about the difficulties  
 surrounding the functioning of  
 state government, by reason of  
 the fact that property taxes can  
 not be increased more than 6 per  
 cent a year. I have been accused  
 of being largely responsible for  
 this condition. I am proud to ac-  
 knowledge the responsibility. I was  
 president of the State Taxpayers'  
 League that was largely responsi-  
 ble for enacting the 6 per cent  
 constitutional limitation amend-  
 ment. I also have been a member  
 for four years of the State Tax  
 Commission when tax levies have  
 been made. I have made it im-  
 possible for the state levy to be  
 increased materially on the small  
 homes and farms of this state.  
 Most of the functions of state  
 government are for the benefit  
 of the corporations and business  
 interests of the state, and even  
 the most profligate of legislatures  
 would have more money than it  
 could spend if these same corpora-  
 tions and business interests paid  
 taxes in proportion to the amount  
 paid by the farmers and the small  
 property owners.

The situation demands that you  
 enact legislation that will force  
 an equalization of the burden. Re-  
 cords on file here in the state-  
 house show that in 1923 there  
 were 2,260 business concerns on  
 our tax rolls that had a book value  
 of \$254,000,000; they were assess-  
 ed for \$63,000,000, or 25 per  
 cent of the book value. These same  
 2,260 business concerns had a net  
 income of \$29,283,000 or 11 1/2  
 per cent of book value. Just think  
 of it! These 2,260 business concerns  
 made a net profit in one year of  
 47 per cent of their assessment.  
 I am not dreaming, guessing or  
 estimating. These figures have been  
 taken from the sworn statements  
 of these business firms. It is also  
 worth noting that these figures  
 are not from a few firms, but  
 from many, scattered all over the  
 state. In one county, not Multnomah,  
 nine manufacturing concerns  
 had a book value of over \$10,000,-  
 000, a net income of \$2,755,000,  
 assessed for \$2,246,690, or 81 per  
 cent of their net profits for one  
 year. In another county five cor-  
 porations had a book value of  
 \$17,560,000, a net profit of \$2,-  
 629,000, and were assessed for  
 \$2,754,000.

The federal census for 1925  
 shows 700,000 acres less cultivated  
 land in Oregon during that year  
 than for the year 1920. The num-  
 ber of abandoned acres will in-  
 crease with the years unless he  
 who cultivates the land is able to  
 realize a larger portion of the  
 real value of the products he raises,  
 and also be given relief from the  
 excessive amount of taxes he is  
 now obligated to pay. A short  
 time ago my attention was called  
 to a corner lot in one of the pros-  
 perous cities of the state. Upon  
 this lot there had been recently  
 erected a beautiful building, cost-  
 ing many thousands of dollars. The  
 lot was appraised by three shrewd  
 business men. The highest appraisal  
 was \$125,000; the lowest, \$90,000.  
 That lot is assessed for \$16,000.  
 This instance could be multiplied  
 thousands of times. I warn the  
 owners of great wealth, those who  
 control the business interests of  
 this state, and also largely con-  
 trol its politics, that the contin-  
 uation of this policy is exceedingly  
 dangerous, for loyalty can not be  
 expected among the citizens of this  
 Republic and of this state when  
 a man is obliged to give up his  
 farm for taxes and then behold  
 hundreds of instances just like the  
 one I have cited. Such a condi-  
 tion breeds not patriotism, but bol-  
 shevism.

Notwithstanding the repeal of  
 the income tax law in 1925, and  
 the failure of the people to enact  
 the Grange Income Tax Bill in  
 1926 I still contend that it is the  
 fairest and most equitable method  
 of distributing part of the burdens  
 of state government. I believe it  
 is your duty, at an early hour in  
 this session, to enact into law the  
 principles embodied in the Grange  
 Graduated Income Tax Bill.

A tobacco tax is in force in  
 twenty-two states in the Union.  
 Many more states will enact such  
 a law this year. From this source  
 a million dollars could be raised  
 annually. Two years ago, in the  
 office of the president of the sen-  
 ate, an agreement was entered in-  
 to between myself, as governor,  
 and representatives of the tobacco  
 interests, to the effect that if I  
 would sign the tobacco bill, which  
 omitted cigars, there would be no  
 referendum called on the bill. I

kept my part of the agreement.  
 Because this bill was referred,  
 there is today a deficit instead of  
 a surplus in the state treasury.

Much printer's ink has been  
 wasted on the so-called deficit in  
 the state treasury, and how handi-  
 capped this legislature would be  
 in providing for the proper func-  
 tioning of state institutions. Here  
 are the facts from the books of  
 the state auditor: There has been  
 a deficit at the close of nearly  
 every year for ten years last past.  
 On December 31, 1922, at the time  
 I was inaugurated governor, there  
 was a deficit in the state treasury  
 of \$582,872.85. The same books  
 now show a bookkeeping deficit of  
 \$969,823.71, which will be reduced  
 by the return of the unused bal-  
 ances from the various appropri-  
 ations. These unused balances will  
 aggregate \$300,000. In other words  
 the total actual deficit now is not  
 to exceed \$100,000 greater than  
 when I was inaugurated governor  
 four years ago, and this amount  
 was appropriated by the people in  
 November for the Eastern Oregon  
 Tuberculosis Hospital, and is in-  
 cluded in the estimates. What a  
 mess of falsehoods have been spread  
 circulated and hammered into the  
 people of this state as propaganda.  
 We heard nothing about the de-  
 ficit four years ago, six years ago  
 or eight years ago, but now we  
 hear much about the present de-  
 ficit because powerful influences in  
 the state desire to put over this  
 misinformation.

Many, many times the statement  
 has been made that all Pacific  
 Coast states should have the same  
 kind of tax laws. Friends of the  
 income tax have been severely  
 criticized for pioneering in this  
 method of raising revenue. The  
 critics can show their sincerity by  
 assisting in the passage of a law  
 in Oregon similar to the California  
 law taxing corporate excess. Un-  
 der that law California is collect-  
 ing over \$6,000,000 annually. Such  
 a law would yield over \$1,000,000  
 annually in this state. It would  
 hurt no one, reaching only those  
 enjoying excess profits. It would  
 reach firms in Oregon that have  
 a small amount of tangible prop-  
 erty and large net profits, often  
 exceeding the assessments.

When I was inaugurated gover-  
 nor the insurance department of  
 the state was collecting for the  
 state treasury \$316,793 in revenue.  
 The amount collected in 1926 was  
 \$695,597. The fees collected from  
 insurance companies very justly  
 can be increased. California col-  
 lects a larger percentage than we  
 do in Oregon.

At least 1 per cent should be  
 levied on the premiums of all do-  
 mestic insurance companies in the  
 state. The law provides that they  
 must be examined at frequent in-  
 tervals, and this entails consider-  
 able expense. There is no reason  
 why the domestic companies should  
 be entirely free from bearing their  
 part of the burdens of govern-  
 ment, which have been increased  
 by reason of the operation of  
 these same domestic insurance com-  
 panies.

The life insurance companies  
 have derived great benefit in the  
 various states by reason of the  
 prolongation of life. It is my be-  
 lief that a special tax should be  
 levied on these companies sufficient  
 to pay the expense of maintaining  
 the state board of health.

Corporation fees can and should  
 be increased. Especially should a  
 much heavier tax be levied on non-  
 resident corporations.

As a result of my vetoing the  
 appropriation for the Public Ser-  
 vice Commission two years ago,  
 the legislature provided for a spe-  
 cial tax on public utilities, to raise  
 funds to maintain the Public Ser-  
 vice Commission. The fund provid-  
 ed has not been found sufficient.  
 The commission should not be a  
 burden on the general taxpayer.  
 The percentage collected should be  
 increased.

Continued next week.

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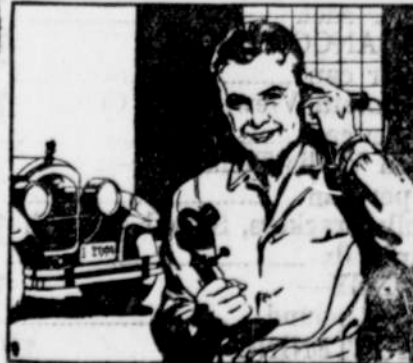
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