

1936

PERSONAL INCOME TAXES

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<p>PERSONAL INCOME TAXES. Initiative. Amends section 11, Article XIII of Constitution. Declares no law imposing income tax on individual or natural person, or his estate or trust, shall be valid unless approved by majority of electors after initiative proceedings therefor, or after submission thereto, as provided for constitutional amendments proposed by Legislature, at next general election following its passage by two-thirds of all members of each house of Legislature. Repeals 1935 Personal Income Tax Act, Chapter 329, Statutes 1935, and similar personal income tax laws. Declares liability for taxes then accrued unaffected by such repeal.</p>	YES
	NO

(For full text of measure, see page 3, Part II)

Argument in Favor of Initiative Proposition No. 2

This proposed Constitutional amendment prevents the State Legislature in the future from directly taxing your wages, salaries and income from invested savings without your consent at the polls. It will repeal the personal income tax now being collected for the first time in California.

This amendment thus leaves with the people themselves the right to propose or to approve any future personal income tax sponsored by the Legislature—but leaves such power exclusively in the hands of the taxpayers and removes it definitely from the politicians who spend. It does not affect the right of the Legislature to tax corporation incomes.

Original petitions, qualifying this measure for the ballot, bore the names of 267,342 of your fellow citizens, the largest number in the State's history to sign an initiative measure. These citizens not only protest the personal income tax as the worst possible tax California could impose; the drastic and damaging provisions of the present law, but are demanding the right to say, now and in the future, how much shall be directly taken from their individual earnings and income from invested savings. They are also mindful that deficits can be wiped out and budgets balanced by slashing government expense.

California's vast valleys have been developed, its great cities have been built up and its far-flung industrial enterprises have prospered because there has always been both a desire to live in this state and a faith in its commercial future. Millions have been spent to advertise the State's climate and beauty to induce substantial citizens of other states to come here to live and invest their savings, thus creating payrolls and jobs. Money brought to the State in this way has been responsible in a large measure for its industrial development.

In face of this experience, the Legislature, in adopting this new tax, tells both prospective and present investors they must now pay triple taxes upon California industrial investments before one cent of profit is possible. No

other comparable State so completely turns its back upon badly needed new and existing payrolls providing permanent jobs for its citizens.

Florida, our greatest competitor for tourist trade and permanent settlers of means, wisely prohibits a personal income tax except by vote of the people. California erects this barrier against new and greater payrolls with Florida showing an estimated gain of 10% in population and California, the Federal Census Bureau estimates, a loss of about 1%.

This new tax forces our citizens, subject to its provisions and earning with their hands and brains, to pay on the same basis as those clipping coupons for a living. No offsetting credit, such as allowed by the Federal income tax, is permitted here and no wage or salary, however small, is safe from direct attack with this taxing power in the legislature.

Demand the right to pass upon any direct tax upon your personal earnings and invested savings. Meanwhile, wipe out a law striking directly at the material welfare of California. Vote "Yes."

DR. LEROY H. BRIGGS,
DAVID R. FARRIS.

Argument Against Initiative Proposition No. 2

VOTE "NO" on Proposition No. 2 and retain the newly enacted net income tax, approved by 1933 Legislature, pocket-vetoed by Governor Rolph, then adopted by 1935 Legislature, BECAUSE:

1. NET INCOME TAX IS FAIR. It is an ability-to-pay tax. YOU PAY NO tax unless your annual income is \$2,500 or more, if married, or \$1,000 if single. This excludes 95 per cent of our people with small incomes who contribute to government through property and sales taxes. Yet, some 1180 persons out of 6,000,000, or less than 2/100 of 1 per cent of our entire population, whose tremendous incomes are taxed on an upward sliding scale, are sponsoring repeal of this tax on the pretense that it is a poor man's tax.

[Seven]

2. NET INCOME TAX IS PRODUCTIVE AND PRACTICAL. It is of paramount importance as a revenue producer yet its demands on taxpayers vary with their incomes. If you enjoy no income, you owe no tax.

3. NET INCOME TAX CAN BE ECONOMICALLY ADMINISTERED. Administration of our property tax absorbs 4 per cent for collections. Yet, our income tax law appropriates but 3 per cent. North Carolina's income tax, for example, costs 87 cents for every \$100 collected, or less than 1 per cent. We expect like efficiency in California.

4. NET INCOME TAX IS NECESSARY TO SUPPLY STATE WITH NEEDED REVENUE. From a surplus of \$30,608,905.03 on June 30, 1931, the State general fund balance became a DEFICIT of \$28,874,979.20 by June 30, 1935. Best estimates indicate a DEFICIT of \$45,000,000 by June 30, 1937. IF THE INCOME AND SALES TAXES ARE REPEALED THE DEFICIT WILL APPROXIMATE \$170,000,000.

5. NET INCOME IS PROPER SOURCE OF STATE REVENUE. Sponsors of repeal contend that net income tax should be left to the federal government, notwithstanding the fact that states preceded the federal government in its adoption and 31 of them now use it.

6. DOUBLE TAXATION IS NOT PECULIAR TO NET INCOME TAX AND WOULD NOT BE ELIMINATED BY CALIFORNIA'S REPEAL. Opponents claim unfair double taxation when income tax is employed by both federal and state governments. Yet, they are silent about states, counties, cities and innumerable districts pyramiding taxes upon property.

7. CALIFORNIA HAS GOOD INCOME TAX LAW WHICH CAN BE CHANGED BY LEGISLATIVE ACTION IF NEEDS ARISE. The present net income tax law has been before California's legislature since January 22, 1931. Its provisions have yielded to constructive proposals of the best tax and legal talent in California since that date. The last two legislatures saw fit to adopt it. It incorporates the desirable features of all federal and state acts. Although the net income tax is employed by all progressive nations throughout the world, and by 65 per cent of the states of the Union, this is the first year of its use in California. Scores of state-wide organizations, representing millions of persons in all walks of life, believe that our net income tax should be given a fair trial. They ask you to VOTE "NO" on this proposal to repeal it.

VON T. ELLSWORTH,

Head of Research Department, California Farm Bureau Federation, and, Executive Secretary California Tax Equalization League, which represents:

Alta California, Incorporated,
California County Tax Equalization Association,
California Farm Bureau Federation,
California Teachers' Association,
Economic Council of Southern California,
State Association of County Auditors,
State Department of Education,
State Supervisors' Association,
California Retailers' Association,
California School Trustees' Association.

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2

YES	
NO	

Sufficient qualified electors of the State of California have presented to the Secretary of State a petition and request that the proposed amendment to the Constitution, hereinafter set forth, be submitted to the people of the State of California for their approval or rejection at the next ensuing general election. The proposed amendment to the Constitution is as follows:

(This proposed amendment expressly amends an existing section of the Constitution; therefore, NEW PROVISIONS proposed to be INSERTED are printed in BLACK-FACED TYPE.)

PROPOSED AMENDMENT TO THE CONSTITUTION.

Article XIII, section 11, of the Constitution of the State of California is hereby amended to read as follows:

Section 11. Income taxes may be assessed to and collected from persons, corporations, joint stock associations, or companies resident or doing business in this State, or any one or more of them, in such cases and amounts, and in such manner, as shall be prescribed by law ; provided that no law for the assessment, levy or collection of an income tax

from an individual or natural person, or the estate or trust of an individual or natural person, shall be valid unless approved by a majority of the qualified electors of the State voting thereon after submission thereof by initiative as provided in the Constitution, or unless proposed in the Senate or Assembly and passed by two-thirds vote of all members elected to each House and thereafter approved by a majority of the qualified electors of the State voting thereon after submission thereof at the next general election in the manner provided by law for submission of amendments to the Constitution proposed by the Legislature.

Chapter 329 of the Statutes of 1935, known as "The Personal Income Tax Act of 1935," not having been adopted by the people in accordance herewith is hereby repealed, and any and all other laws for the assessment, levy or collection of an income tax from an individual or natural person, or the estate or trust of an individual or natural person, enacted prior to the adoption hereof in a manner inconsistent with the provisions hereof are hereby repealed, but this repeal shall not affect liability for any tax or penalty levied, assessed or accrued at the date of such repeal, or any law for the collection thereof.