

MAINE STATE LEGISLATURE

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EIGHTIETH LEGISLATURE

SENATE

NO. 153

In Senate, March 23, 1921.

Read, ordered placed on file and 500 copies printed. Sent down for concurrence.

L. ERNEST THORNTON, Secretary.

Presented by Senator Thombs of Penobscot.

STATE OF MAINE

IN THE YEAR OF OUR LORD ONE THOUSAND
NINE HUNDRED AND TWENTY-ONE

To the Eightieth Legislature:

The commission created by the joint order of the seventy-ninth legislature to "consider the matter of tax reform and report to the next legislature by bill or otherwise, their recommendation of amendment or enactment of law, by fair and just legislation to equalize the burden of taxation and increase the revenues of the State" submits this report of its deliberations.

The commission undertook the work contemplated by the above order immediately after adjournment of the session. In June of nineteen hundred and nineteen, by the courtesy of the governor, two members of the commission, Chairman Thombs and Representative Pike of Eastport were privileged to attend the sessions of the National Tax Association at Chicago. Among other pertinent and interesting subjects under discussion there, was the matter of income tax legislation, as it is found to work out in actual practice in the several states having such laws, and in the proposals for change and enactment in other states.

Representatives from those states where such a law is in operation were unanimous in their endorsement of the theory of income tax legislation and emphatically of the opinion that such legislation would quickly give satisfaction in practical operation. Your representatives were strongly advised by those who had a practical knowledge of state income tax legislation, to recommend to the State of Maine the adoption of some form of income tax legislation and thereby avoid the mistakes of many other states in their trials of various forms of personal property taxation laws. A careful consideration of this phase of the subject by the entire commission resulted in an agreement that some form of such legislation seemed to offer the best solution of the problem of increasing state revenue in a just and equal manner. The special session of November, nineteen hundred and nineteen gave an opportunity for the commission to offer a resolve proposing an amendment to the constitution that would allow the enactment of constitutional income legislation. This resolve was favorably acted upon at that session and the question came before the voters at the regular election in September, nineteen hundred and twenty. This proposed constitutional change was rejected by the voters.

Our recommendation favorable to the enactment of an income tax law, having been so recently rejected by the people of the state your committee have no further recommendations to make to this legislature.

GEORGE W. THOMBS

HOWARD DAVIES

On the part of the Senate.

B. F. MAHER

EMERY G. WILSON

On the part of the House.

Yarmouth, Maine.

March 11, 1921.

TO THE MEMBERS OF THE EIGHTIETH LEGISLATURE OF THE
STATE OF MAINE

In addition to the report made by my associates, in which I concur, I beg to invite the attention of the legislature to the urgent necessity of devising some way which will result in a largely increased amount of revenue to be available for meeting the present needs of the state. At no other time in our history has the financial problem presented itself in so serious an

aspect. If we examine our local conditions, we shall find that the largely increased tax rate is due in no small measure to the unprecedented amount of the state tax, which imposes a burden grievously to be borne. Our present taxation laws are weak and ineffectual. The greatest inequalities have arisen in assessing the sums imposed by them to defray the expenses of the state. Great property interests and individuals of wealth are escaping the payment of their just share of the burdens of government. We need a system of assessment which is simple, just, and workable. Is it not the duty of every citizen to see that the burdens of maintaining the government are fairly and honestly distributed upon those who enjoy its advantages and who partake in its profit and utility. The situation will be fully cared for in my opinion in the adoption by the legislature of a bill, commonly called a LISTING BILL, which compels every person owning property in this state to file with the local assessors not later than January first of each year a sworn statement of a complete list of all property, wherever located, owned by the person making the statement. Such a bill will put the heaviest load on the broadest back.

Respectfully submitted,

HOWARD DAVIES

Member of Taxation Commission appointed under resolution passed by the Seventy-ninth Legislature.

TO THE HONORABLE SENATE AND HOUSE OF REPRESENTATIVES
OF THE EIGHTIETH LEGISLATURE:

As a member of the tax commission appointed by the seventy-ninth legislature I herewith submit my report.

This commission was created by the following Order passed at the regular session of last legislature:

“A commission consisting of two members on the part of the senate and three on the part of the house, to be appointed by the president of the senate and the speaker of the house respectively shall consider the matter of TAX REFORM and report to the next legislature by bill or otherwise, their recommendation of amendment or enactment of law, by fair and just legislation to equalize the burden of taxation and increase the revenues of the state.

The members of the commission shall have reimbursement for expenses of travel and other necessary expenses subject to the approval of the governor and council.”

It is obvious from reading the order that it laid upon the commission the duty of investigating the entire system of taxation in Maine. In order for the commission to intelligently recommend amendment or new laws, a study of the tax laws of other states as well as our own would be desirable. The wide scope and vital importance of this work would have justified an appropriation of at least ten thousand dollars. Public hearings ought to have been held in the principal cities of the states and months of time and study devoted to this important subject of just and equal taxation. The very order itself crippled its great purpose by providing no funds to carry on the work. It seemed to me to be folly to pass such an order. Its proponents knew that under it nothing could or would be done. To make such an extensive and important work a labor of charity is too absurd for argument. The result is that the state has not benefited and the commission has not functioned. I beg leave at this time to briefly give my views upon one phase of Maine's taxation problems. The taxation of intangible personal property is the most important single element in any system. I favor a tax on this class of property of three to five mills and a listing law that will compel its disclosure. The experience of other states is the light that must guide our steps. That experience has been successful beyond expectation. The law is not only equitable but stands the test as a greater revenue producer.

The present law applying the local rate to this class of property is indefensible and finds no supporters save paid attorneys of tax evaders and those ultra conservatives who are afraid to even try for the better.

The average rate of local taxation in Maine today is estimated to be three per cent. To apply that rate to interest bearing securities is confiscatory and cannot be too strongly condemned.

It finds supporters however from men who pay no tax at all on this class of property much of which is unknown to the assessors until the death of the owner. Then the inventory in the probate court for the first time discloses to the world this property.

By the thirty-sixth constitutional amendment the legislature has authority to levy a different rate on this class of property. The amendment was proposed to the people by a resolve

of the seventy-sixth legislature approved April fourth, nineteen hundred and thirteen and by a resolve of the seventy-seventh legislature approved March thirty-first, nineteen hundred and fifteen. It was declared to have been adopted September eighth nineteen hundred and thirteen and became a part of the constitution.

The people approved the amendment September eighth, nineteen hundred and thirteen. It is a most significant fact that no executive proclamation or legislative resolve were made or passed declaring this amendment to be a part of the constitution until March thirty-first, nineteen hundred and fifteen, and by this delay the nineteen hundred and fifteen legislature passed into history without constitutional authority to enact such a law had it desired to do so.

No law has since been passed and what is estimated to be five hundred million dollars of this class of property continues to escape taxation save in isolated cases where a portion of an owner's property is subjected to the local rate by agreement.

An examination and readjustment of our entire system of taxation is greatly needed. I recommend that it be made forthwith, provided, however, that the next legislature will grapple with this matter and act upon the information obtained.

Respectfully submitted,

E. W. PIKE

Secretary of the 1919 Tax Commission.