

MAINE STATE LEGISLATURE

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Public Documents of Maine:

BEING THE

ANNUAL REPORTS

OF THE VARIOUS

PUBLIC OFFICERS AND INSTITUTIONS

FOR THE YEAR

1874.

VOLUME II.

AUGUSTA:

SPRAGUE, OWEN & NASH, PRINTERS TO THE STATE.

1874.

STATE OF MAINE.

REPORT

OF

TAX COMMISSIONER,

APPOINTED UNDER

RESOLVE OF LEGISLATURE,

PASSED

JANUARY 16, 1874.



AUGUSTA:

SPRAGUE, OWEN & NASH, PRINTERS TO THE STATE.

1874.

STATE OF MAINE.

RESOLVE relative to a Tax Commission.

RESOLVED, That the governor be and hereby is authorized and empowered to appoint a commission, consisting of one person, whose duty it shall be to inquire into the system adopted by other states to raise revenue outside of direct taxation; and to report to the legislature such a system as may be best adapted to meet the wants of the people of the state and reduce the rate of direct taxation of the people, said report to be submitted to the legislature within thirty days.

Approved January 16, 1874.

REPORT.

To the Legislature of Maine :

The undersigned, Commissioner appointed under the Resolve of January 16, 1874, a copy of which is prefixed hereto, begs leave to

REPORT :

That the shortness of the time prescribed by the Resolve has afforded him but a very inadequate opportunity for the performance of the duty imposed, and hence he has been able to give to the subject but little of the attention which its importance would seem to demand. No other apology is deemed necessary for the many imperfections of the Report now presented.

Immediately upon receipt of his commission he entered upon the performance of the service required, and addressed letters upon the subject to very many of the States, which the shortness of his term would not admit of his visiting, asking of them such documents and other information as the subject required. From many of these he has since received full answers or such as enable him to gather the information sought, though in some cases a full statement may not readily be gleaned from them.

He has also in person visited the capitols and had personal interviews with the officials of all the New England and Middle States except Delaware. From these sources he is able to give the subjoined information as called for by the Resolve.

STATE SYSTEMS.

The following is a concise statement of the different systems of indirect taxation or revenue for the support of State governments as at present existing in the different States of the Union, so far as the investigation has gone. It may not however be irrelevant to remark, that in many of these States a very general feeling of dissatisfaction prevails at the respective systems existing, and changes are constantly taking place or threatened. This is pecu-

liarily the case with the great States of New York and Pennsylvania, whose legislatures are now engaged in efforts of reform of this very matter. In the last named State is this especially true, where recent decisions of the United States Court and the provisions of their own new constitution have so disturbed their whole revenue system as to make necessary a very general revision if not an entire new code on the subject. The same is more or less true of several other States, as will appear in what follows.

These statements are intended to include all items of any interest or importance bearing upon the object of this commission, omitting occasionally such items as can have no relevancy to our State or its resources.

MASSACHUSETTS.

Besides the revenue received by this Commonwealth from direct taxation for the support of the State government, the following are among its resources for that object.

All corporations of a business character are taxed for the support of the State, and consequently freed from all municipal charge except so far as they possess real estate, including fixtures and machinery, in the town or city where the company does business. All such real estate is taxed by the towns, but personal estate, as well as the shares of the capital stock, are beyond the reach of the municipal assessor. The rule of assessment is as follows, viz.: The actual value of the corporate shares is first determined either by its quotation on 'change on the first of May, or by its actual worth in the market, and this sum is multiplied into the full number of shares. The product less the assessed value of the real estate taxed by the town or city affords the basis of the tax. The rate is determined by the average rate of all the towns and cities in the State, being about one and a half per cent. This average is determined by the collected returns of the whole State of the actual valuation and assessments of each place in it. The tax thus assessed is collected by the State and then divided among the towns according to the number of shareholders in each, each town's portion being passed to its credit towards its State tax. That portion which remains, the result of non-resident holders of the stock, the State keeps.

Railroad corporations are taxed in this manner, and when the road passes into another State a pro rata proportion of the whole is assessed according to the number of miles in the Commonwealth.

Certain corporations existing under the laws of Massachusetts for the purpose of mining, quarrying, and engaging in oil or coal work in other States, are taxed at the rate of one mill on each dollar of their capital, and four per cent. on net profits.

Telegraph companies follow the same rule, except that the relative length of wire in the State forms the measure of division.

The shares of National Banks held by non-residents of the State are taxed in the town or city where the bank is located and tax paid to the State.

Savings Banks pay a tax of three-fourths of one per cent. on their deposits.

Confiscated liquors paid last year \$4,338.93 into the State treasury.

Insurance companies pay the following taxes, viz.: Mutual domestic fire companies one per cent. of premiums; Domestic stock companies are taxed according to the above rule of taxing corporations.

Foreign (out of the State) Fire and Marine companies pay two per cent. on gross premiums, but Life companies pay nothing.

Admission and other fees to the amount of \$50.00 for each company, and the retaliatory law is in force.

The whole subject of State taxes is under the supervision of a Tax Commissioner, the State Treasurer being such *ex officio*. The deputy has really the whole work upon his hands, having two male and ten to fifteen female clerks at an aggregate expense for the department of about \$18,000 per annum.

RHODE ISLAND.

The State government is largely supported by direct taxation as in Maine, the sum of 20 cents being assessed upon each \$100 of the whole valuation.

Savings Banks pay $\frac{1}{4}$ of one per cent. on their deposits and reserve.

All *corporate charters* pay a duty varying according to their capital. When the capital is \$100,000 or less, the duty required is \$100, and on all capital above that 1-10th of one cent on every dollar additional.

Railroads pay a municipal tax on all their property, real and personal, including track and depot buildings, in the towns where they are located, but pay no tax to the State.

Licenses for the sale of liquors, for peddlers, for auctioneers and rents of oyster lots, make up in part the list of revenue receipts.

State Insurance Companies pay one cent upon every \$100 at risk.

Foreign Insurance Companies pay two per cent. on gross premiums received for Fire and Marine, Life and Accident policies.

National Bank shares belonging to non-residents of the State, are taxed in the town or city where the bank is located, but for the use of the State.

CONNECTICUT.

Railroads, including also horse railroads, pay a tax of one per cent. to the State upon the market value of their whole property, after deducting such as is not used for railroad purposes, and is taxed in the town of its locality. The value is ascertained by adding to the market value of the stock the net debt less cash on hand. The theory is that the debt has been incurred by the purchase or improvement of the property, and hence the rule prescribed gives the true value of it. If the road lies partly in another State, a division is made according to miles of track.

Savings Banks pay $\frac{3}{4}$ of one per cent. as the law has been, but a new law is passed assessing $\frac{1}{2}$ of one per cent. on all Real Estate investments, and one per cent. on all others, at least one-half of all loans being required to be made on real estate securities.

National Banks pay tax on non-resident stock to the towns of their locality, and the towns keep it.

Telegraph Companies pay two per cent. on gross receipts.

Express Companies also pay two per cent., but if they fail to make returns, they pay \$2,000 instead.

Domestic Insurance Companies and State Banks pay the State one per cent. on non-resident stock, at its market value. The company pays and charges it against dividends.

Insurance Companies of other countries pay an admission fee of \$50, but no other company pays anything. No tax is laid on premiums except such as arise under the reciprocal rule, or law of retaliation.

Mutual Life Companies of the State pay $\frac{1}{2}$ of one per cent. on their assets, less unpaid losses and real estate taxed by the town or city.

Mutual Fire Companies pay $\frac{3}{4}$ of one per cent. on assets after same deductions.

But the largest part of all State revenue is gathered from direct taxation.

NEW HAMPSHIRE.

The State government is here supported almost wholly by direct taxation, as in Maine.

Savings Banks pay a tax of one per cent. on deposits into the State Treasury and the amount is then divided among the towns in proportion to the amount deposited by their respective citizens.

National Bank tax goes to the towns.

Railroads pay a tax according to the following rule: The Judges of the Supreme Court, upon a hearing, determine the value of capital of each road expended in the State, also the rate and amount of assessment, which amount is collected by the State Treasurer. This is then divided in part to the towns through which the road passes, and in part to the towns where their stockholders reside, and the balance goes to the State. For the first ten years after the opening of the road the corporation is free from taxation.

Insurance Companies pay a tax of one per cent. on their gross premiums.

VERMONT.

Direct taxes are principally resorted to for the payment of State expenses.

A general list is made of the appraised value of real and personal estate, the two are added together, and one per cent. of the amount taken; to this is added one dollar for every dog and two dollars for every poll, and the sum forms the basis of the tax assessed. In the last list the dogs numbered 18,432, and the polls at two dollars each, added \$69,157 to the amount. Railroad and other corporate property is included in the list at its value.

Circus licenses amounted to \$4,500 during the last year, besides which the towns also charged according to their own rules.

Insurance Companies are not taxed, except on the retaliatory principle.

NEW JERSEY.

The "United Companies," meaning the Camden & Amboy, and other railroads run by the Pennsylvania Central, pay an annual tax of \$298,128.96, in full of all State charges. This sum was

fixed by a compromise which adopted the income of a certain year as a measure. All other *railroads* pay a tax of 1-2 of one per cent. on their capital stock.

Savings Banks pay no tax, except for their charter. All corporations pay a fee of \$25 or upwards, according to schedule, for their charters, or any additional private act of the Legislature.

No tax on State or national banks is imposed, for the support of the State government.

Insurance Companies pay for licenses and other fees, \$55 into the State Treasury, and a tax of two per cent. on gross premiums, besides \$5 for each agent's license.

For any balance of expenses and payments a direct tax is placed upon the people, to the amount of $1\frac{1}{2}$ mills on a dollar for the State revenue, and 2 mills for schools.

NEW YORK.

Substantially the State supports its entire government by a direct tax levied upon the people, very much as does Maine. A few minor items, such as licenses to peddlers and auctioneers, court fees and fines, add somewhat, but very little to the large aggregate of that which is directly levied.

The fees paid by banks are intended solely to pay the expenses of the department.

Insurance companies pay two per cent. tax on premiums on fire and marine policies, but nothing on life, and \$50 per annum for admission and other fees to the Insurance Department.

Railroad capital, so far as invested in land necessary for the road, including fixtures connected therewith, is taxable in the towns where the same is situated, according to its value at the time of taxation. The personal property is taxed in the town or city where the home, or principal office of the company is located. A small tax is assessed on the corporation to pay expenses of railroad engineers, printing, etc., and stock is taxed to the holder.

PENNSYLVANIA.

This State, in respect of the subject now under consideration, is the antipodes of New York, or rather the complement of it. Substantially it pays no part of its large annual expense of government by direct taxation, but all indirectly. A tax on personal property is nominally laid ; but the items taxed are little else than

the single one of money at interest, and furnishes comparatively but a small income. The great burthen of government charge is borne by corporations. The lands of the State are, beyond calculation, rich with their inexhaustible mines of iron, coal, oil and other substances; their soil is most fertile in the production of all that the earth can yield for food of man and beast. The State itself lies across the path of all travel from North to South, from East to West, making every other State more or less tributary to it. Water power, and indeed every other natural advantage that Providence could well bestow upon a people, are theirs. The result is that wealth is massed in enormous amounts; industry and energy find at every point a theatre for expending their force, and enterprise is everywhere stimulated. Enormous corporations, immensely profitable in their workings, show themselves all over the surface of the State; railroads and canals interlace it everywhere and thrift universally abounds. Corporate wealth thus accumulated and profitably invested, is made to bear the burthen which they can so well do without a murmur. In their desire, however, to press the subject to its utmost, the Legislature not infrequently finds its work overturned, and new schemes of taxation are obliged to be resorted to. Recent decisions of the Supreme Court of the United States have resulted in abating about a million dollars of these annual assessments, and their new constitution threatens another hegira in the same direction.

The great item of taxation upon corporations is what is known as the three-mill tax. It is an assessment of one-half a mill on each dollar of capital stock for every cent of dividend. Thus, all six per cent. dividend paying corporations pay three mills on each dollar of their capital. If no dividends are paid, then the tax is three mills on each dollar of the actual value of the stock. The real estate of the corporations is taxed by the municipalities, but no allowance is made for this towards the three mill tax. The real estate of railroad corporations, outside of the track, is taxed, but not the stock shares nor the track itself.

Banks, State or National, pay the same three mill tax on each dollar of the shares of their capital, besides municipal assessments.

A special provision of the statute, however, allows national banks at their option, to pay directly to the State a tax of one per cent. on the par value of the stock in full of all taxes against the

stockholders, and all other charges under the laws of the Commonwealth. This proffered compromise has been very generally accepted and the tax paid without leading to any litigation to test the validity of the change.

The bonded debt of corporations bore a tax of three mills on a dollar, and the company held to pay it and deduct the amount from the coupon. This act, however, has been declared unconstitutional so far as it affects non-resident bond holders, and the whole tax will for that reason be repealed.

Tonnage on freight of 4 cents per ton was another great source of income, but so far as it was exacted on articles going beyond the limits of the State, the Court held it unconstitutional, and this most fruitful source of income is cut off.

Other exactions are giving way, and the great problem of Pennsylvania now seems to be how to make up the waste that these interferences of the Court and their new constitution have effected.

A tax on net earnings, 3 per cent., which has been very fruitful of income, is also in some of its features found so objectionable as to be regarded as soon to follow the fate of the tonnage duty.

The Pennsylvania Railroad pay a commutation tax of \$230,000 by way of compromise for all railroad charges and taxes.

Retailers of goods and merchandise, peddlers, inn-keepers, circuses and theatres, billiard rooms, eating houses, brokers, patent medicine, millers, distillers, and other classes of business, pay licenses for the exercise of their particular callings, to a greater or less amount.

Collateral inheritance, being a tax of 5 per cent. on all estates passing by death to other parties than children, parents, husband and wife, brings in \$327,973.

Tax on wills, writs and deeds, &c., \$113,117.

Insurance Companies of other states and countries, pay three per cent. on premiums and an annual fee of \$45 for admission, etc. Domestic companies are governed by the three mill tax above explained.

Fees of public officers afforded an income of some \$20,000, and "a case of conscience" \$945.

OHIO.

The mode of supporting State government by direct taxation very nearly accords with that in vogue in New York. Railroad

and other corporations, including telegraph and gas companies, all form with other property, according to their value, a basis for municipal taxation, and upon the same basis or amounts the Assessors place the State and County taxes, and upon their collection the State receives its portion from the proper municipal officers. The method is very nearly the same in this report as in Maine, a board of equalization existing to ensure uniformity and proper valuations. This board assess or appropriate to the respective municipalities their proportions of the railroad and telegraph property to be placed in their lists. The gross premiums received by insurance agents are regarded as so much property in their hands for taxation to be added to their inventory of personal effects, and all pay an uniform tax. Dogs are also subjects of tax according to their value.

KENTUCKY.

A tax of 35 cents on every \$100 in value of real and personal estate is annually collected directly from the people, for various purposes of State government.

Bank stock and stock in other monied corporations pay 50 cents on each share of \$100, or on each \$100 of stock. By special act this provision was afterwards extended to embrace national banks, the duty being imposed upon the bank to pay the same into the State Treasury. This was resisted by the banks, but the right was affirmed by the Supreme Court of the United States, in the case reported in Wallace's Reports, Vol. 9, Page 353.

Railroads are taxed for the benefit of the State, on a valuation of \$20,000 per mile, at the same rate as taxes are assessed on real estate, as above stated.

Express companies pay six per cent. of net profits.

Turnpikes pay six per cent. of dividends.

Toll bridge, mining and manufacturing, gas-light, street railway and water works corporations pay a like tax to the State as prescribed for real estate, being 35 cents on each \$100 of cash value.

Telegraph companies pay 50 cents for each mile of wire worked by them.

Drugs and medicines belonging to non-residents, pay five per cent. tax on proceeds of sale within the State.

Inn-keepers, brokers, liquor-dealers, bowling saloon and circus proprietors, peddlers and certain legal papers pay license or other fees to a greater or less amount.

Dogs also, are taxed \$1.00 each, for State purposes, except that two are exempt "when kept by bona fide housekeepers."

Insurance companies pay a tax of $2\frac{1}{2}$ per cent. on gross premiums.

All corporations named in this list as paying taxes to the State, are also subject to municipal taxation on their property, but the stockholders are free from tax on their shares.

MICHIGAN.

This State government is also largely supported by direct tax upon the people.

Railroads pay a tax on gross receipts as follows, viz: For all sums not exceeding \$4000 per mile, 2 per cent.; and for all sums over that 3 per cent., which tax is in full of all taxes, except that on real estate not necessary for the operation of the road. When the road is partly in another State the division is made according to the length in miles. This is the law of roads built under the new constitution. Roads existing prior to 1855 are taxed according to the cost of the road. Equalization Board apportions the assessments on all taxable property.

Non-resident holders of bank stock pay taxes to the State, the bank paying the State and charging it against the stock or dividends.

Telegraph and Express Companies pay a small percentage of tax on their receipts.

Insurance Companies pay 3 per cent. on premiums of all kinds of insurance, netting the State nearly \$100,000 annually.

INDIANA.

Here too, the larger portion of the expense of the State government is borne by direct taxation.

Railroads are assessed at the rate of 15 cents on every \$100 of value, as fixed by the Equalization Board, who apportion its collection proportionately to the counties through which the roads pass. This assessment embraces the whole property of the road, including track, rolling stock, and all other items, real and personal.

The same board also equalize the value of all other corporate stock and amount of tangible property. If the latter exceeds the value of the stock, it is taken as the measure of taxation, other-

wise the capital stock actually paid up is the criterion. The Board also equalize the value of all other property among the Counties for any further revenue that may be requisite, and the uniform rate for State purposes is assessed.

Insurance Companies pay three per cent. on all premiums received, less losses paid for all kinds of risks.

ILLINOIS.

The entire revenue for State purposes is received from taxes levied on real and personal and railroad property, and city and town lots, as equalized and valued by a Board appointed for the purpose, except a few minor amounts, among which are insurance fees. No tax is assessed upon insurance companies except such as accrue under the operation of the retaliatory law.

WISCONSIN.

Have only the Treasurer's Report, without any explanation, from which it appears that with other items, the following were received :

State tax.....	\$781,875
Railroads,.....	210,374
Insurance companies,.....	63,299
Telegraph companies,.....	3,522
Show and peddlers' licenses, &c.....	7,188

Insurance companies pay two per cent. on all fire premiums, and life companies pay \$300 each for admission fee and tax in full.

IOWA.

State revenue is collected by a direct tax of $1\frac{1}{2}$ mills on a dollar, or not exceeding two mills, as may be directed by the Executive Council. For this purpose a State Board of Equalization is appointed to apportion the tax to the different towns or counties.

Railroads are embraced in the assessment and taxed for their value the same as other property. The Census Board value the property, taking into consideration its business done and all other matters.

Telegraph companies are treated in the same way. The Equalization Board apportion the whole as above stated, and the tax is then assessed by the towns, collected and paid over with other sums due from the county or town on the direct tax.

Fire insurance companies, foreign to the State, pay a tax of $2\frac{1}{2}$ per cent. on gross premiums, besides fees for admission, etc.

MISSOURI.

A direct tax of 20 cents on \$100 of State valuation for State expenses, and 25 cents on \$100 for sinking fund, is levied upon the people. No taxes are laid upon insurance companies, except a fee for admission to defray expenses of the department. Very little other revenue is collected from any source for the support of the State government. The Legislature now have before them a measure for taxing railroads, but as yet no law is enacted or matured.

NEBRASKA

Supports her State government by a direct tax. A measure is now pending for the appointment of an Equalization Board, and to include the taxation of railroads, but as yet no policy has been decided upon or enacted.

“Gross receipts of Life Insurance Companies are taxed at the same rate as other property.” Fire insurance companies pay no tax on premiums.

KANSAS.

The State government is supported by a tax directly upon the people, the assessment being made upon a cash valuation of all the real and personal estate, including railroad property and that of all other corporations.

Insurance Companies pay a tax of 2 per cent. on premiums received, and \$50 for admission and other fees.

MARYLAND.

Besides money received from direct tax, the State receives large income from Railroads and Banks, in which the State is interested as owner. Very recently a very important change has been made in her revenue system, and it is not yet fully in force. All corporations except Railroads pay taxes on their property according to its cash value.

Railroads now pay $\frac{1}{2}$ of one per cent. on their gross receipts.

National Banks are nominally taxed for the benefit of the State, but defects in the law have in a great measure rendered it ineffective.

Insurance Companies pay an admission fee of \$300 and a tax of $1\frac{1}{2}$ per cent. on all premiums received in excess of \$20,000.

Express and Telegraph companies pay $1\frac{1}{2}$ per cent. on receipts. Collateral inheritance fee brought into the treasury last year the sum of \$39,817, and commissions from executors and administrators \$65,195. Marriage licenses \$26,595, while traders, auctioneers, and exhibitors added largely to other means. "To catch oysters with tongs" and otherwise, brought in an income of \$65,490.

SUMMARY.

In reviewing the statistics now given, the following would seem to be adopted as items of taxation and revenue by different States for the support of State government, besides that of a direct tax :

1. Corporations in general, and especially railroads, telegraph and express companies, canals, insurance companies, mining and manufacturing corporations, Savings Banks and State and National Banks, Gas companies and Toll Bridges.

2. Licenses of different kinds to innkeepers, retailers of merchandise, brokers, auctioneers, peddlers, circus and other shows, theatrical exhibitions, billiard rooms, and for the sale of foreign drugs and medicines, and for marriages.

3. Fees for legal instruments of different kinds, such as wills, deeds, contracts, writs, &c.

4. Collateral Inheritance tax.

5. Bounties or bonuses for Legislative private acts and acts of incorporation to be paid before the act can become effective.

SUGGESTIONS.

In complying with the second branch of the Resolve creating the Commission, to report such a system as may seem best adapted to the wants of the people to raise revenue outside of direct taxation, the Commissioner under the pressure of time imposed by the Resolve, feels a peculiar embarrassment if not inability. A few preliminary suggestions are ventured.

No subject presents more difficulties for a correct solution than this very one of taxation. This seems remarkably demonstrated by the detail already reported, which presents contiguous States adopting principles directly the reverse of each other and no two adopting the same. The trite maxim lying at the foundation of the whole subject is, that taxation is the price of government pro-

tection, from which it would seem to follow as a corollary that in proportion as that protection is enjoyed the consideration should be paid. A learned writer on the subject states the proposition in this way, "all property under the full shelter of the law should pay tribute for that shelter." A cautionary maxim comes in to teach "not to tax energy, so as to cripple its full development." Then again, as a consequent rule, the duty is enforced of "taxing all capital in whatever invested at its true value in money as near as can be ascertained, discriminating for or against no branch of business or industry with localized capital, the carrying on of which is in no way detrimental to the interests of the people," paying however all due regard to the caution "not to tax credit capital when it can be avoided, when a heavy tax is already paid for its interest." Another caution is important, to guard against double taxation, a most difficult one of all, leading to much litigation, resulting generally in making the difficulty all the greater at every trial.

In making application of these plain rules, particular reference is found necessary to the distinctive character of the people, their locality with reference to other States, their employments, their condition as to wealth and the relative compactness of territory and population. To these considerations is to be ascribed in a great measure the diversity existing among the several States, as already shown. But whatever rules are adopted great regard is to be had to the relative ability of the citizens by classes, in their private or corporate capacity, to bear the burthens of government.

MAINE AS A STATE.

Maine is substantially a new State. Its capabilities are yet only beginning to be developed and its industries organized. Ours is, too, a border State, far removed from the great natural centers of business and population, and hence cut off from a great mass of activities and means of living and acquiring which others enjoy. Our occupations, too, are of a ruder and less perfect class. All these facts go to modify and control the subject, and make us more the prey of chance and circumstance. We are frequently obliged to court and compromise, when older and richer communities can command and insist. The simple and more common industries which we now have require for their fuller development a great number of other and more varied employments in order to the

profitable use of those which we already have. This leads to the encouragement of new industries, and to the greater perfection and extension of those which we already have. The productions of our labor need a market for their profitable enjoyment. This calls for new kinds of manufactures, and both demand new facilities for intercourse and traffic. Thus manufactories and railroads become necessities for the profitable work of our agriculturists and artizans, our lumbermen and laborers. This our people have found out, and as one of the results have established a system of encouraging manufactures by exempting them from taxation for a prescribed term, a policy directly the reverse of that contemplated by the Resolve. Whether that policy be constitutional or not, and whether advisable or not at present, it will undoubtedly be of short duration. Be that as it may, our manufacturing establishments already at work, except the few erected under the exemption law, bear their full burthen of taxation under municipal authority, and certainly no one can ask more. The extra burthen which some other States place on manufacturing corporations as subjects of taxation, either for their franchises or their stock, should not be imposed here. And the same remark is equally true of those other private corporations engaged in the manufacture or work in lime, granite, slate, and other similar industries, such companies being more particularly organized for the mere purpose of aggregating wealth and energy, and whose assets already pay their due portion of the public burthens. This conclusion may well apply to all private corporations coming within the class now described.

PUBLIC CORPORATIONS.

Another class of corporations of a public nature seem to be of an altogether different character. Notably among these are railroads. To them is given not only the right of aggregating capital and energy in the pursuit of their object, but beyond this the right of eminent domain in the taking for their use the property of others *in invito*, and still more, a certain monopoly in business, and other advantages of a lucrative character. Although they help on the general weal and are of vast use in the economy of the State, yet it is not seen why they should not bear their part of that protection which government meets out so liberally to them in common with all other of its subjects. True it is they aid immensely in the development of the State and its resources, add largely to the

wealth of its people, and more than almost any other agency help on the good time coming. But these blessings are only the reciprocity of similar or corresponding ones received by them, the favors granted on both sides are mutual, and while the customers on their part from their gains pay their meted tribute to the State, what natural right has the corporation to claim exemption from the same duty? They are professedly of a business class, their sole object is the acquisition of wealth, and there is not an eleemosynary feature in their whole constitution. The State has thus far largely exempted them from the public charge until they have matured a goodly strength, and no reason is seen why they should not now assume the duties which all other subjects of government of a business character are compelled to perform.

The class now spoken of embraces not only Railroads but Insurance Companies, Telegraph and Express Companies, and perhaps some others. Some of these, however, and especially Telegraph companies, by tax on their stockholders, pay a full share of the burthen, and so far should be exempt from further exaction.

RAILROADS.

The rule or mode of taxing railroads is almost as various as the number of the States, but an almost entire unanimity prevails of taxing them by some rule. The capital stock is sometimes adopted as the measure—the value of the road is taken in other cases—in others that value less its debt—in others that value less the municipal tax on their real estate—in others the value of the stock less such municipal tax—in another case the earnings of the road afford the criterion—another arbitrarily appraises the road at a given sum, say \$20,000 per mile, as the basis—in another a certain percentage of its capital stock rated according to dividends—another takes the entire stock at its market value and adds its debt to get at the sum—others combine two or more of these principles for determining the basis of tax. In our State the exceptional policy has thus far prevailed of not taxing the road at all except for real estate outside of the track, and for the shares of stock to their holders.

Taking for granted, or assuming that this policy is now to be changed, the first question would seem to be, what shall be the basis of the tax. The impropriety of accepting the capital stock directly or collaterally as the basis or measure is very apparent

from numerous instances. Thus the two roads leading from Boston to Portland having to within a mile the same length with each other in Massachusetts, are there assessed, one nearly twice the value of the other, a fact largely owing to the difference in capital, though somewhat to a larger equipment on the part of one over the other. In Connecticut the instance was mentioned to the Commissioner of one corporation doing a business on a capital of \$100 per share, on which the holder is taxed for that amount, although the present value of each share is \$1,250. In Pennsylvania one of the richest corporations in the State, having indefinite millions of property, but a small capital stock, actually pays under the uniform 3 mill tax for all its property and stock the sum of \$300 only.

With reference to the railroads in Maine, the capital stock partakes of this nature and affords no just criterion of the taxable value, the road having been largely built, in most cases, by large municipal aid and by loans on a small subscription.

CORPORATE DEBTS.

Just at this point arises another objection growing out of the fact just alluded to. In making the tax, should the amount of its debt be taken into consideration, be deducted or allowed in reduction before making the assessment? The farmer, the mechanic, the merchant, the manufacturer, and indeed all classes of citizens, individual and corporative, uniformly find their taxes measured by the value of the property itself, without regard either to incumbrances or indebtedness; and why should this particular kind of corporation fare better than all others? The great rule of all States is ever to regard the government as a preferred creditor. It goes behind all compacts and agreements of the owner and looks only to the property itself, and upon that places its exactions. Courts of Probate and Bankruptcy, Revenue Collectors and Receivers of Imposts, the stamp office and all other public offices, uniformly do business on this line.

Nor is it to be overlooked that the debt in no degree affects the necessity or extent of governmental care, unless it be to increase it. The public obligation is the same and the expense the same, whether the indebtedness exist or not. In a word it is the property itself and not the companies interest in it that is under State care and whose supervision is at State expense, and it is not seen how

the corporation can with any justice evade the burthen of paying the State therefor.

UNREMUNERATIVE.

Then again the excuse is made that the roads are unremunerative. In one sense they are so. They do not, many of them, pay dividends. But none the less are they property and valuable property. Had they been built without credit, upon a full paid up subscription, they would pay more or less of a dividend, but having been largely built on credit they are gradually paying the debt and will ultimately be free, with a large and valuable property and a small list of stockholders. Does this fact lead to any such doctrine as that during all this time of acquiring, the State should guard and keep the property at the expense of other citizens who constantly pay for every use or favor received therefrom? But it is a sufficient answer to the proposition that such a policy is nowhere else adopted by the State towards any species of property or citizens. The vacant house-lot, the unrented and unrentable house, pay notwithstanding, there full quota of tax according to their true value. The merchant's stock of goods, though all bought on credit and sold at a loss from cost, yet pays according to the same rule of uniformity. Adopt the opposite rule and assess only remunerative property, and half the property of the State might *claim* the benefit of the exemption, bringing thereby the other half into the same danger by the excessive exaction.

INTER-STATE RAILROADS.

It happens with reference to several of our roads that they extend beyond the limits of our State into other States or Provinces. The rule seems well settled in the practice of other States that in such cases the valuation of the whole road is to be made and a proportion assigned to each State according to the number of miles in it. Massachusetts and New Hampshire adopt this rule and justice would seem to require the adoption of the same rule here, and especially in judging of the several roads passing from this State across her western boundary. The fact now alluded to goes far to show the equity and justice of the tax now in question. The two States now mentioned, value the Eastern and Boston & Maine roads according to the rule now prescribed, and then each taking its portion of miles, taxes and collects therefor, leaving to

Maine the remainder of the tax, to be collected by her. Why should she not do it?

As matter of curiosity in this connection, it may be interesting to have the figures given in reference to the two roads in question. The Boston & Maine is valued in Massachusetts for its whole length, from Boston to Portland, 126 miles, (including branches) \$8,190,000—of which that State's portion is \$2,722,797. New Hampshire values her part of the same road at \$1,014,787, and both tax accordingly and leave the balance for us. The Eastern is valued for that portion in Massachusetts, at \$4,988,982, and for that in New Hampshire, \$397,977, and the balance left for Maine. The difference in valuation between the two companies is owing largely to the relatively smaller capital of the Boston and Maine, and the larger equipment of the Eastern. In New Hampshire the difference in length of road in the State has much to do with the result.

RULE OF ASSESSMENT.

The question then recurs, what should justly be the rule for assessing corporations, and especially Railroads. This leads to a discussion of the general nature of taxation, for the subject, like all others, being well understood, the rule seems generally very naturally to follow.

Bearing in mind that taxation is the price paid for government protection, and that the burthen should be borne as nearly equal as uniform rules can apportion it, our first inquiry is, upon what is the burthen to rest; what are the objects of taxation? The answer seems simple—viz., persons, property and business. The law regards all persons as equal before it, and hence everywhere in republican governments an equal *per capita*, or poll tax, is laid. Should *business* be taxed? The proposition is denied by some of the foremost political economists, some of whom, indeed, go so far as not only to advise all taxes to be laid on property, but exclusively on Real Estate. This latter heresy is hardly worth arguing in Maine, at least.

It would seem plain not only that business should be taxed, but largely so, as it is this which most particularly calls for the care of government and which more than all else calls for its appropriations. Property in one sense, *per se*, is dead or inactive. Business gives it life and animation, and the activity which it induces is what gives to government its most frequent calls for service.

The Railroad is a good illustration. The engine and cars at rest in their house, the track in repose—are all property, and while at rest demand little attention. Business lights up the fire, puts the engine and its ponderous train in motion, and the track, though immovable in place, yet really becomes a part of the great machine, a thing of life like the bones and sinews of the human frame. Then it is that government aid is forcibly invoked to guard and protect that train and its living freight, regulate its motions, ensure its connections, and, in a word, to make its existence safe and its activities productive.

Business then, should bear its part of the tax for the general cause, and this should be, or may be measured by its success.

Not, however, that business should be specifically *eo nomine*, placed in the lists, but as forming a part of the subject to which it is attached and out of which it grows. It is, in a word, that which makes the difference between dead property and that which is active; all Assessors more or less adopt it, and almost unthinkingly and without reflection. It becomes a part of value indeed, and is very generally recognized, though very generally denied. Of two railroads of equal length, costing equal for their construction and equipment, but one earning doubly the other, there can be no question the taxes should be correspondingly laid.

The doctrine is more or less true of all items of property entering into the uses of society, but more particularly of those classes which receive from government an especial power for the transaction of business, as in the case of railroads. In its normal condition all such property has really no use, until the Legislature grants its special favors and sets the road, as it were, in motion. The business thus induced, is, in one sense, a creation of the State. The railroad train would be of little use without the privilege given it by the State to pass with rapidity from place to place, over the property of others, across rivers and through cities and villages where otherwise they would have no right to go.

The telegraph would have no use were it not endowed with the right to maintain its poles and hang its wires along highways, over country farms, and through villages and across streams, free as the lightning which it harnesses to its batteries.

In all such cases the business done affords a very important item of consideration for the Assessor, as legitimate as the poll or homestead, or the live stock of the tax-payer, going to enhance in due proportion, the tribute which the owner owes in all

justice, to the State. In a word, it forms a part of the true taxable value of the property, whatever it may be.

Property, with its adjunct of business, in addition to poll, is then the subject of State exaction. The measure is plain—for the actual value according to the uniform rule of valuation adopted by the Assessing Board, must furnish the basis of assessment, carefully, all the while, guarding the subject against double taxation.

The rule arrived at then, is this, viz: That all property of every kind, whether belonging to individuals or corporations, public or private, according to its true and uniform value, including every consideration which affects its true worth, its present and prospective, its uses and business capacities, and all other things, should equally contribute to the wants of the government;—

Where the property is of a corporative character, it should be so appraised at its true value, the same as individuals, taking into consideration the adjunct or benefit of its corporate rights, if any, and all stock in that case be exempt.

DIVISION BETWEEN STATE AND MUNICIPALITIES.

Then comes another important question, viz: Having fixed upon the value or basis of the tax, how shall this be apportioned? The duties of government are only partially exercised by the State, but largely by municipalities. How shall the line of demarkation be drawn between them? The rule seems plain.

All corporate property, with its franchises, of a private character and localized, should be regarded as just now stated, the same as individual property, and of course, subject only to municipal tax in the town or city where it is located, without any reference to its ownership or the residence of its stockholders. The mere fact that the stock is owned away, or the property owned by a corporate being, can not justly place that property in this respect, in any *status* different from that of individual ownership, and when the property is once taxed, a second taxation of the stock is as distinct a violation of the rule of uniformity as any case of double taxation can be, however the law may regard it otherwise.

The property of public corporations, however, is of a different character. They are creatures of the State; their existence, so to speak, and their property are not localized. In the case of railroads especially, their home is more or less the whole State.

Their track permeates large spaces of territory, and their works placed where their convenience prompts, are the creatures of no municipality. Their personal property, immensely valuable at times, has no home short of the whole track, which the road commands with all its connections, to the remotest parts of the Union. The whole of the mass, real and personal, franchise and business, is a great unit, and can no more be, with justice, divided up among distinct localities, than could the child whose maternity Solomon was called upon to settle. The effort to do this in several of the States has produced a botch, little worthy their statute books.

True it is that the property taken, is much of it in its normal state municipal, but generally of comparatively little value, and the benefits which the road leaves behind, the activities which it originates, and the wealth it induces far more than counter balance any subtraction which the road makes by taking away the property from municipal control in this particular.

This being conceded, let the whole property, track, buildings, bridges, equipment, with the franchise and the business advantages which it induces, and all its other property, be valued as an unit, without regard to debt or incumbrances, and that value made the criterion of the tax, the whole of which shall go to the State. Valuation to be made by an equalization Board or the Valuation Committee of the Legislature, and added as an item to the State list for assessment, at the same rate as annually assessed by the State on cities and towns. The rule of value for taxation, as compared with its full value, to be the same as fixed or adopted by the Valuation Committee for other property, the same to be changed or adjusted, as may be deemed just and proper, from time to time, by the Legislature. In case of such taxation, all corporate stock to be exempt, the full value of the franchise being regarded in the valuation.

The Commissioner can hardly expect so radical a change to be at once adopted, but regarding it as eminently just and proper, free from perplexity, and altogether uniform, he ventures to submit it under the resolve. But whether the whole plan be adopted or not, he feels too much confidence to doubt that the Legislature will regard favorably the recommendation of taxing public corporations by some rule, and thus, in a measure, equalize the public burthens, which are now so unequally borne.

OUT OF STATE PRIVATE CORPORATIONS.

In reference to another class of corporations at work in this State under charters secured elsewhere, the application of the same general rule affords a very easy solution. So far as such corporations, being generally of a manufacturing class, work here, their manufactories are subject to municipal tax in the place of their location, and their wares exposed for sale are also taxable in the place of their deposit, so that being once taxed nothing else need be said.

LICENSES AND FEES.

In the previous summary certain licenses and fees there enumerated, are made subjects of especial income to the State. Some of these are already adopted by our State, others are irrelevant to our situation, and of the balance none are noticed which, it is believed, can be recommended.

COLLATERAL INHERITANCES.

This tax is laid in some of the States, and proves quite a source of income. It is laid upon all property passing by death to other persons than parents and issue, husband and wife. It is in most respects like the duty imposed by the United States under its Internal Revenue system, and was not (like some of the provisions,) particularly odious. No recommendation is made for its adoption, but the matter submitted to the Legislature. Where property is so situated as to pass to a new owner, who has had no agency in its earning, it would seem to be only just and reasonable that a small duty be paid to the State whose laws afford the passage.

BOUNTIES ON LEGISLATIVE ACTS.

Bounties for acts of incorporation and private bills, are in several of the States exacted as a source of revenue, varying from 25 dollars, upwards. Besides the revenue to be derived from this source, the bounty may have an additional benefit in preventing a good deal of legislative work, now imposed by private schemes. Like the jury fee, this may prove a very wholesome restraint against useless legislation.

INSURANCE.

The subject of taxing Insurance Companies is one, which, as Examiner of Insurance the undersigned in his Reports, and before committees of the Legislature, has had the honor already to press his then entertained opinions. The unanimity with which the measure was voted down spoke too plainly the policy of the State for him ever after to again press the matter. Nor does he propose to do so now, further than to suggest the arguments bearing on the one side and the other of the question. That in itself insurance is a proper subject of taxation, there would seem to be no doubt. It is a business like any other, undertaken for the profit to be derived from it. There is no feature of a charitable or eleemosynary character about it, the companies being merely self constituted trustees, who for a consideration collect money from the mass and pay it out to such as meet with the misfortune insured against. In making such payments they are entitled to just so much credit as any other man or corporation deserves who pays his note or performs any other obligation which he assumes as carrier, banker or honest man, and no more. No kind of business more needs or receives the support and protection of the State than this, and in all good faith from none does the State more deserve a full tribute of money and gratitude. So much must be conceded by all right thinking men.

On the contrary, it is claimed by the companies that Maine is a "hard field" for the business, and that they are held here by a tie so weak that the smallest assessment will break it, and we shall be left without the means of good insurance in Maine. If this result should follow it would certainly be a calamity to be deplored. Whether or not that result would follow cannot be foreseen, though the strongest assurances are given of the affirmative. That the charge above recited that Maine is an unprofitable field, is untrue, is very apparent from the experience as exhibited in our Annual Insurance Reports, the result of five years being given in that of 1873, recently laid before the present Legislature. (See page xxi.)

It is also asserted in opposition to the tax, that the effect would be to raise the price of insurance. Whether or not this would be so is another result which cannot be fore-judged. But if so, it is only an objection which lies against all taxation which ever tends to enhance the price.

If a tax should be decided upon, it is not readily seen why any distinction should be made between one class of insurance and another. All equally need and receive the care of government, all are equally able. In the practice of the States, Life companies are sometimes exempted when others are taxed, and Fire companies are sometimes thus favored. If any are taxed, all should be.

If a tax is imposed, the rate remains to be fixed. The National Insurance Convention at its last session recommended in such case that the rate be one per cent. on gross premiums received. The undersigned is inclined to give his advice in favor of that rate if a tax shall be decided upon.

It is also suggested that if a tax be imposed on the insurance companies for their gross premiums, it be made to apply to domestic companies as well as foreign (except perhaps mutual fire companies), and that the stock be exempt. This would seem to be, as a general thing, a more just way of applying the burthen, and uniformity seems to require it. That would leave the real estate of such companies free to be taxed in the place of its locality, as it should be.

The following table represents the per cent. of taxes on premiums as exacted of insurance companies in the different States.

	Life.	Fire & Marine.
Alabama.....	2	1 net.
Arkansas.....	as personal property.	
California.....	1	2
Colorado.....	1	1
Connecticut.....	—	—
Dist. Columbia.....	1	—
Delaware.....	2½	\$100
Florida.....	—	—
Georgia.....	1	1
Illinois.....	same as other property.	
Indiana.....	—	3 net.
Iowa.....	—	2½
Kansas.....	2	2
Kentucky.....	2½	2½
Louisiana.....	1	1
Maine.....	—	—
Maryland.....	1½ over \$20,000 on all kinds.	

	Life.	Fire & Marine.
Massachusetts	—	2
Michigan.....	3	3
Minnesota.....	—	2
Mississippi.....	\$1,000	\$1,000
Missouri.....	—	—
Nebraska	same as other property.	
Nevada	1	2
New Hampshire	1	1
New Jersey	2	2
New York.....	—	2
North Carolina.....	1	1
Ohio.....	same as other property.	
Oregon	—	—
Pennsylvania	3	3
Rhode Island	2	2
South Carolina.....	—	1
Tennessee.....	1½	1½
Texas	\$500	\$250
Vermont.....	—	—
Virginia	2	2
West Virginia	2	3
Wisconsin.....	\$300	2

In several of the States, taxes are collected on the retaliatory principle, based on the law of the golden rule amended so as to read "As others do to you, do ye even so to them," an amendment which Maine has never yet seen fit to enact, and it is hoped never will.

ICE.

It was an old jest that "Maine is celebrated for its granite and ice." Now that the former article has come to be sought for the most substantial and the most beautiful pieces of architectural design, in all parts of the country, successfully vying with the most celebrated marbles for all works of masonry—and the latter has come to be a most valuable article of commerce, the old jest has become a sober truth of no small significance. The able report of statistics of the State shows that ice has come to be one of our richest articles of export, more than 300,000 tons having been har-

vested and carried abroad to other markets during the last year. This, it seems, has been mainly or wholly gathered from the tide waters of our rivers; consequently on State territory. The riparian proprietor, having no title to the water and none to the land below low water mark, it follows that the ice belongs to the State. The ice field is of value, and, as such, is frequently sold by supposed owners for large sums. It being the property of the State, it becomes a legitimate article of sale by it. The principle is the same as that under which different states derive an annual tribute from their oyster beds, as in Rhode Island, Maryland, and other States, or like the case of revenue *from lands under water* as in New Jersey. It is therefore recommended that a small fee, say 10 cents per ton, be required to be paid for all ice cut for exportation on the tide waters of our rivers. If this be done, proper provision should be made to ensure to those who have the conveniences of storing the article a preference in the cutting, over others. This can be very readily done, and thus secure an annual revenue of some \$30,000, from a source altogether reasonable and proper.

INTER-STATE TAX ASSOCIATION.

Among the difficulties which cluster so thickly around this whole subject of taxation is that of locating the *situs* both of the *thing* and the *person* to be assessed. That real estate should be taxed in the place of its locality and personal property at the home of its owner, is ordinarily the first suggestion. In a degree this is true, especially with reference to the first item. It is very generally conceded in all cases, except in those of public corporations, when the land of different municipalities is so blended into one great unit as to render a just taxation by such municipalities almost impossible, as in the case of railroad track and buildings. But that there is any natural justice in attaching a man's whole personal estate to his person to determine its *situs*, is not so clear. All property should pay for its shelter where it is sheltered; and if a party living in one town sees fit to locate his personal property or money in another town for "shelter," there, the latter most surely should have the benefit of its tax. So far is very plain and is generally recognized by our law. But at the next step a difficulty occurs, when the individual thus investing his property abroad combines with others, and for greater convenience assumes a corporative form and name, wherein is the case different

from the other? There certainly is none, and the corporation should pay the tax the same as if the different individuals, as such, engaged in the business in their individual capacity. But yet by a fiction of law, and sustained perhaps by law, the property and stock are both attempted to be taxed, the one at the place of the business and the other at the home of the stockholder. This is the more frequently done when the two localities are in different States and subject to no common, judicial or other jurisdiction. This plain species of actual double taxation not only works great wrong to the individual, but also to the people of the State other than that of the owner's residence. State comity should be strong enough to correct the evil, but fails to do so.

Our whole Union has now become so thoroughly one people, and State lines are so utterly ignored in all matters of traffic, our railroads, telegraph, express and other companies, have wove so firm a web of business over all the States, making an unit of what before was a manifold existence, the time seems to have arrived when a new order of taxing all these industries, thus entering into the great fabric of national life, should be adopted, and the States should no longer act upon the idea of separate and distinct sovereignties, but more essentially as one. Our State is largely interested in this idea, and annually growing more and more so as her vast water powers begin to be developed and known, and her facilities for their enjoyment begin to be realized. It is for her benefit that a policy of encouragement should be adopted, not by freeing enterprise from all taxation, but from a two-fold one, and thus place on an equality all who would invest here without discrimination, whether his residence be in this or in another State. What is wanted is some agency to be established through which such an end may be secured. The want of such is found to be one very generally existing, but none has thus far made an advance. This prompts to the effort to have a general inter-State or national association like the National Insurance Convention, where the several States may be represented for the purpose of devising and establishing a greater uniformity of taxation in all those instances of inter-State matters, where now so great and perplexing a difficulty exists. Corporations working in different States, corporations working in one State, with its stock holders wholly or partially in others, individuals interested in personal property in other States than that of their home, subject by the laws of each State to its separate and thus double taxation, and a

thousand other matters of a complex character and difficult solution, would find in such an association, if duly organized and respected, a remedy of the most valuable kind, and States might, through its agency, by an uniform system, be relieved from a great trouble and difficulty, under which they are working to their sure disadvantage. It is therefore here suggested, not a new suggestion by any means, that some measure be taken to initiate such a reform. Let the DIRIGO State, true to its motto, LEAD OFF. It is therefore suggested that the Legislature adopt a resolution in effect declaring that it recognizes the benefit to be derived from an inter-State tax association to be formed by delegates from different States to adopt uniform rules of inter-State taxation on all property and business specifically involving different State jurisdictions. The measure, if once adopted, will meet a want very generally felt in many, if not all the States. The frequent mention of such an association as desirable, prompts to this recommendation.

The following conclusions of preceding remarks are recommended under the second clause of the Resolve, viz.:

1. That all property of private corporations be taxed the same as that of individuals, in the place of its locality, or use, the valuation to include all benefits of its franchise, the tax to go to the town or city and to be in full of all tax on stock.

2. That public corporations, including railroads, but excluding telegraph companies, be taxed for the sole use of the State.

Railroads to be assessed on a valuation of all their property and franchise, and at the rate annually fixed for State tax. Such valuation to be made on the same basis as other State taxes, and valuation by the Valuation Board of the Legislature or Railroad Commissioners.

Insurance companies if taxed at all to pay a tax of one per cent. on their premiums.

Express companies to pay a like tax on their receipts.

3. Legislative Acts of Incorporation and Private Bills to pay a duty to the State of \$25 each.

4. Collateral Inheritance to pay a duty on all property passing by death to others than issue, parents, husband and wife, of two to five per cent., according to nearness of kindred.

5. Ice gathered on tide waters for exportation, to pay ten cents per ton for the right to cut.

CONCLUSION.

In closing this Report the Commissioner desires to express the obligation under which he feels himself placed to the many individuals, official and private, with whom he has been brought into contact in the different States, for their uniform courtesies and the ready assistance which they have rendered him in the work of his commission. Every facility has been afforded him at every point in the performance of his duties with an alacrity and cheerfulness which he cannot overlook.

ALBERT W. PAINE,
Commissioner.

BANGOR, February 9, 1874.

STATE OF MAINE.

In HOUSE OF REPRESENTATIVES, }
February 10, 1874. }

On motion of Mr. WILLIAMS of Augusta,

ORDERED to be printed and referred to the Committee on Ways and Means.

SUMNER J. CHADBOURNE, Clerk.