

# MAINE STATE LEGISLATURE

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LEGISLATIVE RECORD

OF THE

**Seventy-Second Legislature**

OF THE

STATE OF MAINE.

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1905.

**HOUSE.**

Tuesday, March 20th, 1905.

Prayer by Rev. Mr. Lawton of Gardiner.

Journal of yesterday read and approved.

Papers from the Senate disposed of in concurrence.

An Act to make valid the action of the town of Standish in uniting the former school district of South Standish and Bonny Eagle, came from the Senate received under a suspension of the rules in that branch and was passed to be engrossed.

In the House the rules were suspended, the bill received its three readings and was passed to be engrossed in concurrence.

The order that the committee on appropriations and financial affairs be directed to make the pay roll of the members, officers, employes and chaplains of the House and Senate, the same as at last session, came from the Senate and was given a passage in the House. Subsequently on motion of Mr. Littlefield of Rockland, the vote was reconsidered whereby the order received a passage and on further motion by Mr. Littlefield it was laid on the table.

An Act to incorporate the Monterey Association, came from the Senate indefinitely postponed.

On motion of Mr. Littlefield of Rockland, the House voted to insist and ask for a committee of conference.

The Chair appointed on the part of the House, Messrs. Littlefield of Rockland, Merrill of Dixfield and Abbott of North Berwick.

An Act to amend Section 22 of Chapter six of the Revised Statutes, relating to the regulation and conduct of elections, came from the Senate amended by Senate amendment A.

On motion of Mr. Morey of Lewiston, the amendment was tabled.

The Speaker announced that the Senate had joined to the committee of conference in relation to the bill in regard to moving buildings through streets Messrs. Staples, Clark and Philoon.

The Chair appointed on the same committee on the part of the House Messrs. Whitmore of Brunswick, Giddings of Gorham and Bunker of Anson.

The Speaker announced that the Senate had joined on the committee of conference on bill relating to trustee process, Messrs. Staples, Gardner and Putnam.

The Speaker announced that the Senate had joined on the conference committee on bill relating to Maine Standard Policy, Messrs. Clark, Shaw and Staples.

The following communication was received from the Secretary of State:

Augusta, March 21, 1905.

To the Speaker of the House:

I have the honor to herewith transmit a copy of the rulings of presiding officers of the Maine Legislature.

Your Obedient Servant,

BYRON BOYD.

The foregoing communication was placed on file.

The following bills, petitions, etc., were presented and referred:

**Placed on File.**

By Mr. Jillson of Otisfield: Petition of L. H. Hall of Leeds and 23 others for the proper labelling of proprietary medicines.

By Mr. Milliken of Island Falls: Petition of Rev. L. Hutchinson, and 29 others of New Portland for same; petition of G. E. Berry for same; petition of L. A. Simpson and 39 others for same; petition of M. H. Herrickson and 37 others for same; petition of Thomas I. Pernell and 30 others of Freedom for same.

**Reports of Committees.**

Mr. Hastings from the committee on claims, reported ought to pass on resolve in favor of towns for reimbursement for money spent on State roads in the year 1903.

The report was accepted and the resolve ordered printed under the joint rule.

**Passed to be Engrossed.**

An Act to reimburse the town of Chelsea.

**Passed to be Enacted.**

An Act to secure proper and uniform records in municipal courts and provide for supplies. (Tabled on motion of Mr. Oakes of Auburn.)

An Act to prevent the pollution of the waters of Carleton pond.

An Act to empower the county of Aroostook to purchase and acquire title to lands adapted to agricultural purposes in said county.

An Act relating to the description of unincorporated townships and public lands for the purpose of valuation and assessment.

An Act to incorporate the Waterville Gas and Electric Company.

An Act to amend Section 2 of Chapter 117 of the Revised Statutes in relation to fees of trial justices in the trial of an issue in a criminal case.

An Act to amend Section 3 of Chapter 50 of the Private and Special Laws of 1821, as amended by Chapter 161 of the Private and Special Laws of 1848, as amended by Chapter 171 of the Private and Special Laws of 1862, as amended by Chapter 413 relating to extending the time of controlling the water at the alewife fishery at Damariscotta Mills.

An Act to change the name of the Dover Gas Light Company.

An Act to amend the city charter and city ordinances of the city of Gardiner in relation to the election of the city marshal and the street commissioner.

An Act to amend Section 23 of Chapter 114 of the Revised Statutes relating to disclosure commissioners.

An Act to amend Section 23 of Chapter 114 of the Revised Statutes relating to relief of poor debtors.

An Act to amend Chapter 213 of the Private and Special Laws of 1903, authorizing the county commissioners of Cumberland county to erect a county building in Portland.

An Act to amend the charter of the Sebago Lake, Songo River and Bay of Naples Steamboat Company.

An Act to amend Section 10 of Chapter 6 and Section 12 of Chapter 6 of the Revised Statutes relating to the regulation and conduct of elections.

An Act relating to Milo Electric Light and Power Company, ratifying and confirming its proceedings.

An Act to amend Section 9 of Chapter 108 of the Revised Statutes relating to the service of venres.

An Act to extend the close time on caribou and amend Chapter 32 of the

Revised Statutes, relating to inland fisheries and game.

An Act to amend Sections 24 and 25 of Chapter 3 of the Revised Statutes relating to State printing.

#### Finally Passed.

Resolve in relation to extra pay of Maine volunteers in the war with Spain.

Resolve in favor of the clerk and stenographer and the messenger to the judiciary committee.

Resolve in favor of the clerk and stenographer and the messenger to the legal affairs committee.

Resolve of the Legislature of Maine requesting the repeal by Congress of Section 20 of title 33 of the Revised Statutes of the United States, admitting certain lumber manufactured in New Brunswick into the ports of the United States free of duty.

Resolve in favor of the inmates of the Maine Insane hospital at Augusta.

Resolve relating to the documentary history of Maine.

Resolve in favor of George M. Barrows, chairman of the committee on State School for Boys.

Resolve in favor of S. T. Kimball for services of clerk and messenger to committee on railroads and expresses.

Resolve in favor of C. Bradstreet, clerk to the banking committee.

Resolve in favor of Charles Knowlton.

Resolve in favor of William B. Webb.

Resolve in favor of the city of Lewiston.

Resolve in favor of M. H. Hodgdon, clerk, stenographer and messenger to the committee on inland fisheries and game.

Resolve in favor of George G. Weeks.

Resolve in favor of George E. Morrison.

Resolve in favor of a feeding station for the Sebago Lake fish hatchery.

Resolve in favor of the city of Rockland, Maine.

Resolve in favor of Joseph Archambault.

#### Orders of the Day.

TAXATION OF MORTGAGES.

Special Assignment:

Majority and minority reports of the Committee on Taxation, reporting "ought to pass" and "ought not to pass" on bill, relating to taxation of mortgages on real estate.

(Mr. Hale of Portland, in the Chair.)

Mr. JOSSELYN of Portland: Mr. Speaker, it is not my purpose at this time to discuss to any extent the merits of this bill, but merely to call attention to the fact that the matter was given most careful and conscientious consideration by the committee after a long and exhaustive hearing. At this hearing a large number were present, and during a session of nearly five hours only one party appeared against it, and he represented the wealthy citizens of his section. This fact, while indicating but little opposition to the measure was only its proper weight and inference. The actual merit of the proposition was what appealed to the committee and led six of our number to vote in favor of its passage. The members of this committee will, I believe, compare favorably in judgment, in good sense and business ability with the other committees of this body, and their conclusions should, I believe, be given proper and careful consideration by this House in the determination of this question. Committees I know are far from infallible, but is it not reasonably fair to conclude that after giving a matter a careful and thoughtful consideration their conclusions are more likely to be correct than a decision reached without full and complete investigation. Gentlemen, the committee making the majority report ask you to give it the consideration that such a report deserves and because we believe we are in the right, we ask for it, your active support.

One word in regard to the reasons that led the majority of the committee to report as they did; and that reason was that this bill was without any question in the minds of the committee a bill for the relief of the poorer class who are compelled to borrow money. Let me illustrate. A man is going to raise five hundred dollars in cash. He wishes to buy for himself a little home or a farm. What tax must he be obliged to pay directly and indirectly?

First, a tax on his equity in that home or farm; second, a tax on the five hundred dollars mortgaged; and thirdly, and indirectly, the taxable interest paid to the money lender. This is in effect a triple tax paid by the home seeker and the home buyer; and it seems to me by abolishing the tax on mortgages the small borrower would be relieved; and that was one of the dominating reasons which led us to the conclusion that we reached.

It was said at the hearing that this bill would result in an injury to the poor man because it would place upon him the tax from which the mortgagee is relieved.

I hope that you will give this matter your most careful consideration and vote for the interests of the small money borrower. I move that the majority report of the committee be accepted.

I see no reason whatever for such a result. It is generally believed that a large portion of the people who are taxed on mortgages are assured by agreement between the assessors and the tax payer. This being the case we need have no fear of any reduction or shifting of the burden.

On the other hand the money lender will still continue to smilingly pay his regular tax and with a thankful heart that it is no more.

Mr. POWERS of Houlton: Mr. Speaker, this is a matter of great importance to the taxpayers of this State, and when you have carefully examined it, as I have, I believe you will come to the same conclusion that this bill if enacted into a law will have the effect of relieving the rich man from taxation and place the burden upon the poorer classes of people throughout the State. The original bill which was introduced here in regard to this matter was Senate document No. 23; the present bill is Senate document No. 146. You will find that there is a vast difference between the two bills. I have found many members of this House believed that they were to vote upon Senate document 23. They are entirely different. Now, from whom does this cry come for the enactment of this legislation? You will remember that one great reason for turning down woman's suf-

frage was because the women of this State did not ask for it. You will also remember with reference to the question of resubmission that the argument was made that the people of the State of Maine did not ask for it. Who asks for this bill? I hold in my hand here 20 petitions, written upon the same machine, coming from the same office in Portland and sent out all over the State. Where does this cry come from, gentlemen? Does it come from the poor mortgagors all over this State? There are thousands and thousands of them, or does it come from Portland, where these petitions come from accompanied with a letter which I wish to read to you now because that letter contains a statement which is absolutely false. The writer of this letter and others of this kind have been here trying to push this matter through on the claim that they were the friends of the poor mortgagor. The letter runs as follows: "Your name has been referred to me as a prominent real estate owner in your section. (Not a poor mortgagor who was suffering under the burdens of double taxation as they would have you understand.) I enclose a petition relative to doing away with double taxation of mortgaged real estate. This petition has been signed by the leading business and professional men of this section and has the endorsement of the boards of trade of the principal towns and cities of the State." The letter refers to double taxation; Mr. Josselyn has told us that it was triple taxation. This letter is signed by George T. Edwards of Portland for the Portland Real Estate Association committee on taxation. The statement that this petition has the endorsement of the principal towns and cities of the State, is absolutely without foundation. In the list of petitions which have come here there is only one board of trade, that of Biddeford, outside of the board of trade of Portland. If his statement were true he would have had a hundred endorsements from the boards of trade all over this State which he has not. Instead of the endorsement of the boards of trade of the principal cities and towns of the State, we have only two boards of trade and only 129 names in these petitions from all over this State outside of Portland and only 350

names from the city of Portland itself. Is there a call for a change of this law? Is there a cry from the mortgagor suffering from the burdens of taxation? No, gentlemen, there is not. 129 names hardly represent the intelligent people of the State of Maine.

And who compose those 129 people? I have taken pains to look up some of them. I found one gentleman signing this petition from the city of Ellsworth, only one. The city of Ellsworth has about 1500 polis. He is one of the richest men in that city, a money lender and he wants the advantage which this bill will give him. Let me say, gentlemen, here in connection with these men who have signed these petitions that you will find that they come from cities and towns where there is a large amount of money taxed as money at interest. From Thomaston there are five. You can tell the signature of a mortgagor as soon as you can see it. When I saw these five signatures from Thomaston written in a smooth free hand I knew that they did not represent the class of people which these men were claiming they were going to benefit. In Thomaston I found there was \$87,500 being taxed as money at interest. I found that three of those men were bankers, none of them mortgagors. If this bill becomes a law I claim that there would be \$1799 that the municipality there would lose in taxes, and it would be necessary to raise that \$1799 from somebody else, upon all kinds of property except the money men. What I have said about Thomaston applies to the other places. Ellsworth has \$94,600 taxed as money at interest with one petitioner who would like to escape taxation. If this bill becomes a law Ellsworth would lose \$1692 and the State would lose \$260. This loss would fall upon every man who has a farm or a stock of goods or a home. These rich centres like the city of Ellsworth escape the tax and it falls back upon the people all over the State. Kennebunk has 22 signers. Her municipal tax is \$3865. Is my friend from Kennebunk going to vote to pass a bill by which his municipality will lose \$3865? The little town of Madison has 13 petitioners, and I find that by this bill they will lose \$325 in taxes. Freeport had 40 petitioners, and I found

there \$39,600. Their municipal tax would be \$600, which would disappear under this bill. Richmond had eight petitioners and I found there \$29,500, taxed as money at interest. Their municipal tax would be \$605. Paris had 25 petitioners; their municipal tax would be \$960. Portland had 350 petitioners. According to the assessors' report we find \$5,292,425 at interest in the city of Portland. At the rate that the city of Portland is paying their municipal loss would be \$110,082 if that money disappears from taxation, and that burden has got to be added to the poorer class of people in the city of Portland. Portland has a large State tax. Under the rates which we have had for eight years I find that the city of Portland would escape paying into the State treasury \$14,554.16. Who is going to pay that? We have got to have just as much money with which to run this State as ever. Who is going to pay it if the city of Portland don't pay it? The back towns are going to pay it. Let the rich man escape taxation and then you and I and every man who has a homestead or a stock of goods or a piece of land has got to pay this tax. I do not blame Portland and these wealthy people who are now being taxed with money at interest in an amount over \$5,000,000 for coming here with a lobby such as I have not seen before at this session. When I went before the committee to protest against this bill instead of the mortgagors I found the rich men represented by one of the ablest attorneys in this State: I found other attorneys working outside, and they have worked ever since that time for this one measure; I found real estate brokers there and I have seen them upon the floor of this House almost every day since. If these rich men in Portland can escape paying one hundred and ten thousand dollars is it any wonder that they can afford to have a lobby here such as has not been seen on the floor of this House in regard to any other matter at this session? It will be said that while these men are assessed upon so much money at interest, they are not mortgages, and therefore this bill does not apply to them. A certain portion of them are mortgages. And what

about those that are not mortgages? What is the result if this bill passes? How long would it take those men who are anxious to escape taxation to have every dollar of this money at interest secured by mortgages on real estate? Your bill says that any loan secured by mortgage on real estate shall be exempt from taxation. In my judgment the friends of this bill don't know the full force and scope of it. Every sensible man that knows anything about money escaping taxation must agree with me that the thousands of dollars which are now being taxed as money at interest will be placed in such a way that it will be all secured by mortgages that escape. It will be said that that is theory, but we have every reason to believe from our experience with human affairs that it will be so. What do you suppose the Grangers will say when they learn that the House of Representatives, four-fifths of it composed of Republicans, have passed a law which releases the rich man from taxation instead of the poor man? That would all disappear. What else would disappear? We find that we have nearly \$4,000,000 secured by collateral, that is, collateral mortgages. We find that that gives the State about \$8000.

If we pass this law and open up a channel secured by mortgages on real estate we open up a safe channel in which all this money will naturally go.

If my position is correct \$508,949 will escape taxation. A portion of it, as you know, is on mortgages. That would go out at once if this law passes. Before a year from next April all will disappear. I read with a great deal of pleasure a speech made in the Senate in regard to this subject, and the only two towns that the speaker referred to as being affected was my own town and the town of York. He said that for the good of the rest we must suffer. But how many towns do you think there are in the State of Maine that have money at interest and in which the assessors tax the rich men with money at interest? There are 265 towns—not two, as the gentleman in the Senate would have us understand. I find that 265 towns have money at interest; I find about 175 do not have

money at interest. In the little town of Corinth they have hunted up \$32,000 of money at interest. How long do you suppose it would be there if you pass this bill? Multiply that by 265 and you would see the result. It seems to me that this is the most pernicious bill that has come to my attention. If there ever was a bill which was enacted to bless the rich and cause the poor to beg it is this bill now under discussion. Now, if my position is correct how much will we lose by April 1, 1906, how much taxable property? The assessors' report says there is now assessed \$11,508,949. The State tax upon that alone is \$31,649. The State won't get that. It has got to come from somewhere. It is coming from you, gentlemen, who reside in the back towns and in the small villages. Between three and four millions of collateral security would disappear also and get into this tax which is secured by mortgages on real estate. And let me say here, why is it if it is going to help the mortgagee that you don't release personal property from taxation as well as real estate? But the rich man does not have those personal property mortgages to a very great extent. Now, one of two things will occur if you pass this law. You are either releasing from taxation all the property in the State of Maine or else you are discriminating between the poor person who has put his little sum into a bank, the poor man or boy who has deposited a dollar at a time, you are discriminating against them three-eighths of one per cent., or else you are releasing the entire money in the savings banks. Let me say that lawyers differ in regard to this. Some say that it will be simply a discrimination against them to the extent of three eighths of a cent, and others think that they will escape. This is a very broad law. It says that any loan secured by mortgage on real estate,—this law will be passed subsequent to the franchise law of the savings banks. How that may be I know not, but I think that the savings bank escapes the tax. But if it discriminates against that class of people in our savings banks it is not a proper law, and

if it releases all the tax on mortgages on real estate,—and there are \$9,119,400 in our savings banks secured by mortgages on real estate,—If it releases them then the State loses \$34,197. When I find a piece of legislation that is going to discriminate between the poor depositors in the savings banks and the rich man who has got his thousands and hundreds of thousands, when I find that you propose to enact a piece of legislation here that will cause those poor women and those poor girls who have made those small deposits,—that will charge them with three-eighths of one per cent. For that is the tax upon mortgages upon real estate) and release the rich man, I protest against it. I want to be put on record against it when I come to vote. I submit, gentlemen, if the friends of this bill take that horn of the dilemma, they are welcome to all they can make out of it. If they take the other horn then let me say that it is too much to take away from our State tax.

Now, that is not all that will go out of circulation that you get a tax on now. You get a tax on certain bonds. This law says any loan secured by mortgage on real estate. What is the trouble with having bonds secured by mortgage on real estate? Not only that, but loans made to municipalities. We find there is quite a large amount of that. That would go where there would be no chance to tax it. I have not discussed what effect this would have upon your county tax. It would have the same effect as upon the State tax, it would increase it; it would increase both your county and your State tax. Now, I have got no more interest in this matter than you have. If it is a good thing then it must be a good thing for me, but I say to you gentlemen, that I believe it to be the worst piece of legislation that has ever been presented to an intelligent body of men. It was argued that because we did not get all the money to tax, because a man was not taxed so much as he ought to pay that we would release him on what we had found. That is not a reason. If you tax a man \$50,000 who ought to pay one hundred thousand



and, will you let go of the fifty thousand? There are over 190,000 polls in the State of Maine. There are 11,000 that don't pay any tax. Shall we release the others because the 11,000 don't pay any tax? Shall we release these men from taxation because we have not got all they ought to pay? They say we want to assist the poor man; with this bill framed as it is they say that this is going to help the man who has to borrow money. They all admit that it would not help the man any who has got his money already borrowed and placed perhaps for a long term of years, it does not help him any. But it helps the rich man where the money is already borrowed. He is released from paying a tax. They say that he has loaned this money at a high rate of interest because he was going to be taxed. What about the money that a man is going to borrow? Will this bill help him? Suppose this bill passes and a man wants to buy a farm for \$1800. He goes then to a money lender and borrows a thousand dollars for ten years paying \$100 a year. Will the money lender loan the money at a less rate because this bill passes? Oh, no, he will tell the borrower that it is a loan for ten years and that he don't know but what the next Legislature will put the tax back upon mortgages and that he will have to pay an entirely different tax. He will charge him the same rate of interest as he did before. I have looked after the interests of men who have had loans to make, and I know how it works.

Now, you are not starting at the right end of this thing. You are relieving the rich man on the plea that it is going to help the poor man. Start at the other end, and if a man has bought a farm for \$2000 and he has given a mortgage for \$1000, why don't you say that the mortgagor in possession, why don't you pass a bill that the mortgagor in possession shall be exempt from taxation to the extent of his mortgage? Then you have struck the right end of it; you are helping the poor man then. (Applause) You can never help the poor man by beginning at this end, by relieving the rich man. I was talking with one of the leading Democrats of this State recently and he said, "If you pass that bill I will devote six months

time on the stump before the next election in the back towns and districts of Maine on this subject." Gentlemen, I say to you that in my judgment this is a bill that should never be permitted to pass this House. What does the county of Cumberland pay as a tax on money at interest? There are over \$6,000,000 in the county of Cumberland. Do the other counties of the State want to help pay the tax of Cumberland to the State? The State tax at two and three quarters mills is \$16,800. The little town of Brunswick has \$187,464. Its municipal tax is \$3356. Its State tax is \$515. Will the gentleman from Brunswick go back to his constituents and say, "I have voted for a law which gives the rich men of my town a chance to place in a safe channel all the money which you are now taxing as money at interest," and placing tax upon the very men that these people are claiming to help. The city of Bath has \$680,900 now at interest. If this bill becomes operative, the municipal tax is \$15,660, will the gentleman who represents Bath go back to that city and tell them that \$15,660 must be put upon their vessels and their stores, their houses—to relieve whom? The men who of all men on earth are able to pay, the rich men of the city of Bath. The State alone loses in the case of the city of Bath a State tax of \$1872. I tell you that sometime the people will know that the person whom you have relieved from taxation is the rich man and not the poor man. Skowhegan has \$178,250 of money to be taxed, money at interest. I find if this bill passes and that money goes into the channel where it will go that there will be \$3666 exempt from taxation which will fall back upon the people.

This bill depletes your State treasury of thousands and thousands of dollars. An not only that, but I want to call your attention to another matter—your collateral inheritance tax. You pass this law which says that no loan secured by mortgage on real estate shall pay any tax—this very last year we collected from the collateral inheritance tax \$73,899. Is there anything to hinder me from willing to a man who lives at a distance from me,

who is no relation of mine ten bonds secured by a mortgage on real estate? Could you make him pay that collateral inheritance tax which is now four per cent. upon all sums over \$500? My own town has \$260,000 of money at interest and not only at interest, but loaned on mortgages. In round numbers our tax is \$6000 that we get from that source of taxation. It come from the rich and the wealthy of my village and if you pass this bill we lose the whole of it, and every man's tax will be two and one-half mills more upon the same basis as 1904. In other words a poor man will have to pay a tax of two and one-half mills more on every dollar if this bill passes. The little town of Patten, if this bill passes, loses in its municipal tax \$939, and the State \$129. I am not going to say whose money that is at interest, but it is certainly the money of the wealthy class. It is certainly a class above all others that can afford to pay. Will you allow the men who have the money to pay with to escape taxation for the sake of helping the rich centres, and thus bring the burden back home upon the poorer classes? Mr. Speaker, I move that when this vote is taken that it be taken by the yeas and nays. (Applause.)

Mr. STEARNS of Millinocket: Mr. Speaker I have listened to the gentleman from Houlton with a great deal of interest. I would like to ask the gentleman a question relative to the original draft, Senate bill No. 23. I would like to ask him if he would favor that bill?

Mr. POWERS: No sir, I don't know as I should, because there are many things in it that are objectionable. It does not start at the right end. Start at the end where I said, relieve the man who has given the mortgage to the extent of his mortgage and I will be with you and hold up both hands and vote for it.

Mr. STEARNS: The gentleman would have you understand that this is a measure for the better protection of the rich as against the poor. That does not meet with my views on the situation or the aims of the bill. I represent a small town, not a money town. My constituents are not money lenders but money borrowers. Our town does not assess money at interest because we have no

money lenders. We suffer to a certain extent from the fact that the present method of taxation on mortgages of real estate in effect is a double taxation. I will say that I am interested in real estate to a certain degree. I am interested in getting money, for these poor men who wish to build homes for themselves and I am confronted with this proposition when I go to a money man and ask him if he has money to loan on real estate. He will say, yes, under certain conditions. I went to the town of Houlton within a year to negotiate a loan on real estate in our town. He asked how much I would pay for it. I told him that 6 per cent. was a good rate of interest. He informed me that he would have to have eight per cent. He said he had to pay taxes on mortgages and consequently he had to be protected to that amount. Now, this is true not only in Millinocket but throughout the State that the poor man is the one who is paying the double taxation. I know of certain individuals, one of whom for example, reputed to be worth \$30,000, who for the purpose of escaping taxation placed the whole of his money in savings banks. I have been to him personally and asked him to loan money on real estate in our town, and he told me that he did not propose to loan money when he had to pay a tax on it.

Those of us who have been assessors of towns know that a large percentage of this money which is taxed as money at interest is not money loaned on mortgages of real estate; it is loaned on personal notes. When an assessor goes to a man who has money at interest he is going to one who has a certain amount of influence in the town, he is wealthy, he has his friends. As a result the assessor don't feel exactly like saying, "You have a certain amount of money here and a certain amount there and I know where it is and you have got to pay on it." No, they say, "What are you willing to give,—what are you willing to return?" And as a result, they are not willing to return any very considerable amount. Let me read an extract from an address by Abel M. Smith, member of the board of assessors of the city of Portland before the Portland Board of Trade on January 5, 1905. He says:

"I can approximate the amount of mortgages taxed and as Portland pays about 46 per cent. of the tax of the whole State of Maine on intangible property I certainly cannot be charged with exaggeration when I claim that the mortgage valuation cannot be over 1 per cent. in the whole State, for the average amount of mortgages taken from the records as being taxable in Portland was in three years, 1902, 1903 and 1904, about \$66,000 and allowing that the whole amount of the three years' levy remained undischarged it would amount to the insignificant sum of \$200,000 or less than 4-10 of 1 per cent. of the whole tax valuation of Portland, making a loss of \$4000 in taxese. And this amount would be lessened by the discharged mortgages covered in the three years named." It has been said by the gentleman from

Houlton that one man from Bangor appeared in favor of this measure who was worth his hundreds of thousands. I happen to be acquainted with that man, and he told me personally that he hadn't one dollar of his money invested in mortgages on real estate. The gentleman has said that should this bill become a law the mortgages now in existence could not be reached by it. I will agree with that proposition, but you have got to stop somewhere, and will it be any better to stop two years from now than it is at the present time? I think not. Gentlemen, this is a measure, in spite of all arguments to the contrary, in favor of the poor man, the poor people who desire to engage in business, those who are desirous of building up their homes. Take the boy, for instance, about to embark in business. He has a little money and it is necessary that he should have something more. He goes to a money lender and he is confronted with this proposition, that the money lender must pay a certain amount of tax, and as a result he has to pay more. Gentlemen, it is the poor people who are asking for this bill. Personally I do not care one iota in regard to it. It will not affect me because I neither borrow nor lend, but I am speaking for the constituents whom I represent—I am speaking for those poor young men who are trying to build a home in the place where I live, and who are today paying rates from 6 to 100 per cent., and I make that statement advisedly. I know whereof I am speaking. I know that one of the clubs which the rich money lender holds over the head of the poor borrower is the fact that he has to pay a tax on this mortgage, and that he must have his 2 per cent. more in order to cover the expense which he must incur if he makes his loan.

Gentlemen, I hope that this measure will prevail because I believe it is a measure in the right direction. It may seem hard for some towns of the State who have a large amount of money that is taxed, but I tell you, gentlemen, regardless of what has been said, regardless of what you may hear relative to this measure, it is proper and right and the people of this State will demand it of you and will look to you to right what has been a great injustice to the poor people of this State. (Applause.)

On motion of Mr. Kimball of Rockland, the House took a recess until 2 o'clock.

#### Afternoon Session.

(Mr. Hale of Portland in the Chair.)

Mr. Morey from the committee on appropriations and financial affairs, on order of the Legislature reported a resolve in favor of James O. Chase, and that it ought to pass.

Mr. Russell from the same committee, reported resolve in favor of the secretary of the committee on insane hospitals, and that it ought to pass.

Mr. Morey from same committee, reported resolve in favor of Sereno T. Kimball, secretary of the joint committee on State printing, and that it ought to pass.

The reports were accepted and the resolves ordered printed under the joint rules.

On motion of Mr. Laliberte of Fort Kent, bill to incorporate the Eagle Lake Telephone Company, was taken from the table, and on further motion by the same gentleman the rules were suspended, the bill received its three readings and was passed to be engrossed.

On motion of Mr. Higgins of Limerick, bill relating to the reorganization of Pepperell Manufacturing Company, was taken from the table, and on further motion by Mr. Higgins was indefinitely postponed.

On motion of Mr. Higgins, bill to provide for enforcement of law against the sale of intoxicating liquors, was taken from the table and placed on file.

On motion of Mr. Littlefield of Rockland, bill to abolish the common council of the city of Augusta, was taken from the table. On motion of Mr. Littlefield, the pending amendment was adopted. The bill was then read a third time and was passed to be engrossed as amended.

On motion of Mr. Oakes of Auburn, resolve in favor of Central Maine Fair Association, was taken from the table.

The pending question being on the adoption of the amendment offered by the gentleman from Lewiston, Mr. Garcelon, a division was had and the motion was lost.

The resolve was then passed to be engrossed.

On motion of Mr. Morey of Lewiston, bill relating to the regulation and conduct of elections, was taken from the table.

Mr. Morey offered an amendment to Senate amendment A, by adding after the word "voters" in the fourth line of said amendment the words "so voting."

The amendment was adopted, and the amendment as amended was adopted.

On motion of Mr. Hall of Dover, resolve relating to industrial exhibits, was taken from the table.

The resolve was read a second time.

Mr. Garcelon of Lewiston, offered amendment A, by adding after the word "treasurer" in the fourth line the words "for the years 1905 and 1906," and by striking out the word "each" in the fifteenth line and adding the words "during the," and by adding at the end the words "provided however if the premiums are not paid in full that the salaries of the officers of said society shall be reduced in the same proportion before the money is available under the provisions of this resolve."

The question being on the adoption of the amendment.

The amendment was lost.

The question being on the passage of the resolve to be engrossed, a division was had and the motion was agreed to by a vote of 43 to 28.

On motion of Mr. Whitmore of Brunswick, an Act relating to the protection of deer in the counties of Kennebec, Knox, Waldo and Lincoln, was taken from the table.

Mr. Whitmore offered an amendment by

striking out all after the enacting clause and inserting new sections.

The amendment was adopted, and the bill was read a second time, and on motion of Mr. Whitmore the rules were suspended, the bill received its third reading and was passed to be engrossed.

On motion of Mr. Hastings of Bethel, bill relating to setting off a part of plantation number seven and annexing it to the town of Gouldsboro, was taken from the table.

The bill was read twice, and on motion by Mr. Hastings it received its third reading and was passed to be engrossed.

On motion of Mr. Hastings, bill to provide for a bounty on bears in Franklin county, was taken from the table.

The bill was then read a third time and passed to be engrossed.

On motion of Mr. Hastings, bill to amend an Act entitled an Act relating to assessment of taxes on lands in unincorporated places, was taken from the table, and on further motion by Mr. Hastings, the rules were suspended and the bill received its two readings at the present time. On further motion by Mr. Hastings, the rules were suspended, the bill received its third reading and was passed to be engrossed.

On motion of Mr. Tracy of Winter Harbor, bill to amend Revised Statutes, relating to the taking of clams, was taken from the table.

Mr. Tracy offered an amendment by striking out the words between the word "family" and the word "shall" in line sixteen, and inserting in place thereof the words "or for the consumption or use of the inhabitants of the town or any person temporarily resident therein." "Whoever takes clams contrary to the provisions of this section."

The amendment was adopted and the bill was read the third time.

On motion of Mr. Littlefield of Rockland, the bill was tabled.

Mr. Foss of Scarborough presented an amendment to the bill.

On motion of Mr. Littlefield the bill was taken from the table.

Mr. Foss moved the adoption of the following amendment: Amend section two of said act by adding thereto the following words, "But shall not be construed to effect the repeal of Chapter 317 of the Private and Special Laws of Maine approved March 26, 1903."

On motion of Mr. Littlefield, the bill was again tabled.

On motion of Mr. Stevens of Portland, the rules were suspended and that gentleman introduced resolve to amend Chapter 34 of the Revised Statutes relating to holidays.

Mr. Littlefield of Rockland, raised the point of order that the Revised Statutes cannot be amended by a resolve.

The Chair ruled that the point was well taken.

Mr. Oakes of Auburn, moved that resolve in favor of Central Maine Fair Association be finally passed.

The motion was agreed to.

On motion of Mr. Powers of Houlton,

the House proceeded to consider the majority and minority reports of the committee on taxation in regard to mortgages on real estate.

#### Taxation of Mortgages.

Mr. SARGENT of Brewer: Mr. Speaker, it seems to me that the measure has been so loaded down with misleading statements as to divert attention from the real issue. It has been well and truly said that taxation of mortgages is about the meanest kind of double taxation there is, for it singles out the man who is in debt and imposes upon him an additional burden with no resulting benefit of any kind. This tax falls upon the poorer and middle classes who are obliged to raise money to build their homes and carry on business and improve their condition, and in doing this they are forced to mortgage their real estate, and is it not a fact that in every instance the money lender always includes in his interest rate what he assumes his tax will be? And I ask you, who pays this? It is the borrower every time. And isn't that double taxation pure and simple?

Now, I believe if we pass this bill we put into circulation in this State money that is put into savings banks and trust companies, money that is spent to build up other communities. I believe by means of this bill we can keep that money at home, for there is a lot of trust funds and money that is being sent out of the State that would be retained here if this bill should pass and would be invested in different parts of the State of Maine, and would inaugurate, I believe, an era of prosperity never equalled in this State.

But it is said if you pass this bill the cities and towns will lose a certain amount of money by this removal of the tax on mortgages, but I want to say, gentlemen, that it will be made up over and over again by the amount of taxable property that you will have through the circulation of this money throughout the State. I trust and hope that you will vote to support the majority report. Let us remember what Governor Bates once said in his inaugural address in Massachusetts, in the Massachusetts Legislature,—“Gentlemen, would you serve your State it is not necessary, it is not necessary to write your name in the Hall of Fame, but be true to her ideals, to recog-

nize the rights of the people, to guard and watch over them from insidious attacks, recognize the rights of man, call no man master but be a slave to principle ever. With such we can look confidently to the future, praying that as with our fathers so it may be with us, for the good of the commonwealth."

Mr. SWETT of Portland: Mr. Speaker, I desire to say a few words upon this matter. I hold in my hand the report of the special tax commission of Maine appointed under a resolve of the Legislature, the last report that has been made in the State of Maine by this special tax commission. On page 46 the commission say:

"We have given considerable study to the vexed subject of the taxation of mortgages. To tax or not to tax them is a many-sided question and most difficult of satisfactory solution. It involves the whole theory and practice of general property taxation. The injustice of taxing a mortgage is that it results in double taxation. If the real property mortgaged is taxed and the debt secured by it is taxed also, under our system, the mortgagor is compelled, often, to pay a double tax because the lender of the money, the mortgagee, may and usually will make his contract to cover the tax he may be obliged to pay on the mortgage indebtedness, and the mortgaged property is taxable to the mortgagor. This liability to double taxation extends to many cases where no money passes and the mortgaged property is the only property involved. A has a piece of land worth one thousand dollars; B has nothing, but wishing to buy A's land, A conveys it to him and receives B's note for one thousand dollars secured by a mortgage of the land. Under our system, the land is taxable to B and the mortgage note to A, thus taxing two thousand dollars in value where but one thousand dollars exists.

"To give another similar illustration: A owns a farm worth two thousand dollars. B has five hundred dollars in money. Both are taxed in the aggregate \$2,500. That is all the property that they possess. B buys A's farm and pays him the five hundred dollars in part payment and a promissory note, secured by mortgage of the farm, for \$2,500. No new property has been created, yet our pres-

ent system would tax B for the land he has purchased three thousand dollars and A for the debt B owes him two thousand five hundred dollars, making \$5,500 of taxable property. Under such a system the larger the amount of debts and mortgages, the richer the community. To tax both property and credits, both lender and borrower, is plainly incorrect in principle and inequitable in practice," says Annasa Walker, author of Science of Wealth, and the foregoing illustrations of frequent instances show the truth of the criticism."

I have here the fourteenth annual report of the board of state assessors, valuation of 1904, and I find that the value of wild lands in this State is all confined to eight counties of the State:

Aroostook .....	\$7,444,072
Franklin .....	2,254,106
Hancock .....	858,421
Oxford .....	1,875,724
Penobscot .....	2,342,450
Piscataquis .....	7,098,563
Somerset .....	5,514,232
Washington .....	1,593,044

Thus you see, gentlemen, that in Aroostook county alone the value of wild lands is \$7,444,072, or more than one-fourth of the entire value of all the wild lands in the State of Maine. Now, the gentleman says that he comes here in the interests of the poor farmer and not in the interests of the wealthy corporations, and he quotes the rich city of Portland with its savings banks and trust companies, but he fails to tell us how much in mortgages the savings institutions and trust companies in the city of Portland hold upon the wild lands of Aroostook county. I hope he will give us that information before he finishes.

I would also like to ask him as to these poor farmers what is the amount of the mortgages upon their farms and by whom are those mortgages held? Are they held by the neighboring farmers, the men who have saved up a little money and who want to invest it in property adjacent to theirs, or are those mortgages held by the men who own the vast volume of the wild lands of Aroostook county? I trust that when the House comes to vote upon this proposition they will consider all the facts and all the figures and then determine who pays this tax,

whether it is the poor farmer or the men who own the wild lands?

Mr. HOLMES of Caribou: Mr. Speaker, I desire to call attention to one thing which none of the gentlemen who have spoken in favor of this bill seem to have gone into. The gentleman from Portland (Mr. Josselyn) who moves the adoption of the majority report, bases his conclusion upon the assumption that he has received more light upon the subject and that we ought not to turn down the report of any committee. But that has been done before in this House. The unanimous report of a committee has sometimes been turned down, and I think that that argument alone ought not to carry this bill through the House. The gentleman from Millinocket (Mr. Stearns) states that the town in which he lives has no money, is a borrower, and he argues from that the towns where there are men who have money at interest are not borrowers. In my little town we are taxed on money at interest about \$50,000, but that money is all loaned right there in the town. In addition to that there are five dollars borrowed outside of the town to place in the town, to every dollar that is loaned by the citizens of the town. The proposition that a town which shows money out at interest as not borrowing money, is certainly misleading. The gentleman from Millinocket says that assessors don't always get all the money they ought to, and he seems to argue that because of that a town ought to lose what they might get.

The gentleman from Portland (Mr. Swett) gives us a pure arithmetical problem. Now I will give you one. Suppose A has a farm worth five thousand dollars, and he is a thousand dollars in debt. B has a thousand dollars in his pocket. He loans that to A. There is a thousand dollars in cash; there is a farm worth five thousand dollars. A takes it and gives B his note, and A pays his debts with this thousand dollars. If you pass this bill he must be taxed for that thousand dollars at interest. Pass this law and what is the first thing that B does? He goes to A and says: "As a matter of accommodation won't you give me security, give me a mortgage on your farm. If you do that I won't have to pay taxes on this thousand dollars." And because B has accommodated A, A gives him a

mortgage on his farm. Well, that thousand dollars is lost to taxation. That is the way it looks to me, gentlemen. Now, in the county of Aroostook we have some thirteen representatives in this House. We are as much of a borrowing community as any other farming section in this State, and I think you should take it as significant that every one of the Aroostook delegation in this House are opposed to the passage of this bill. I certainly hope and trust that this bill will not become a law by the action of this House.

Mr. LITTLEFIELD of Rockland: Mr. Speaker, if the reasons given why this bill should pass are good and valid and you follow them out, you would not tax a single particle of property in the State of Maine. We heard read a few moments ago from the report of some tax commission that it was inequitable and unjust to tax both the borrower and the lender. If you follow that to its conclusion you eliminate taxes on every particle of property that has not in itself intrinsic value, in other words, you eliminate taxes upon more than fifty per cent of the whole wealth of the country, because the wealth of a commercial country is largely in I. O. U.'s, which depend on the property of intrinsic value for their value. The I. O. U. simply means borrower and lender, and if you fail to tax both borrower and lender, then you will eliminate all the tax on this proposition on the lender, you wipe out all your property that is not of intrinsic value.

The next reason given is because mortgages have to be recorded and you can find them. Well, the property that has intrinsic value, the most of it, you can find because it is visible; and you apply that, if that is a good reason, as related to mortgages, it is just as true as to everything else, you apply that and you wipe out all the property that has intrinsic value, and where are you? You haven't anything to tax. A great jurist, Chancellor Kent, has said that a just and perfect system of taxation is yet a desideratum in civil government. No proposition that we can put forth for taxation is going to be precisely just and equitable. Our basis of taxation is to make the burdens of the government fall on all men in accordance with their ability to pay and in proportion to a large extent to

their property. We are told that the report of this committee should have great weight. I admit it. The report of the minority of the committee should also have great weight. I assume that they have considered the matter as carefully and conscientiously as the comparatively small majority of that committee. But either report is worth just as much as the reasons that can be legitimately given for that report. We are told that this will usher in an era of great prosperity in the State of Maine. We are told that the city of Boston has greatly grown since mortgages were not taxed in the state of Massachusetts, and consequently that every place in Maine would become immediately a Boston. The growth of Boston as compared with the city of New York is very considerable, and the only mortgages that are not taxed in New York are mortgages sent in there for collection by non-residents, and there is no law exempting mortgages from taxation otherwise. Well, New York has grown, Boston has grown. I apprehend that there is something besides the mortgage tax that has had to do with the growth of those two cities.

To my mind, property for the purposes of taxation can be divided into two classes,—property of intrinsic value and property that has no intrinsic value. The one class is a thing that is valuable in itself, and the other class is simply one form or another of an I. O. U. Did it ever occur to you that when somebody owed you ten thousand dollars, for instance, that you were not worth anything, that you did not have any property? You haven't any property that has intrinsic value in itself. It is simply the property that the man behind your note has that makes it valuable to you. If we are going to tax property, then we should tax both classes of property. If we are going to make a distinction and do away with taxation on the intangible property and tax tangible property, then let us do it. We would come then pretty near to the proposition of the single tax which is a tax on real estate, and that is just exactly where this proposition is tending and you cannot stop short of it and be consistent.

Now, there are just two arguments presented here that to my mind have any

direct relevancy to the question. The first proposition is whether it is double taxation; the next proposition is whether the borrower pays the tax. There might be some foundation for this if you could establish one or both of those two propositions. I submit that you cannot establish either. Recollect the division of property into property of intrinsic value and the class of I. O. U's. If I have stocks, which is nothing but an I. O. U., which represents property back of it, that somebody else holds, if I have bonds, if I have notes, don't I have property? If I have a farm or I have a house and lot, I also have property. There are the two classes. We finally get back almost to land when we find the ultimate responsibility that is behind fifty per cent of all the wealth of this country. When these men let their money they take a note. If it is double taxation when I take mortgage security, it is double taxation when I let the money. I take a note. I have some money out at interest. Now a mortgage is only another form of security for the name on the back of the note. We are confounding the form with the substance. If I put my name on the back of a note, that only becomes security for the note because I happen to be worth some property, and if I am worth the property and give you my name as the security for the note and I am taxed for that property, which presumptively I am, that is double taxation, if it is double taxation when I give you mortgage security. Is it double taxation because I am taxed for the property I own although some other man may be taxed for the property he owns? Your whole question of double taxation is simply a question of taxing property that has not any intrinsic value; and if you do that you have double taxation if you have it at all. It cannot make it double taxation because I give one form or another of security. If the property in itself has not the value then the value behind it that makes it good, the value that makes the I. O. U. good is taxed, and you have double taxation in every instance of that kind if you have it at all. If somebody owed me about one hundred thousand dollars I should flatter myself that I was worth a hundred thousand dollars and had a hundred thousand dol-

fars of property. It is simply a question whether you will exempt property of that kind from taxation and simply tax property of intrinsic value in itself, and not a question of one kind of security or another that makes double taxation. It cannot change it. The mortgage is no different than your name on the back of the note.

How would this illustration go? I happen to have a piece of real estate. I owe a thousand dollars on it, and I have a thousand dollars in bank stock. I go to Mr. A, who has a thousand dollars in money. There is three thousand dollars for the purposes of taxation, and everybody will admit that every one of those three men has a thousand dollars. Now, then, Mr. A loans me his money and I put up the bank stock as security and I pay for my real estate with the money. Now, there is the security just the same as your real estate and there is the money that goes into the real estate. Is that taxed three times? Is that a triple tax on property? It is if when you give mortgage security it is double taxation on property. But suppose I owe a thousand dollars on my farm and I borrow a thousand dollars and give a mortgage as security, and consequently when I have put that thousand dollars into the farm, that thousand dollars being taxed to the man who has loaned it, and the farm being taxed, it is double taxation. Admitting that to be so for the moment. Suppose I have a farm which is all paid for and I hire some money to put somewhere else for some other purpose and I give a mortgage on the farm. That money did not go into the farm. Is that double taxation? Is it any different in principle? If one is double taxation, then both are: but your money is not in the farm, so you don't tax that farm twice. Gentlemen, this proposition of double taxation is absolutely fallacious. It is simply a question of whether you tax property that is an I. O. U., whatever may be behind it, or whether you confine your tax to the property that has intrinsic value. The courts of this country have passed upon that question. I will read from two of them. They say, "It is claimed in the argument that if the corporation is taxed on the obligation it holds against borrowers, the borrower or stockholder will be taxed twice on the same property,

once on the real estate mortgage and again on the credit arising from the loan, and the result is double taxation. We do not concur in this view." And another court states the proposition as follows: "Nor does the fact that the real estate on which the mortgage rests is owned by private citizens and has been assessed and taxed for its full value render that assessing and taxing of the mortgage liable to the charge of double taxation." If a debt owed to me is property and that property is not taxed, it is simply an exemption from taxation, and the fact that that is taxed and the security which makes that good is also taxed, is not double taxation because there are two different classes of property, and until we wipe one out as property we have got to tax both in order that all property shall be taxed.

The law of Massachusetts which exempts mortgages from taxation is very different from the law now under consideration. I saw in Boston the deputy commissioner of taxation, than whom there is no man better posted on the question of taxation in Massachusetts, and I asked him what he thought of this proposition to exempt mortgages from taxation. I have his letter here in which he says: "I am not a believer in this law and do not think it is for the interests of any state to have such a law upon its statute books." He says in effect that he does not take any stock in the question of its being double taxation. The man best posted in Massachusetts on this question says that the more he sees of the law the more unjust and inequitable it is, and the more he feels that he ought to talk against it.

The next proposition is that although this is not double taxation, the borrower pays the tax on both items of property, and that is really what it has reduced itself to. There is absolutely nothing in this question of double taxation. They both have property and they both should pay taxes on it unless we change our tax system. But they say, granting that, the borrower pays the tax. So long as men have money to let there are some men that will grasp any excuse to squeeze the last cent out of a man in necessity. Because there are some instances of oppression it does not argue at all for the general principle. But it



occurred to me that the best way to find out whether the borrower was paying the tax was to investigate and find out what interest he did pay. I think you will all admit that six per cent is the going rate of interest, and by the way the deputy tax commissioner of Massachusetts says that the interest on money will be regulated by supply and demand; and that is a self-evident proposition. It is irrespective of taxes, it is irrespective of security. It occurred to me that the best way to find out whether the borrower paid the tax was to find out what the borrower paid. In the county of Knox the loans are all small. It seemed to me that that county should be taken as a fair index of the counties of the State in determining whether the borrower pays the tax. You will all admit that six per cent is the going rate. If that is the going rate, and the small mortgagor does not pay any more than six per cent, he is not paying anything added on account of the tax on the mortgage, is he? An examination of the records of Knox county shows that there was one mortgage at three and a half per cent, there were fourteen at four per cent, four at four and one-half per cent, there were 56 at five per cent, there were 285 at six per cent, there were eleven at seven per cent, three at eight per cent and two at ten per cent. The average of those mortgages is considerably less than the going rate of interest or six per cent. I at once concluded that the borrowers in my county were not paying anything additional to what they could hire money for on any other security because they gave a mortgage on it, that they were not paying the taxes on the loan unless every man who hires money is paying the taxes on the loan. I found the same general situation existing in the county of Franklin, almost identically the same number of mortgages and running almost identically the same, and the average rate of interest on those mortgages was 5.82 per cent, just about the same. The small mortgage borrowers in the State of Maine are paying less than the going rate of interest. That, gentlemen, is fact; that is not theory. You may say that there are a lot of mortgages that are not taxed. Granted. But the fact is that the mortgagee now does not pay the tax because he is getting his money as cheap

as anybody can hire it on small loans.

If the tax was taken off, would the borrower get his money for any less? Did it ever occur to you that the fallacy of this proposition as a matter of fact is absolutely demonstrated in our every day life? And first I want to call attention to the statement of the deputy commissioner of taxes of Massachusetts on that point. He says: "As far as the argument is concerned that interest is less on account of it, I do not believe it, and I think it can be proven that it does not affect the interest one bit. Money is just the same as other commodities, that is, regulated by supply and demand." And it is demonstrated every day right in our own state that the borrower would not get his money for any less if the tax was taken off. Savings banks at the present time pay three-eighths of one per cent upon their mortgage loans. Do you know what you can get a loan for from a savings bank for a small amount on real estate security? Unless the banks are different than they are in my locality you will have to pay six per cent for it, just the same as the mortgagor pays according to the records in the registries of deeds in this state. You will have to pay six per cent. The tax is three-eighths of one per cent. Then the bank ought to be able to loan that money to you at one and five-eighths per cent less than the individual would loan it if the borrower gets the benefit of the tax. But they don't. You have to pay the six per cent for small loans at the savings banks the same as anywhere else. Now, if the borrower don't pay the tax, and if he don't get the benefit if the tax is taken off, where is the argument for passing a piece of legislation of this kind which shall be contrary to the whole course of taxation in the State of Maine?

Now, this bill is going to take out of existence a large amount of taxable property and money for investment will flow into that channel and will escape taxation and the people will pay it. The proposed bill says: "But not including in such debts due them or indebtedness from them any loan on mortgage of real estate, situated in this state, except the excess of such loan above the assessed value of the mortgaged real estate." The proposition of this bill is not to tax me on what I have loaned that I have got

security for, but if I have got something that is not worth a copper, the proposition is to tax it. If a man has got some property, don't tax him; if he has not any property then tax him. The proposition is to exempt what of the mortgage that is good and tax that that is good for nothing.

Our constitution provides that all taxes upon real and personal property shall be apportioned and assessed equally according to the just value thereof. This bill proposes to tax money at interest secured by mortgage on real estate, "but not including in such debts due them or indebtedness from them any debts except the excess of such loan above the assessed value of the mortgaged real estate." Now you propose by that law to assess the loans secured by mortgage. Do you propose to assess those loans secured by mortgage in accordance with their true value? No, you propose to assess them at fifty per cent or twenty-five per cent or ten per cent of their true value as the case may be. The constitution does not prohibit you from exempting property, but if you assess it at all you must assess it in proportion to its true value, but you propose by this bill to assess it for the fag end or less valuable portion of it and lose sight absolutely of the bulk of its value and not assess it at all on that. Cannot any man understand that the assessment of from one to fifty per cent of a loan is not assessing that loan in proportion to its true value? I do not believe that when you consider it in that light with your oaths to sustain the constitution, whatever you may have thought of it in the past—I do not believe you can vote for a proposition of that kind. Can you say that when you tax a part of a thing, when you tax a small percentage of it, and you say you are going to tax the thing, that you tax that thing according to its true value and as the constitution requires? And we find real estate men, men that want to take mortgages, men that are wealthy, defending this measure. Is it contrary to their interests to do it? Is there any double taxation? Does the mortgagor either now pay the tax or will he hereafter be free from any part of his interest, or will he borrow his money at the going rate of interest? It is simply a question of singling out a class of loans

and saying that because I take one security I shall not be taxed and I take another security and I shall be taxed. Gentlemen, if you are going to exempt from taxation, exempt loans from taxation and be consistent; and when you exempt all loans and all money at interest from taxation you can do it consistently with the constitution of the State of Maine; but when you take one class of loans or when you take a piece of a class and exempt the most of it and tax the fag end you are doing it in the face and eyes of the fundamental law of the State of Maine which you have sworn to sustain. (Applause.)

Mr. REED of Portland: Mr. Speaker, in our statutes, chapter nine, under which taxes are laid, and section six of that chapter we find certain things exempted from taxation,—real estate used by eleemosynary institutions, by colleges, and so forth, is exempt from taxation, or the State returns the tax which is collected. It gives here a long list of things which are exempt from taxation. Now, right here we propose to add to that another class. If the gentleman has any good law where this statute has been declared unconstitutional in our own State, or any similar law, we will be glad to hear it. We have citations in connection with this section where this has been passed upon by our courts again and again, and none of it declared unconstitutional. Since we commenced the discussion of this question the air has been filled with dust; every effort has been made for delay and to dispose of this question upon some side issue, upon some technicality. This is the second time since this question has been before us that the gentleman from Rockland has argued this thing upon its constitutionality. His first attempt was better than this, and both are bad. I desire to be absolutely fair in this matter. I have not the least personal interest in the passage of this bill. If I could be convinced in my own mind that it was not for the direct advantage of the borrower and the poor man, there is no one in this House who would more heartily vote against it than I; and I say further than that, if you are convinced of that fact I urge you most heartily to vote against it.

The thing I wish to do is to entirely divorce this matter from all these side

issues. Let us consider this measure just as it is, and when you vote simply vote as to whether the tax on mortgages shall be taken off. That is the question, gentlemen. This first draft of the bill was practically a copy of the Massachusetts law. It seemed to me that that bill was unnecessarily complicated. I preferred the bill which did the thing directly. For practical purposes this bill and the Massachusetts law are identical. Under the form of the Massachusetts mortgage which is almost invariably used the mortgagor, when he hires his money, expressly provides by the terms of his mortgage that he shall pay the entire tax upon the property and also upon the land, as the two together only make up the entire tax. I have here a letter which is direct evidence of the very best character, from the chairman of the board of assessors of the city of Boston, directly stating that the law in Massachusetts has reduced the rate. He does not surmise about it; he says it has reduced the rate. The best estimate we can make of the result of this law would be that in the State of Maine, generally speaking, it would help the borrower about **one cent**.

I want to call attention for a moment to the amount of mortgages there are in this state to show how large a **matter** this is. The mortgage debt in Maine in 1900 was about \$33,025,000. A change of one per cent in interest on this vast loan would save to the borrowers of this state over \$380,000. As to the effect of the passage of this bill upon the city of Portland, it seems very peculiar to me as I glance over some of these petitions that come from Portland, that so public spirited a man as our mayor, who is at his wit's end to keep down taxation, should be on this petition. And we have here in this lobby of rich men one of our assessors from the city of Portland who is at his wit's end to devise new sources of revenue,—it seems strange that he should be trying to take away this vast amount of taxable property. It does not require any argument to convince you, if we were not certain that the condition of things prophesied by some of those who have spoken would not obtain, that I could not for a moment stand here and advocate such a measure as this that would almost bankrupt the interests of

our city according to the views of those on the other side of this question. What are the facts in regard to these mortgages? In the city of Portland we have \$5,200,000 returned as money at interest, which is about one-half of all returned in the State of Maine. The total amount assessed on mortgages in the city of Portland is but \$66,000. The tax rate upon that at two per cent amounts to \$1,320 in cash which we should lose by the passage of this law. Gentlemen, the building of a single block would almost be the equivalent of that; and if we should lose on this, by the next year through the prosperity it would create, it would make up many times over any such loss.

The savings banks have been alluded to. They are not afraid of this bill. The savings banks throughout the State have long since ceased, at least many of them have ceased to further invest willingly in small real estate loans. We have tried in various ways by amending our savings bank laws to bring about a condition of things which would invest the money of the people in the land and the buildings of the people and to prevent this constant stream of gold from flowing out from our State into the West to build up various enterprises there; we have tried to fix that by legislation but without effect. Let me call attention to the city of Portland in this respect. The Maine Savings Bank has assets amounting to more than \$9,000,000. Of this sum over \$8,000,000 is in railroad bonds of other states, over \$1,000,000 is invested in public securities of other states, making a total of over \$9,000,000 invested in foreign securities. The Portland Savings Bank does better. They have invested large sums of money upon a considerable amount of mortgaged property, but in the Portland Savings Bank there are over \$3,000,000 invested in the securities of foreign states, making from the city of Portland alone from those two savings banks over \$12,000,000 collected from those poor widows and those working girls and from all the people gathered right up and carried out of the State to develop other interests that are not ours. That is the very tendency that we wish to check. We wish to offer to the people of this state something that is not taxed in which they can place their little savings and invest them here.

A word about this as a Portland measure. This is not so. The Portland Board of Trade approved it. You have seen some Portland gentlemen here, it has been said, working in the lobby. The gentleman from Houlton referred to one of them, Mr. Edwards. From my own personal knowledge all these men that he has seen around here are as poor as church mice. We are sorry, but it is a fact.

Mr. POWERS: How about Mr. Edwards?

Mr. REED: I don't know of a man in Portland who owes as much money and finds it as hard to pay as Mr. Edwards. I may be wrong about that, but that is my understanding about it. Now, these men are real estate men, but they are interested in this bill just the same as you and I are. They are interested because it makes lower money and that is the way they get their living by making loans, and getting buildings built and getting a commission out of it. They are looking after their commissions. That is what we want them here for, to show the thing up, and I am glad they are here. This question does not apply peculiarly to Portland but it applies to every section of the State. I don't know myself of a single money lender in the world as such that is favoring this bill, not one. The borrowers of the money want to get their money cheaper. They are the men who are building up our communities, and I want to see them get their money cheaper. And what are some of the reasons why we favor this bill? Property having been once assessed should not be assessed again; the unfairness of compelling one kind of property to pay a greater tax than another. It has been said that the rate of interest on money depended on the supply and demand like other things. That is true. If we were to have no further supply of money by reason of the passage of this law, then the passage of the law would be futile. In this State there are vast amounts of capital held by trustees of various estates. It is not good policy nor is it allowable for them in any way to conceal the method of their investments. It has not been the policy of such trustees in the past to invest to any considerable extent in real estate mortgages for the rate they would

get, five or six per cent, when taxed in a community where they lived, would reduce the rate to about three per cent. It is not true that the savings banks always get six per cent in our State. The uniform rate in the case of the Maine Savings Bank in Portland is five per cent. We don't complain so much about that rate, but you cannot get the money. Now, what we want is to have security that we can hold right up and say to the small investor, we want the real estate man, if you choose, to be able to go to that widow and say to her, "I offer you the best security upon the face of the earth. Its foundation is upon the ground. It cannot be taken from under you, and it cannot be taxed." When that condition arrives then these widows and then these trustees will take up this class of securities and money will not be forced into the savings banks to such an extent as to go out of the State, and we shall see a degree of prosperity throughout our State by reason of cheap money which is the life blood of trade, which we have never seen before. As I said, we have the city of Portland alone representing half of the money of the State at interest, and how much do you think you are going to be affected directly by the passage of this bill? But it is said that this money which is now at interest will be invested in mortgages and so will escape taxation. Would to Heaven it were so. Would to Heaven that all this money in this State which is now returned as money at interest could be invested in the building up and development of this State. Would we look for property to tax? New industries would spring up, new buildings would be built, new homes would grow up all around us, and we should get the taxes upon real estate and not upon money at interest.

Take the question of double taxation. Suppose that gentleman there owns a farm worth three thousand dollars. He decides to sell me the farm. He says "I will sell my farm for three thousand dollars; give me a mortgage for three thousand dollars and you take the farm." We will suppose he sells it at its full value. His farm is assessed at three thousand dollars. He sells it to me and takes my note and mortgage for the three thousand dollars. Under our law we pay together taxes on six thousand

dollars. If that is not double taxation I am not able to understand the clear meaning of language.

I close as I began. The only thing I believe that the passage of this bill will accomplish will be to give us cheaper money, to keep our money at home to help develop the interests of our own State in which you and I and every one of us are equally interested. It is for that reason that I advocate the passage of the bill and I believe, gentlemen, that if you are of the same opinion as I am that you will vote for it. (Applause.)

The question being shall the yeas and nays be ordered.

The motion was agreed to.

The SPEAKER: The question is on the acceptance of the majority report, that the bill ought to pass. All those in favor of the majority report, relieving real estate mortgages from taxation, will say yes when their names are called; those opposed will say no. The Clerk will call the roll.

YEA:—Baxter, Belleau, Bradford of Livermore, Buzzell, Byron, Cobb, Copp, Carcelon, Giddings, Grant, Hale, Hodgkins, Johnson of Waterville, Josselyn, Knapp, Lanigan, Leighton, Morey, Morrison, Mullen, Nash of Damariscotta, Newbegin, Oakes of Auburn, Oakes of Milford, Peacock, Pendleton, Percy, Reed, Sanborn, Sargent of Brewer, Sargent of Castine, Sawyer of Smithfield, Sewall, Smart, Smith of Madison, Stearns, Stevens, Swain, Swett, Thomas, Trickey, Tupper, Usher, Verrill, Webb, Whitmore, Witherspoon—47.

NAY:—Abbott, Allan, Baldwin, Barrows, Berry, Blanchard, Bradford of Friendship, Briggs, Bunker, Burkett, Clark, Cole, Davis of Benton, Davis of Guilford, Dennison, Downs, Dudley, Fawsette, Fulton, Hall, Hastings, Hathaway, Higgins, Hill, Holmes, Howes, Hussey, Ingersoll, Irving, Jillson, Jones, Jordan of Yarmouth, Kimball, Kinsman of Cornville, Laliberte, Leonard, Littlefield, Longfellow, Louge, Marshall, Martin, Merrill of Dixfield, Merrill of Skowhegan, Miller, Morton, Nash of Kennebunk, Newcomb, Norcross, Page of Hampden, Perry, Poor, Powers, Price, Purinton, Putnam, Russell, Sawyer of Milbridge, Scribner of Charleston, Shaw, Shevenell, Smith of Saco, Sparrow, Staples, Talpey, Therriaault, Thompson of Orono, Thurlough, Tracy, Treworzy, Turner, Washburn, White, Wilder, Witt—74.

ABSENT:—Bean, Bliss, Cousins, Cushman, Gannett, Goodwin, Gray, Hagerthy of Ellsworth, Hagerthy of Sedgwick, Hutchins, Johnson of Calais, Kinsman of Augusta, Page of Appleton, Philbrook, Scribner of Springfield, Thompson of Roque Bluffs, Vittum, Walker, Weatherbee—19.

PAIRED:—Albert, No; Jordan of Cape Elizabeth, Yes. Foss, Yes; Johnson of Hallowell, No. Hanson, No; O'Brien,

Yes. Seavey, Yes; Webster, No. Libby, Yes; Milliken, No.

So the majority report was rejected. On motion of Mr. Powers of Houlton, the minority report was then accepted as the report of the committee.

On motion of Mr. Littlefield of Rockland, resolve in favor of Moses Moon was taken from the table. (Read a second time and passed to be engrossed.)

Special assignment: Reports "A," "B" and "C" Committee on Legal Affairs, on petitions to investigate the non-enforcement of prohibitory law in Cumberland county.

The question being on accepting report A in concurrence with the Senate,

The report was accepted.

Mr. Higgins of Limerick moved that the House take a recess until half past seven o'clock.

The motion was lost.

Special assignment: Reports, Committee on Towns, majority, ought to pass, minority, ought not to pass, on bill, to annex to Roque Bluffs certain islands forming part of Jonesport.

On motion of Mr. Shaw of Clinton, the House concurred with the Senate in accepting the minority report "ought not to pass."

Special assignment: Report of Committee on Sea and Shore Fisheries reporting "ought to pass" on bill, to repeal Chapter 317 of the Special Laws of 1903, relating to taking clams in Scarborough.

On motion of Mr. Foss of Scarborough, this matter was laid on the table.

On motion of Mr. Littlefield of Rockland, House order in relation to making up the pay roll, of members, officers, employes and chaplains was taken from the table.

Mr. Littlefield offered an amendment as follows: "Except there shall not be included any mileage in any case where the travel of the party whose name appears in said pay roll has been upon a pass."

The amendment was lost.

The order then received a passage.

On motion of Mr. Jordan of Cape Elizabeth, bill relating to collection of taxes, was taken from the table.

Mr. Jordan offered an amendment by striking out Section 2 and substituting the following: "This act shall apply only to cities having a population of ten thousand inhabitants or more."

The amendment was adopted, the bill was read a third time and was passed to be engrossed as amended.

On motion of Mr. Giddings of Gorham, Adjourned.