

1912

HOME RULE TAXATION

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class, men who gamble are not to be trusted to handle other people's money.

I have said the intent of this measure is to revive racetrack gambling. I desire to repeat that assertion in the face of the denials of its proponents. Their very denials are affirmations of my statement. They say: "This is Paris Mutual gambling. In this the gambler has a chance and the bookmaker does not get it all."

So be it. For this very reason this form of gambling is worse than the formerly approved method. Formerly the men who bet on the horses, as a practice, always lost, and lost to the men who are behind this measure. I wonder why these men who formerly trimmed suckers at the racetracks are now putting up money to back a measure which they claim will give the sucker a chance. Wherein lies their interest?

I do not make the assertion that all those behind this measure are professional gamblers. I do assert, however, that all professional gamblers are supporting it.

In justice to the measure it must be said that in addition to the gamblers, those who consider horses of more importance than men are also behind it. These urge that horses will not be developed without racing and that racing can not be carried on without gambling. There is no logic

in this position. If it were a fact that horses would not develop without racing and that they could not race without being fed on our children, the logic of the supporters of horseflesh against men would require the sacrifice of our children.

The final argument always made in favor of measures designed to keep men from temptation is that mankind can not be reformed by legislation. Even though we concede force to this argument, the most superficial can see that the same argument, followed to its logical conclusion, justifies absolute freedom from all restraint for each individual, and the total abolition of all law. But granting that a man should have the right to ruin himself at the racetrack and not be prevented, even though prevention be possible, a position which, of course, is untenable, still we do have the right to make him support his wife and children, and the right of the state to require that he care for those dependent upon him is absolute, even though the exercise of such right by the state may interfere with his asserted right to go to hell by the racetrack route.

This measure, I repeat, is vicious. It will serve to revive racetrack gambling. It should be defeated.

JOHN M. ESHLEMAN.

HOME RULE TAXATION.

Initiative Measure Submitted Directly to the Electors.

Electors of the State of California presented to the secretary of state this petition, asking that the proposed constitutional amendment hereinafter set forth be submitted to the electors of the State of California for their approval or rejection:

Proposition to amend article XIII of the constitution of the State of California, by the addition of a new section to said article, to be designated and numbered as section 8½ of said article, relating to taxation by counties, cities and counties, cities, towns, districts and townships.

The people of the State of California do enact as follows:

Article XIII of the constitution of the State of California is hereby amended by inserting therein a new section, to be designated and numbered as section 8½ of said article, to read as follows:

PROPOSED LAW.

Section 8½. Any county, city and county, city, town, district or township in this state is hereby empowered to raise revenues for its local purposes and to provide for the time or times of collecting taxes for such purposes in such manner as it may determine, by ordinance or resolution, adopted by a majority vote of the qualified electors thereof, voting thereon at an election held on the ques-

tion of establishing a new revenue system, or of altering or amending any system of taxation now or hereafter existing for raising such local revenue. Such proposed system or amendment thereof may be submitted at any general or special election held in such county, city and county, city, town, district or township, by initiative petition as provided by law or by resolution of the legislative body of such county or other political subdivision above enumerated.

Property may be classified for the purposes of taxation or exemption from taxes; and taxes or exemption therefrom shall be uniform for all property of each of such classes; provided, that no tax for any local purpose, except for payment of the principal and interest of any bonded indebtedness created and outstanding by any such county, city and county, city, town, township or district, prior to the 8th day of November, 1910, shall be levied on any property set aside for purposes of taxation for state revenue, nor shall any such tax be levied upon any property exempt from local taxation by this constitution or by the constitution or laws of the United States.

**ARGUMENT FOR HOME RULE IN TAXATION—REASONS WHY
CONSTITUTIONAL AMENDMENT RELATING TO TAXATION
(KNOWN AS THE HOME RULE IN TAXATION AMENDMENT),
SHOULD BE ADOPTED.**

This amendment is an enabling act, by which any city or county may change the present unsatisfactory mode of taxation and inaugurate a better system; but this cannot be done even locally without education, and a final affirmative vote of the people of the city or county. There is no interference with the operation of the state system of revenue, nor with the present system locally, except as the locality shall determine.

At the present time most of the state revenue is derived from a gross income tax on corporations; the revenues of the counties, cities, towns and districts are mainly derived from a tax on the value of land, improvements and personal property.

Formerly state revenue was derived mainly from a "general property tax," but in 1910 that system was discarded as a means of raising state revenue, except when other sources of income prove insufficient.

Some of the reasons for this change are stated in the report of the tax commission for 1906, page 9:

"The present system of taxation does not meet the demands made upon it. It is antiquated, having been adopted fifty years ago, and has not been revised to keep pace with modern conditions.

"It is full of inequalities, which impose a handicap, which only the vigor and inexhaustible energy of our people can carry.

"It is a 'school for perjury,' puts a penalty on honesty, and pays high premiums for dishonesty."

Injustice of Present System.

Professor Seligman of Columbia University says: "The general property tax as actually administered in this country is beyond doubt one of the worst taxes known in the civilized world. It is flagrantly inequitable and its retention can be explained only through ignorance and inertia."

F. A. Derthick, master of the State Grange, Mantua, Ohio, at a meeting of the National Tax Reform Association, said: "For two generations the farmers of the United States have in a large majority cherished the belief that a uniform rate upon all property at its true value in money was the highest conception of fairness and justice between man and man. It sounds fair, but all experience and history prove that its fairness begins and ends in sound. It is false economically, for it attempts to tax representative property at the same rate as the things for which it stands. This results in gross injustice to the owners of visible property, who, not being able to conceal their wealth, must pay any legal tax laid upon it."

It must necessarily follow that if the "general property tax" as a source of state revenue is unjust, inequitable, conducive to fraud and perjury, it is likewise unjust as a source of revenue for cities, counties and districts.

Seeking a Remedy.

A great many people feel the injustice of the present system of taxation without being able to locate the exact point of injustice. Many taxpayers, particularly those of small means, instinctively feel that they are bearing more than their just burdens of taxation, and that others, particularly those fortunately possessed of lands and goods of large value, are not paying their just proportion of the public expenses.

This feeling has a real foundation in fact. It must be apparent that the value of property in small parcels can be readily ascertained, while the value of property in large units cannot be so readily ascertained. A system of taxation should be just—this must be so, otherwise government itself would rest on a foundation of injustice. We have not yet found the just system, but we should be privileged to search for it. To make such search possible is the precise purpose of this constitutional amendment.

With the constitution as it now reads, the cities, counties and districts of the state are powerless to make any change whatsoever, but the amendment provides that, by a vote of the electors, any new system may be adopted by the several political subdivisions of the state for raising their revenue for local purposes, provided it does not conflict with the state's revenue system.

Is not that fair?

Objections Considered.

The main objection to this proposal seems to be that under the power thus granted, each county and city may adopt a different system and that confusion might result. This objection is not serious.

It does not concern the state at large how any city or county may raise its revenue for local purposes; it is the concern of the people of each locality. Even now there are different rates of license taxes in every city and county; in some there are no license taxes. There are different police regulations in different cities and counties, and yet there is no confusion. We confess that perhaps some large corporations, or perhaps a few individuals having property scattered in various cities and counties of the state, might have to pay a little more attention to the local tax system, but that very circumstance might be beneficial both to themselves and to the local communities. Moreover, any disadvantage arising from diversity is more than balanced by the opportunities given to try out new plans of taxation, that we may select that which is the best.

It is a rule of nature that through variety improved types are developed. The just system of taxation can only be arrived at through the experiences of various taxing bodies. By giving to each city and county the right to change systems, we

will more quickly arrive at what is best. Some county or some city will develop a system that is to its advantage, and then others will copy.

Some objectors may say that the tax system of the counties and cities should be established by the legislature and not by themselves. This is in violation of the principle of home rule for cities and counties now engrafted in the constitution. That principle, as stated by our supreme court, is substantial; that the people of a given locality know their own needs and wishes better than does the state at large. A system adopted by the legislature might work to the benefit of the cities and to the injury of the country district or *vice versa*.

Dr. Washington Dodge, assessor of San Francisco, in an address before the State Assessors' Association on this subject, says: "The state legislature must make laws that will be uniform in their operation throughout the state. No uniform legislation could ever be satisfactory to the various communities, or meet their requirements. Various counties have different problems to solve, different classes of property to assess. A financial center and a seaport city, like San Francisco, would not be in a class with an agricultural county like Glenn, or a mining county like Placer, or a county like Mendocino or Humboldt with great timber interests."

To Stimulate Industry.

A suggestion, hardly amounting to an objection, has been made that possibly some community might seek to stimulate business and industry by exempting cer-

tain classes of property from taxation, and that this might operate to compel other communities to follow the example thus set or lose commercial prestige. It is said that this might produce internecine warfare. But this is not warfare, it is business. If one community can stimulate business and industry by this means, it would furnish a good example for others, and soon we would see the whole state adopting the same means of "stimulating business and industry." This is really the chief virtue of the amendment. *It makes it possible to stimulate business and industry.*

Too long has our tax system operated to repress business and industry by placing burdens thereon which benefit speculation and idleness.

The world movements in taxation are in the direction of relieving the burdens placed upon industry and thereby stimulate it, and transfer the burden to those who live and profit from the industry of others.

And in line with this world progress is the amendment proposed with the hope that the voters will give it their unqualified approval. The state of Oregon has adopted a similar amendment; the cities of the province of British Columbia have the power of home rule, and beneficial results have been achieved under it.

It should be particularly noted that the amendment is conservatively framed, and that no change can be made without a vote of the electors.

H. A. MASON,

Secretary League of California Municipalities.

ARGUMENT AGAINST HOME RULE IN TAXATION.

The proposed amendment of section 8½ of article XIII, will admittedly work an injustice unless complete separation of state and local taxation is effected. Such complete separation has not been attained under present laws. The increase in revenue under the plan adopted under Amendment No. 1 is not equal in percentage to the increase of the state's expenditures, and it may be said with certainty that for the year 1913, and thereafter until the law is changed, a deficiency tax must be levied upon all classes of property, thus destroying in large measure such separation of taxes. The proposed amendment, therefore, is based largely upon the uncertain effect of a law yet only partially tried, and even now subject to much litigation.

The proposed amendment lacks the first essential requisite for legislation, in that it is neither clear nor concise in its terms. While providing that taxes or exemption shall be uniform for classes of property, it does not provide how or by what authority property shall be so classified, and under its provisions local taxing bodies could make such exemption as they chose for each locality, thus absolutely destroying uniformity either in taxation or exemption. The proposed plan is not the one favored in those states which have made the most advance in reform of taxation because it seeks to localize those functions which should be centralized so as to secure uniformity both in method of assessment and date of payment, to the end that all property in all localities shall contribute its just share to the public revenue. It may

be admitted that the property tax, as formerly collected, is obnoxious and inequitable. Granting this, it must be conceded that the results following the adoption of Amendment No. 1 have not fulfilled the claims of its advocates. This proposed amendment would, apparently, give any local community the absolute right to enforce such taxes or exemptions as its fancy might dictate, without regard to the effect of such action upon the broader question of uniformity of taxation, or the rights of other localities. It is said by the advocates of the amendment that the state is not interested in local taxation. The state and every citizen are vitally interested in the establishment of a just and equitable tax system. If this proposed plan be meritorious, why should it not be made mandatory, in order that all citizens and all communities may receive its beneficent results? California is, at this time, attempting to fit a new system of taxation into her revenue system, and there yet is much confusion and doubt as to its effect. The proposed amendment will add to this confusion, and even if it be all that its friends claim, it must, at this time, make confusion worse confounded. Because of the objections above enumerated, and others equally forceful, the proposed amendment, it will be seen, will produce confusion, inequality, local jealousies and tend to results the very opposite of those sought by its proponents

N. W. THOMPSON,

State Senator, Thirty-fifth District.

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