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# FORTY-SEVENTH LEGISLATURE.

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HOUSE.

No. 17.

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## PREAMBLE AND RESOLUTIONS IN RELATION TO TAXING U. S. BONDS.

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A more perplexing financial question has seldom arisen than that growing out of the exemption of U. S. Bonds from municipal taxation. On the one hand is the faith of the Nation, pledged in its hour of sorest need. On the other, a large amount of property exempt from taxation, while our commerce, our mercantile, manufacturing and industrial interests are crippled by the heavy burdens resting upon them. But is the question one of such difficulty as not to admit of a practical solution which shall not do violence to the plighted faith of the Nation? If the action of the Government is bearing unjustly upon any portion of its citizens, has it not the right and power to remove the cause of such injustice, and is it not its bounden duty to do so? The origin of this difficulty was in a pressing necessity of the Government for large sums of money, at a time when its very existence was imperiled by a gigantic rebellion. This large expenditure was for the benefit of the whole country. The General Government, representing and acting for the people, with this provision of exemption from taxation, was enabled, with the exception of small amounts of its first issues, to negotiate its bonds without submitting to a discount. Without this provision, it could not probably have realized more than from eighty to eighty-eight cents on the dollar. Take the smallest amount. A discount of twelve per cent. must certainly be regarded as a very moderate estimate, in view of the fact that our municipal taxes are at the rate on an average of three per cent., while the bonds had twenty

years to run. On this basis the Government has gained by this exemption twelve per cent. Now if the Government has received the whole benefit of this, is not the Government the source to which we should look for a remedy for any injustice arising from its operations? And the practical question to be considered is, in what way can this be accomplished?

There is a feeling prevalent to some extent in favor of a direct taxation of these bonds, thus placing them upon a level with other property. But the sentiment that the national faith must be observed is too universal, too sharply and clearly defined, to admit of this.

Another proposition is to consolidate the different loans, with a uniform rate of interest, a certain portion of which is to be reserved for distribution among the several States, according to their population. There is no necessity for discussing in this connection a proposition so unjust and unequal in its operations as this.

But if Congress would pass an act in substance as follows:

That all persons claiming exemption from their municipal taxes, or any part thereof, by virtue of holding bonds which the United States have exempt from taxation, shall be required, on the first Monday of April in each year, to present such bonds for registration to the assessors of the cities, towns and plantations in which they reside; and the several States shall furnish to the cities, towns and plantations (or unincorporated places) of their respective States, blanks (as per form annexed,)

Name of holder.	Authorizing acts.	Character of issue.	When redeemed.	Rate of interest.	Number.	Letter.	Am't.
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suitably prepared and ruled, with headings for the name of the person claiming exemption, and for describing each bond separately, by giving the date of the act authorizing the loan for which the bond was given, character of issue, when redeemed, rate of interest, number, letter and amount; and that no person failing to comply with this provision shall be entitled to such exemption; and that the assessors of the cities, towns and plantations shall, on or before the first day of July in each year, make to the treasurer of their respective States full and accurate returns of all bonds so exempt, as per form described above, who shall, after examining and comparing the same, if found correct, credit to the several cities, towns and plantations, in payment for State taxes, one and one-half per cent. on the amounts so returned; and the aggregate

of the amounts so credited to the cities, towns and plantations shall be refunded by the General Government, in current funds, or bonds bearing six per cent. interest, at the option of the United States Treasurer.

Any attempt to defraud the Government by a transfer of the bonds on the day of registration, and having them entered for exemption to both parties, whether these parties reside in the same State or in different States, shall make such person so offending liable to a fine of two thousand dollars and imprisonment for one year.

Such a measure would be simple and practical in its operation; and although it would be far from affording full relief, it would be satisfactory to the people, and as can be readily shown, would do no injustice to the Government.

As a large proportion of the government indebtedness is in what are termed five-twenty bonds, one of them of the denomination of one hundred dollars may appropriately serve as a basis for calculations.

These bonds are redeemable at the pleasure of the Government after five years. On the first issue the five years have about expired, and if the treasury was in a condition to do so, they could be called in for payment, thus opening up a large amount of property for taxation, without breaking faith or doing injustice to any. But on the supposition that the Government will not be able to do this before the expiration of another five years, we have the following results:

Amount saved to the Government on sale of bonds by	
this provision of exemption,	\$12 00
10 years interest on do. at six per cent.,	7 20
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	\$19 20

## CONTRA.

Amount to be refunded for five years' taxes, at	
one and one-half per cent.,	\$7 50
2½ years interest on do., being the average for	
five years' payment of taxes,	1 12½
Amount saved to the Government by this operation,	10 57½
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	\$19 20

That the interest on the amount saved to Government in sale of bonds as above, is made up for ten years, while the amount for

taxes refunded is for five years only, is explained by the fact that the Government will have received the benefit of this for five years before the passage of any laws for refunding these taxes. On the supposition that the bonds are not paid until maturity, we have the following result :

Amount saved to the Government on sale of bonds by	
this provision of exemption,	\$12 00
20 years interest on do. at six per cent.,	14 40
Being a loss to the Government for the full period of	
twenty years on each \$100,	6 22½
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	\$32 62½

CONTRA.

Amount to be refunded for fifteen years' taxes	
at one and one half per cent.,	\$22 50
7½ years interest on do., being the average for	
fifteen years' payment of taxes,	10 12½
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	\$32 62½

But it must be borne in mind that this calculation is made on the basis that all the bonds are thus exempted, and that taxes for the full amount would have to be refunded. But such is not the case. The whole amount of bonds thus issued and exempt from taxation is \$1,945,842,100. Of this amount five hundred millions are held in Europe, and \$375,196,650 are held by the Government as collateral from the banks for issues of bills and deposits. Add to this the amount held by savings banks, and it will swell the sum to more than one thousand millions, and on large amounts held by private individuals no exemption is asked, for reasons which could be readily given by the assessors of any of our large cities and towns. Take a single example, perhaps an extreme, but not an isolated one. It is estimated by the assessors of Portland that bonds to the amount of four millions are held in that city, while exemption from taxes is claimed on but fifty thousand, being but one-eightieth part; and it is not probable that such exemption is claimed on more than one-fourth of the whole amount of bonds issued. Taking this as the basis, we have the following results, on the supposition that the bonds are paid in five years :

Amount saved to the Government on sale of bonds by	
this provision of exemption,	\$12 00
10 years' interest on do. at six per cent.,	7 20
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	19 20

TAXING U. S. BONDS.

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CONTRA.

Amount to be refunded for five years taxes on one-fourth of whole amount of bonds issued,	\$1 87½	
2½ years' interest on do., being the average of five years' payment of taxes,	28	
Am't saved to the Government by the operation,	17 04½	19 20

On the basis that they are not paid until maturity we have the following result :

Amount saved to the Government on sale of bonds by this provision of exemption,	\$12 00
20 years' interest on do. at six per cent.,	14 40
	26 40

CONTRA.

Amount to be refunded for fifteen years' taxes on one-fourth of whole amount of bonds issued,	\$5 62½	
7½ years' interest on do., being the average of fifteen years' payment of taxes,	2 53	
Am't saved to the Government by the operation,	18 24½	26 40

RECAPITULATION.

There are heavy burdens resting upon the people from inequality of municipal taxation arising from the exemption of U. S. bonds. The Government having received the full benefit of this exemption, is the source to which the people must look for relief from any injustice from this cause. The proposition submitted provides for the registration of all bonds on which exemption is claimed; the return of the same to the State Treasurer, and the crediting to the several municipalities in payment of State taxes one and one-half per cent. on the amount; and the refunding to the State by the U. S. Treasury the aggregate of these amounts; and shows that exemption is not probably claimed on more than one-fourth the whole amount of bonds issued; and that if paid in five years, the Government refunding one and one-half per cent. on the amount exempted, will gain \$10.57½ on the one hundred dollars; if paid at maturity, \$17.04½; therefore

*Resolved,* That our senators and representatives in  
2 congress be requested to use their best endeavors for  
3 the passage of an act in accordance with the main  
4 features of the foregoing statement, which shall remove  
5 the inequality in municipal taxation arising from the  
6 exemption of United States bonds, while it shall do  
7 no violence to the plighted faith of the nation.

*Resolved,* That the governor be requested to transmit  
2 a copy of the foregoing statement and resolution to  
3 each of our senators and representatives in congress,  
4 and also to the treasurer of the United States.

STATE OF MAINE.

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IN HOUSE OF REPRESENTATIVES, }  
January 23, 1868. }

By leave, laid on the table by Mr. MORRIS of Portland, and on  
his motion ordered to be printed.

S. J. CHADBOURNE, *Clerk.*