

receive three dollars "for each day's attendance" and three dollars for every twenty miles traveled in attending the convention.¹²⁷

The convention was given the power to appoint its own officers, to fix their compensation, and to provide for necessary printing. It was directed to keep a journal of its proceedings, and upon completion, to file such journal in the office of the Secretary of State.¹²⁸ A further provision required that the revised or amended Constitution should be submitted to a vote of the people — the convention to fix both time and manner of submission with the qualification that "all elections contemplated in this Act, shall be conducted, as nearly as practicable, in the same manner as provided by law for the regulation of general elections in this State."¹²⁹

JOHN F. SLY

THE STATE UNIVERSITY OF IOWA
IOWA CITY

¹²⁷ Iowa convention act (approved January 24, 1855), Sec. 8.

¹²⁸ Iowa convention act (approved January 24, 1855), Sec. 9.

¹²⁹ Iowa convention act (approved January 24, 1855), Secs. 10, 11.

HISTORY OF TAXATION IN IOWA 1910-1920

In his *History of Taxation in Iowa*¹ the writer brought the narrative to 1910 and also added a somewhat detailed comparative study of tax reform in other States, particularly from the standpoint of fiscal administration. The purpose of this paper is to bring the historical study down to date, concluding with only a brief reference to those developments in other States which appear to have a direct bearing upon pending tax problems in Iowa.

The *History of Taxation in Iowa*, which, among other things, suggested a flat tax on moneys and credits as a partial substitute for the personal property tax and centralized fiscal administration in the form of a county assessor and tax commission system, was placed on the desks of each member of the Thirty-fourth General Assembly.² Much interest was taken in the subject of tax reform. Bills were introduced providing for a tax commission, a flat tax on moneys and credits, a revision of the collateral inheritance tax law, and numerous minor changes that can not be presented in this brief review.

Senate File 156, introduced by Senator H. W. Spaulding, provided for a permanent State tax commission with real administrative power and authority based upon the best experience of the more progressive States.³ On March 11th,

¹ Published in two volumes by The State Historical Society of Iowa, Iowa City, Iowa, 1911.

² A concurrent resolution was adopted by the General Assembly requesting that The State Historical Society of Iowa supply "each member of the House and Senate" with a copy of the work.—*Journal of the House of Representatives*, 1911, p. 180; *Journal of the Senate*, 1911, p. 155.

³ *Journal of the Senate*, 1911, p. 290.

this bill with minor amendments was recommended for passage by the Committee on Ways and Means; but having an appropriation attached, it was referred to the Committee on Appropriations.⁴ The Committee on Appropriations reported a substitute bill which reduced the appropriation from \$30,000 to \$25,000; but in other respects the measure was improved and perhaps strengthened.⁵ The fact that strong measures of this character could be reported for passage by the two leading committees indicated real sentiment in favor of tax reform in the upper house of the General Assembly. On March 29th the report of the Committee on Appropriations proposing the substitute measure was adopted;⁶ but after receiving some minor amendments, the bill was finally defeated as the result of quiet rather than noisy opposition.⁷ Debates were brief, and even the daily papers were unusually silent about so important a matter.⁸

In the meantime Senate File 137, introduced by Senator A. C. Savage,⁹ was being considered by the Committee on Ways and Means. It was reported out by the committee on April 1st,¹⁰ was amended by having the appropriation reduced from \$15,000 to \$10,000, and in that form passed the Senate on April 10th with only three negative votes.¹¹ It passed the House two days later, though with a greater opposition indicated by thirty-three negative votes.¹² The

⁴ *Journal of the Senate*, 1911, pp. 764, 765.

⁵ *Journal of the Senate*, 1911, pp. 1003-1009.

⁶ *Journal of the Senate*, 1911, p. 1132.

⁷ *Journal of the Senate*, 1911, pp. 1138, 1139.

⁸ Only brief formal references were made to a State tax commission. Considerable publicity however was given to the flat tax on moneys and credits.

⁹ *Journal of the Senate*, 1911, p. 232.

¹⁰ *Journal of the Senate*, 1911, p. 1243.

¹¹ *Journal of the Senate*, 1911, p. 1555.

¹² *Journal of the House of Representatives*, 1911, p. 1907.

fact that the House was more hostile to tax reform than the Senate is apparent also from the fate of the permanent tax commission bill introduced by Representative Ralph Sherman¹³ as a companion measure to the Spaulding bill already discussed. After receiving very little real support and encountering determined opposition, particularly from rural members, the bill was withdrawn by its author.¹⁴

The tax commission provided for in the Savage bill as enacted into law was temporary in character. It was to be composed of five members appointed by the Governor, not more than three of whom should belong to the same political party. The appropriation, as noted above, was fixed at \$10,000 and the powers and duties of the commission were thus defined:

It shall be the duty of said commission to examine into tax assessment, tax levy and tax collection laws of the state of Iowa, and of other states, and use such means and make such investigations as it shall deem best to secure information, for the purpose of ascertaining whether the present laws of the state of Iowa regulating the assessment, levying and collection of taxes may not be improved, and to report its findings together with such recommendation as it may deem desirable, to the governor not later than October 1, 1912, together with bills intended to carry its recommendations, and a detailed statement of the expenses of the commission as provided herein. The report and recommendations of the commission shall be transmitted by the governor to both branches of the general assembly of 1913, and copies of said report and recommendations shall be printed by the state printer and bound by the state binder in such quantity as the executive council may determine and a copy sent by the governor to each member of the general assembly by December 1, 1912.¹⁵

The most important substantive change in the tax laws

¹³ *Journal of the House of Representatives*, 1911, p. 317.

¹⁴ *Journal of the House of Representatives*, 1911, p. 1457.

¹⁵ *Laws of Iowa*, 1911, Ch. 204.

of Iowa made by the Thirty-fourth General Assembly relates to the taxation of moneys and credits, bank stock, and moneyed capital in competition with banks. The demand for a modification of the personal property tax along this line had crystallized and could no longer be resisted. Bills were introduced by the Committee on Ways and Means in both the House¹⁶ and the Senate.¹⁷ As amended in the Senate, the bill — which was in fact a substitute measure — consisted of two distinct parts: first, a flat tax of five mills on the dollar of actual valuation of moneys and credits, the same to be in lieu of all other taxes upon this class of personal property; and second, the assessment of the shares of stock of national, State, and savings banks, and of loan and trust companies, and of moneyed capital in competition with banks at twenty per cent of the actual value.¹⁸ The twenty per cent provision as contrasted with a general taxable valuation of twenty-five per cent was inserted as a concession to banks on the theory that bank stock had been assessed relatively higher than other classes of personal property.

In fact an earnest effort was made to obtain even greater concessions to the shares of stock of banks, loan and trust companies, and moneyed capital in competition with banks. Some members in each house of the General Assembly held that stock of this character belonged in the same class as moneys and credits and should be taxed at the flat rate of five mills on the dollar of actual valuation. The amendment which was presented by Senator James A. Smith and adopted, specifically excluded the "shares of stock of national, state and savings banks and loan and trust companies, and moneyed capital as hereinafter defined" from

¹⁶ *Journal of the House of Representatives*, 1911, p. 1085.

¹⁷ *Journal of the Senate*, 1911, p. 766.

¹⁸ *Journal of the Senate*, 1911, pp. 1036-1038.

the operation of the five mill tax on moneys and credits. In a separate section of the amendment it was distinctly provided that "said shares of stock and moneyed capital shall be assessed upon the basis of twenty per cent, of the actual value ascertained as herein provided, which twenty per cent. of the actual value shall be taken and considered as the taxable value and taxed as other property in such taxing district."¹⁹

The twenty per cent, however, was not satisfactory to those members who believed that bank stock would still be taxed relatively higher than other classes of property. Senator Le Monte Cowles presented an amendment providing that bank stock should be taxed "upon the uniform basis throughout the state of twelve and one-half (12½) mills in the dollar of actual valuation";²⁰ but this amendment was defeated after a spirited debate, receiving, however, a substantial minority vote.²¹ In the House, Mr. William F. Stipe sought to accomplish the same purpose by offering an amendment to assess bank stock at fifteen instead of twenty per cent of its actual value which in the case of special charter cities meant sixty per cent and not eighty per cent of the assessed value.²² The amendment, however, was lost and the bill providing for a flat tax of five mills on the actual valuation of moneys and credits and a twenty per cent assessment for the shares of stock of national, State, and savings banks, loan and trust companies, and moneyed capital in competition with banks passed the House by an almost unanimous vote on March 29th.²³ It had already passed the Senate with only five negative

¹⁹ *Journal of the Senate*, 1911, p. 1038.

²⁰ *Journal of the Senate*, 1911, p. 1039.

²¹ *Journal of the Senate*, 1911, p. 1061.

²² *Journal of the House of Representatives*, 1911, p. 1312.

²³ *Journal of the House of Representatives*, 1911, p. 1313.

votes.²⁴ After being recalled by the House to attach certain amendments the measure was finally approved and became law on April 6, 1911.²⁵

Four distinct facts should be clearly understood regarding this very important tax law: first, the old personal property tax as applied to moneys and credits was abolished, and in lieu thereof a flat rate of five mills "on the dollar of actual valuation" was substituted, said tax to "be divided between the various funds upon the same pro rata basis as other taxes"; second, moneyed capital as defined by section (5219) of the revised statutes of the United States was placed in the same class for assessment and taxation as bank stock; third, that the shares of stock of national, State, and savings banks, loan and trust companies, and moneyed capital should be "assessed and taxed upon the taxable value of twenty per cent of the actual value thereof"; and finally, that debts might be deducted from the amount of moneys and credits listed for taxation, but not from shares of bank stock and moneyed capital. The five per cent concession to bank stock and the reason for granting the same — other property except moneys and credits being taxed at twenty-five per cent of the listed value — is apparent from the language of the law which is as follows:

For the purpose of placing the taxation of bank and loan and trust company stock and moneyed capital as nearly as possible upon a taxable value relatively equal to the taxable value at which other property is now actually assessed throughout the state as compared with the actual value thereof, it is hereby provided that state, savings and national bank stock and loan and trust company stock and moneyed capital shall be assessed and taxed upon the taxable value of twenty per cent of the actual value thereof, determined as

²⁴ *Journal of the Senate*, 1911, p. 1063.

²⁵ *Laws of Iowa*, 1911, Ch. 63.

herein provided, which twenty per cent of the actual value shall be taken and considered as the taxable value and shall be taxed as other property in such taxing district.²⁶

The collateral inheritance tax law was quite thoroughly revised by the Thirty-fourth General Assembly²⁷ primarily for the purpose of strengthening the same from an administrative standpoint. Experience had shown that the tax was not being collected in an efficient manner. The law was materially strengthened and has remained practically unchanged to the present date. The rate remained the same — five per cent on collateral heirs residents of the United States, and twenty per cent on collateral heirs who are non-residents of the United States “except when such foreign beneficiaries are brothers or sisters of the decedent owner, when the rate of tax to be assessed and collected therefrom shall be ten (10) per centum of the value of the property or interest so passing.”²⁸ There has been very little public sentiment in Iowa favorable to a direct inheritance tax such as long ago has been adopted in many States; but it is quite probable that this important source of revenue will not much longer be neglected. Necessary and very substantial additions to the State revenue might be made by the enactment of a direct inheritance tax law.

The Special Tax Commission authorized by the Thirty-fourth General Assembly was appointed by Governor B. F. Carroll on May 17, 1911. Mr. M. H. Cohen of Des Moines, who was elected president, Mr. C. N. Voss of Davenport, vice president, Mr. A. C. Ripley of Garner, Mr. B. E. Stonebraker of Rockwell City, and Mr. J. H. McConlogue of Mason City constituted the Commission. The writer was appointed to act as secretary.²⁹

²⁶ *Laws of Iowa*, 1911, Ch. 63, Sec. 5.

²⁷ *Laws of Iowa*, 1911, Ch. 68.

²⁸ *Laws of Iowa*, 1911, Ch. 68, Sec. 1.

²⁹ *Report of the Special Tax Commission to the Governor of Iowa*, 1912, p. 5.

The Commission held twenty-one meetings and was in session fifty-five days, during which time a very careful study was made of the tax laws of Iowa and other States. Meetings were held at Richmond, Virginia, during a conference of the National Tax Association, and later at Topeka, Kansas, in order to make a special study of the practical working of the county assessor and tax commission system of that State. The members of the Commission very soon recognized the necessity of thorough administrative reforms and were interested in the experience of Kansas — a neighboring State with quite similar conditions and a very successful revenue system.

A particular effort was made to get in touch with the taxpayers of Iowa, learn their views, and receive the benefit of their counsel and advice. Delegations representing different economic interests appeared at the regular meetings held in the State House at Des Moines and at the special meetings in Sioux City and Davenport. A session lasting eight days was held at Des Moines in January, 1912, for the special purpose of giving interested taxpayers an opportunity to be heard. Not being satisfied that these meetings had given sufficient publicity to the work of the Commission to insure a proper understanding by the public at large of its plans and proposed recommendations, Governor B. F. Carroll was requested to call a State Tax Conference to meet in Des Moines. The account of this important conference, which should be recorded in some detail, is based largely upon the private files of the writer, who kept a careful record of the proceedings.³⁰

The first, and up to date, the only State Tax Conference which has convened in Iowa, met at the Savery Hotel in Des Moines on Wednesday, March 20, 1912. While the confer-

³⁰ Records of State Tax Conference, 1912, in the Economics Seminar Library, Iowa State College of Agriculture and Mechanic Arts, Ames, Iowa.

ence was open to all taxpayers of the State, it was especially desired that local assessors, boards of review, county and State officials and members of the General Assembly attend. Following the experience of other States and the National Tax Association, the official representation was arranged on the following basis:

In order to make the Conference representative in character and to insure an equal voice in the deliberations and in voting upon any resolution which may be proposed, each county will be entitled to three delegates, each of whom shall be entitled to one vote, such delegates to be named by the county auditor; and each university or college, maintaining a regular four year course, will be entitled to one vote, the delegate to be named by the president of such institution.

The members and Secretary of the Executive Council and of the State Tax Commission, one member of the board of supervisors for each county, to be designated by the respective boards, and the county auditor of each county will be ex-officio delegates to the Conference and entitled to vote and to participate in the deliberations.³¹

It is obvious that every effort was made to make the Conference representative in a real sense and open to any taxpayer in the State. In fact, the purpose of the meeting was to ascertain public sentiment regarding the various problems of taxation by bringing the Special State Tax Commission more closely in touch with the people, and at the same time affording the people themselves an opportunity to become more thoroughly acquainted with the purposes and plans of the Commission. While a regular program was prepared in order to direct the discussions along definite channels, at least half of the time was given over to a general discussion by the members themselves. In other words, the Commission had in mind at least two distinct

³¹ Records of State Tax Conference, 1912, in the Economics Seminar Library, Iowa State College of Agriculture and Mechanic Arts, Ames, Iowa.

things: first, the necessity of making a definite outline of the defects in our present revenue system and the remedies for the same; and second, the desirability of giving the members of the Conference an opportunity of discussing said defects and proposed remedies. The program in a word, was carefully balanced with a view of giving complete freedom of discussion on the one hand, and at the same time insure the careful presentation of fundamental principles on the other.

These facts are mentioned because at the very beginning of the Conference an unwarranted amount of suspicion was apparent. For some reason, many members of the Conference were led to believe that a deal had been arranged for the purpose merely of passing resolutions favorable to the Commission. Of course, there was absolutely no ground for any such suspicion since, as already explained, every effort had been made to make the Conference representative in a real sense and give any and every taxpayer an opportunity to be heard. If the Special Tax Commission had had any desire whatever to force a certain program of reform through the General Assembly without taking the people of Iowa into its confidence no general State Tax Conference would ever have been called. The meeting was held for the definite purpose of making the public thoroughly familiar with the plans and purposes of the Commission in order to give the people a chance of offering criticisms and making suggestions that would be helpful in the solution of the important problems of taxation.

The fact that the people were giving serious attention to the necessity of revising the tax laws is apparent from the large number of delegates who attended the Conference and the interest manifested. The report of the Committee on Credentials, of which Mr. C. F. Terhune of Muscatine was chairman, shows that seventy-four counties were

officially represented at the Conference. The number of voting delegates, in accordance with the call made by Governor B. F. Carroll, was two hundred and eighty-one, which list included one representative from each of the following educational institutions: Drake University, Grinnell College, the State Teachers College at Cedar Falls, and the Iowa State College at Ames. More than one hundred additional taxpayers were present from all quarters of the State and attended the sessions of the Conference. In other words, the fact that about four hundred men, representing nearly every county of the State, attended this Conference at their own expense furnishes conclusive proof of the deep interest which the people generally manifested in the proposed revision of the tax laws. The Special Tax Commission was greatly pleased at the large attendance and the intelligent interest manifested by the delegates in the general discussions.

After the opening address had been made by the Governor, Chairman M. H. Cohen appointed a committee on organization composed of Attorney R. M. Haines of Des Moines (chairman), Attorney J. H. McConlogue of Mason City (a member of the Commission), and Hon. David Jay of Blakesburg. The committee on organization reported the selection of Hon. W. E. Fuller, Ex-Congressman from the Fourth District, as permanent chairman of the Conference. The chairman appointed two additional committees: one on credentials and the other on resolutions, each committee being composed of one official delegate from each Congressional district.

The committee on resolutions, whose report made during the second day of the Conference precipitated a somewhat spirited discussion, was composed of the following members: W. M. Keeley, First District; D. V. Jackson, Second District; W. B. Robinson, Third District; S. K. Kolsrud,

Fourth District; E. E. Strait, Fifth District; Prof. J. W. Gannaway, Sixth District; W. W. Cardell, Seventh District; Wm. Glattley, Eighth District; Charles T. Launder, Ninth District; J. W. Holden, Tenth District; and W. H. Deegan, Eleventh District.

After holding at least three somewhat lengthy sessions, this committee concluded that it would not be desirable or in fact necessary to present any resolution favoring the establishment of a permanent tax commission or the creation of the office of county assessor. A large majority of the committee believed that the delegates were not prepared to pass final judgment on so important a matter, and they felt that it would be better to leave this question to the further consideration of the Special Tax Commission and the General Assembly. Nine out of the eleven members, however, were favorable to the idea of having a permanent tax commission and a county assessor; and the two remaining members would have voted in the negative largely because they were instructed to do so by the delegates from their respective Congressional districts. In a word, the members of the committee on resolutions after a thorough discussion of the problem were greatly impressed with the strength of the arguments in favor of a more efficient system of assessment and equalization.

The following resolution was submitted and signed by every member of the committee:

Be it resolved by this tax convention: That we recognize the great importance of the questions in reference to taxation now before the temporary tax commission of the state of Iowa.

That we recognize the ability and integrity of the members of that commission and the thorough and impartial manner in which they are investigating the questions now confronting them.

That we have the fullest confidence in their desire and ability to make a fair and proper recommendation to the next legislature, and that this convention is willing to leave the question of tax reform

to the legislature to act as it deems best upon the report of the commission.³²

No sooner had the above resolution been presented by Professor Gannaway than one of the delegates rose and, claiming to be a friend of the farmers, offered the following amendment to the resolution: "But this Conference is not at the present time and with its present information favorable to the creation of a Permanent State Tax Commission."

A somewhat animated debate followed in which J. H. McConlogue declared that the author of the resolution was not sincere in his expressions of friendship for the farmers. The discussion was closed by a very admirable address made by A. C. Ripley, who informed the delegates that the Special Tax Commission did not need a certificate of character, and that the Conference was called not to pass resolutions, but rather to insure an open and frank discussion of the various phases of the tax question. In other words, the convention was purely educational in character and from that standpoint he considered that it had been a great success. The Conference then laid on the table by an almost unanimous vote the resolution including the amendment as above noted. The delegates did not go on record either for or against the desirability of creating a permanent tax commission, wisely considering that this question should receive careful study on the part of the Special Tax Commission and the General Assembly.

The Conference adjourned with the delegates feeling good natured and well repaid for their time and expense. Perhaps the most important result of the meeting was the coming together of many minds with conflicting opinions and motives, which in itself convinced the great majority

³² Records of State Tax Conference, 1912, in the Economics Seminar Library, Iowa State College of Agriculture and Mechanic Arts, Ames, Iowa.

present that after all, the tax question is very complicated and requires careful research and sound judgment if the State is to establish an equitable revenue system. Many delegates went to the Conference thoroughly convinced that they knew exactly how the tax question should be solved, but after a two days' session went home doubting just a little their own wisdom. This in itself was a great gain. The feeling of suspicion, so apparent at the beginning of the meeting, was likewise removed; and in the judgment of the writer practically all of the delegates returned to their homes with more open minds, willing to believe that something was really wrong with the revenue system and that the Special Tax Commission was doing its best to ascertain the defects and provide an adequate remedy for the same.

Lastly, but most important of all, many representatives from the rural districts, leaders in their respective communities, who were delegates at the Conference, discovered that assessment on a more uniform basis under the supervision of county assessors and a permanent State tax commission was not a reform which would injure the farmer, but, on the contrary, that it was a progressive measure opposed chiefly by the representatives of special corporate interests. Unfortunately, all the rural taxpayers of Iowa could not be present at the State Tax Conference and learn at first hand these simple facts.

All students of public finance know that the success or failure of a tax on property depends upon accuracy of assessment. If the assessment is uniform, the tax will be equitable as between the holders of property subject to ad valorem taxation. If the assessment is not uniform, the property of certain persons in a given locality being listed relatively higher, perhaps double the amount of similar property owned by other persons, the tax will be unjust

and inequitable. Statistical tables were carefully prepared by the Special Tax Commission showing gross inequalities in the aggregate assessment of counties and also in the assessment of individual farms. The taxable value of farm land ranged from seven to thirty-five per cent of the sale value. Variations of fifty to a hundred per cent were the rule rather than the exception.³³

The Commission was therefore not long in discovering that, while many changes in detail should be made in the tax laws, the most fundamental change required was more thorough and efficient State and county supervision of local assessment. After describing the exact method of listing property by local assessors, followed by local, county, and State review and the making out of the tax list, the Commission made the following significant statement:

At the basis of the fiscal pyramid, we have the work of more than two thousand local assessors and the correction of individual assessments by local review boards composed of more than six thousand officials. Add to this long list the county boards of supervisors, county treasurers and auditors and the State Executive Council and we have an army of assessment and taxation officials composed of about ten thousand men without any central supervision or control either in the county or state.

It should be noted especially that the only authority which has power to correct errors made by the local assessors is the local board of review of which there are from eighteen to thirty in the average county of Iowa. This means that the township or other minor civil division is the important unit of local government from the standpoint of assessment on the one hand and the review or correction of individual assessments on the other. The county board of supervisors under such a system is absolutely powerless to bring about anything approaching uniformity among the minor subdivisions of a county. In fact, no adequate authority is now provided in the revenue laws of Iowa whereby the county is able to guarantee uni-

³³ *Report of the Special Tax Commission to the Governor of Iowa*, 1912, pp. 29, 30, 32, 33, 35, 37-45.

formity of assessment within its borders. For these and other reasons the Executive Council, acting as a State Board of Review, is not able to bring about uniformity of assessment as between the various counties of the state without doing great injustice to many individual taxpayers. The necessity of having uniformity as between the minor sub-divisions of the county and at the same time among the various counties of the state is the basis of the recommendation of this Commission that a county assessor or supervisor of local assessments and a permanent state tax commission be created.³⁴

The necessity of providing for a county assessor and tax commission system was based upon the following facts: first, the existence of low assessment at an average of about one-eighth of the sale value; second, gross inequalities of assessment which have not been improved but, on the contrary, have become progressively more inequitable; third, the evils of the ex officio plan or rather planless system of fiscal administration under which no county or State officer gives any real time and thought to this important function of government; fourth, the possibilities offered by scientific State assessment, in place of the listing in a mere perfunctory manner of the property of public service corporations, which in Iowa amounts to hundreds of millions of dollars; and fifth, the more efficient listing of moneys and credits when subjected to the flat tax of five mills on the dollar of actual valuation—it being estimated that \$1,000,000 was lost annually on this class of property alone as a result of antiquated methods of assessment.

The Commission reached the conclusion that “uniformity, however, has been the exception, and inequality the rule, wherever under assessment has prevailed”,³⁵ and recommended that property be assessed at its actual value, the tax rates to be adjusted so as not to increase the burden of

³⁴ *Report of the Special Tax Commission to the Governor of Iowa, 1912, p. 24.*

³⁵ *Report of the Special Tax Commission to the Governor of Iowa, 1912, p. 60.*

taxation. This second recommendation — that assessment be made at actual value — is based upon sound experience in the majority of progressive States; but commendation of the practice is not universal, a number of able students of taxation holding that greater uniformity can be secured by assessment at a fraction of actual value, a practice which prevails in Iowa and certain other States. They maintain that the psychology of the taxed public demands at least “a concession”, and that assessors are able to secure the listing of property at more nearly the actual value required both by law and common sense if the property owner is assured that the taxable value will be placed at a third, fourth, or fifth of the *listed* or *actual* value.

Knowing the logic of democracies, one is obliged to acknowledge that there is a grain of truth in this contention. Be this as it may, it is simply stealing from Peter to pay Paul, as the rate must be increased the exact amount that the assessment is decreased. The important thing is neither the rate nor the assessment considered separately but rather the amount of tax voted by the people or their authorized representatives for a certain purpose. It should be distinctly noted at this point that the Commission safeguarded the taxpayers against any increase of taxation resulting from assessment at actual value rather than a fraction of actual value, by writing into their revenue bill the following:

Should the assessed valuation of the property of the state, or any county, township, city, town, district or other political or municipal corporation, for the year 1914 or subsequent years, exceed the average assessed valuation for the years 1912 and 1913, the maximum rates of levy for the state, or for any county, township, city, town, district or other political or municipal corporation, for each of the various purposes for which taxes are levied, shall, until otherwise provided by law, be so reduced that the amount of taxes raised for each of said purposes shall not exceed the amount which

might have been raised on the average assessed valuation for the years 1912 and 1913 under the maximum rates of levy existing, and the percentage limitation of indebtedness of such corporation shall be so reduced that such indebtedness shall not exceed the amount which by law might have been incurred on the assessed valuation for the year 1913.³⁶

Finally the Commission called attention to other tax problems, such as the income tax, direct inheritance tax, and a partial separation of revenue sources, but made no definite recommendation, rightly holding that such matters ought to receive more careful study on the part of a permanent tax commission in case one was created. Attorney General George Cosson, on request, submitted a legal opinion that separation of revenue sources based upon the exclusive State taxation of the property or earnings of certain classes of public service corporations could be secured only by amending Article VIII, Section 2, of the Constitution of Iowa which reads as follows: "The property of all corporations for pecuniary profit, shall be subject to taxation, the same as that of individuals."³⁷

As there can be no revenue system in Iowa that is efficient from the point of view of administration and equitable from the point of view of the taxpayer, until a permanent State tax commission is created as a separate body, or by clothing the Executive Council with the necessary power and authority, and at the same time providing for county assessment or at least county supervision of local assessment, the reader should carefully note the provisions of the revenue bill submitted by the Special Tax Commission to the Governor and General Assembly of Iowa relating to these important matters. The exact language of the bill is just as applicable

³⁶ *Report of the Special Tax Commission to the Governor of Iowa, 1912, p. 128.*

³⁷ *Report of the Special Tax Commission to the Governor of Iowa, 1912, p. 72.*

in 1921 as it was in 1913, and could safely and wisely be enacted into law by the present General Assembly. It will be equally brief and more to the point, therefore, to quote in some detail from the revenue bill prepared by the Special Tax Commission in 1913.

After providing for a permanent State tax commission of three members to be appointed by the Governor "by and with the advice and consent of the senate", and transferring to said board the assessment and review duties of the Executive Council, it was further stipulated, following the best experience of many progressive States, that the commission should have and exercise the following additional powers and duties:

(1). To have and exercise general supervision over the administration of the assessment and tax laws of the state, over assessors, boards of review, boards of supervisors and all other officers or boards of assessment and levy in the performance of their official duties, to the end that all assessments of property and taxes levied thereon be made relatively just and uniform in substantial compliance with law.

(2). To prepare forms and cause to be printed and bound at the cost of the state, suitable assessment rolls and assessors' books, and furnish to each county assessor, prior to the first day of December in each year, a sufficient supply thereof to make the assessment in his county for the succeeding year. It may also from time to time prepare and furnish, in like manner, any and all other blanks, memoranda or instructions which it deems necessary or expedient for the use or guidance of any of the officers over which it is authorized by law to exercise supervision; provided, however, in the year 1913, such assessment rolls and assessors' books shall be furnished to the county auditor and by him delivered to the county assessor upon his qualifying.

(3). To confer with, advise and direct assessors, boards of supervisors, boards of review, and others obligated by law to make levies and assessments, as to their duties under the laws of the state.

(4). To direct proceedings, actions and prosecutions to be instituted to enforce the laws relating to the penalties, liabilities and

punishment of public officers, persons and officers or agents of corporations for failure or neglect to comply with the provisions of the statutes governing the return, assessment and taxation of property, and to cause complaints to be made against assessors, members of boards of review, boards of supervisors or other assessing, reviewing or taxing officers, in the courts of proper jurisdiction, for their removal from office for official misconduct or neglect of duty.

(5). To require the attorney general or county attorneys in their respective counties, and it shall be the duty of such attorneys, to assist in the commencement and prosecution of actions and proceedings for penalties, forfeitures, removals, and punishments of violations of the laws of the state in respect to the assessment and taxation of property, or to represent the commission in any litigation in which it may become involved in the discharge of its duties.

(6). To require city, town, township, county, state or other public officers to report information as to the assessment of property, collection of taxes, receipts from licenses, or other sources, the expenditure of public funds for all purposes and such other information as may be needful or desirable in the work of the commission in such form and upon such blanks as the commission may prescribe.

(7). To summon and compel witnesses to appear and give testimony and to compel said witnesses to produce for examination, records, books, papers and documents relating to any matter which the commission shall have the authority to investigate or determine; provided, however, that no bank, officer or employee thereof, shall be compelled to testify as to the contents of any of the records of such bank, or produce the same for the purpose of examination in any matter relating to assessment or taxation.

(8). To cause the deposition of witnesses residing within or without the state or absent therefrom to be taken upon notice to interested parties, if any, in any like manner that depositions of witnesses are taken in civil actions pending in the district court, in any matter which the commission shall have authority to investigate or determine.

(9). To investigate the work and methods of assessors, boards of review and boards of supervisors, in the assessment, equalization and taxation of all kinds of property, by visiting the counties or localities when deemed necessary so to do.

(10). To consider the complaint made by a taxpayer of any county where it is claimed that the assessment in said county is higher than the assessment in other counties and make such change as the commission may deem just and equitable.

(11). To require any county board of equalization at any time after its adjournment to reconvene and to make such orders as the tax commission shall determine are just and necessary, and to direct and order such county board of equalization to raise or lower the valuation of the property, real or personal, in any township or city, and to order and direct any county board of equalization to raise or lower the valuation of any class or classes of property, and generally to do and perform any act or to make any order or direction to any county board of equalization or any assessor as to the valuation of any property, or any class of property in any township, town, city or county, which in the judgment of the commission may seem just and necessary, to the end that all property shall be valued and assessed in the manner and according to the real intent of the law.

(12). To carefully examine into all cases where evasion or violation of the law for assessment and taxation of property is alleged, complained of, or discovered, and to ascertain wherein existing laws are defective or are improperly or negligently administered.

(13). To investigate the tax system of other states and countries and to formulate and recommend such legislation as may be deemed expedient to prevent evasion of assessment and tax laws, and to secure just and equal taxation and improvement in the system of taxation in this state.

(14). To consult and confer with the governor of the state upon the subject of taxation, the administration of the laws in relation thereto, and the progress of the work of the commission, and to furnish the governor from time to time such information as he may require.

(15). To transmit biennially to the governor and to each member of the legislature, thirty days before the meeting of the legislature, the report of the commission, covering the subject of assessment and taxation, the result of the investigation of the commission, its recommendations for improvement in the system of taxation in the state, together with such measures as may be formulated for the consideration of the legislature.

(16). To publish in pamphlet form the revenue laws of the state and distribute them to the county assessors, who shall in turn distribute the same to the local assessors and boards of review of their respective counties.

(17). To exercise and perform such further powers and duties as may be granted to or imposed upon the commission by law.³⁸

The county assessor provided for in the revenue bill was to be elected by the people for a term of four years and exercise the following general duties: first, list omitted property, special provision being made for listing moneys and credits that had been escaping all taxation; second, "have and exercise general authority over the local assessors of his county in all matters pertaining to their duties as such local assessors"; third, collect data on sales of farm lands and town lots which will aid local, county and State boards of review in bringing about greater uniformity of assessment; fourth, review and equalize local assessments with the approval of the county board of supervisors; and fifth, serve as a necessary administrative link between local and State authorities in all matters relating to assessment and taxation.³⁹ Just as the county engineer is necessary in a comprehensive Statewide plan of road administration, so the county assessor, acting as a county supervisor of local assessment, is essential to any efficient State supervision of assessment and taxation.

The most essential provisions of the revenue bill relating to the duties of the county assessor, which, in the judgment of the writer, should form a part of any scientific plan of assessment reform in Iowa are the following:⁴⁰

³⁸ *Report of the Special Tax Commission to the Governor of Iowa*, 1912, pp. 88-90.

³⁹ *Report of the Special Tax Commission to the Governor of Iowa*, 1912, pp. 90-92, 123.

⁴⁰ *Report of the Special Tax Commission to the Governor of Iowa*, 1912, pp. 91, 92, 123, 125.

Sec. 19. It shall be the duty of the county assessor, as far as practicable, to make a careful examination of all records and files in the offices of his county, and to co-operate with the tax commission, and through it with the county assessors of other counties, in order to obtain all available information which may assist him in listing and assessing at its true value, and to the proper persons, any and all taxable property which may have been omitted by the local assessor. In making such examination, particular attention shall be given to all intangible property such as tax certificates, mortgages, debts, judgments, claims, and allowances of courts, legacies, and property in the hands of administrators, executors, guardians, assignees, receivers, trustees and other fiduciaries.

Sec. 22. It shall be the duty of the county assessor to furnish, upon request, to the tax commission, or to the county assessor of any other county, any information pertaining to the discovery of taxable property which may be obtainable from the records of his county.

Sec. 23. The county assessor shall have and exercise general authority over the local assessors of his county in all matters pertaining to their duties as such local assessors. He shall make such rules for the guidance of the local assessors and give to them such advice, orders and directions, not inconsistent with law or the instructions to the tax commission, as will insure the listing and assessment of all property assessable within his county at its actual value and in strict compliance with all laws and regulations prescribing the duties of local assessors.

Sec. 24. Between the first and second Mondays in January, the county assessor shall call an annual meeting of the township, town and city assessors in order to direct and instruct them in the duties of their office, furnishing the uniform assessment blanks as prepared and submitted by the tax commission. Each local assessor shall be required to attend said meeting and for this purpose shall be allowed pay for one day's work together with the necessary traveling expenses.

Sec. 25. The county assessors shall prepare and keep up to date a tabulated list of sales of farm and unplatted lands and town lots in and various townships, towns and cities of their respective counties, the same to be done according to rules and regulations formu-

lated by the tax commission. At the annual meeting of the township, town and city assessors, just prior to the assessment of real estate, said list of sales as prepared and tabulated for the entire county during the preceding biennial period shall be submitted to the assessors in each taxing district to serve as a guide in their work of assessment, and may also, as far as practicable, be made use of by the county assessor, county board of supervisors, and the tax commission, in their work of review, adjustment and equalization. The county assessor shall be required to submit a copy of said list of sales of real estate, to the tax commission not less than thirty days prior to the time when said commission acts as a state board of review.

Sec. 121. The county assessor shall review the assessments made by the local assessors in the several assessing districts of his county, as shown by the assessment rolls returned to him, and shall equalize the same in such manner that all items, classes and kinds of property shall be listed and assessed at their true and actual amounts and values. For the purpose of equalizing the valuation of the property as herein provided, the county assessor is authorized and required to raise or lower the assessment of any item, class or kind of property by him found to be incorrectly valued or assessed. He may also make such clerical or other corrections in the assessment rolls as may be found necessary to a just and equitable equalization of all property assessed.

Sec. 129. The county assessor shall meet with the board of supervisors while sitting as a county board of review, and shall submit to said board of review the completed assessor's books, together with the assessment rolls returned by the local assessors. He shall also lay before such board of review the tabulated lists of sales of real estate as prepared by him, together with such other information he may possess, which will aid the board of review in performing its duties in equalizing and adjusting the assessments of the several townships, towns and cities, and determining the rights of individuals where appeals have been taken to said board of review. The county assessor shall make such changes in the assessor's books as may be ordered by said board of review.

When the Thirty-fifth General Assembly convened in

January, 1913, there was a strong sentiment in favor of reform in the administration of the State's tax system. The revenue bill as introduced by the Committee on Ways and Means in both the House⁴¹ and the Senate⁴² was in some important respects a stronger and more progressive measure than that drafted by the Special Tax Commission. Two points will serve to indicate this fact. The county assessor was to be appointed by a county board composed of the county auditor, county treasurer, county recorder, clerk of the district court, and chairman of the county board of supervisors, and not elected by the people.⁴³ From the standpoint of administration this was a distinct improvement as compared with the plan recommended by the Special Tax Commission.

Several changes were made in the duties of the tax commission which tended to strengthen the power and authority of that body. It will be recalled, for example, that, among the powers of the proposed tax commission as given above, was the authority to require "any county board of equalization at any time after its adjournment to reconvene and to make such orders as the tax commission shall determine are just and necessary, and to direct and order such county board of equalization to raise or lower the valuation" of any property or classes of property.⁴⁴ Not content with merely stating that this power existed, the Committee on Ways and Means of the House gave the proposed commission the additional authority to "bring action of mandamus or injunction or any other proper action in the district court, or before any judge thereof, to compel the perform-

⁴¹ House File, No. 644, 1913. See also *Journal of the House of Representatives*, 1913, p. 1129.

⁴² Senate File, No. 442, 1913. See also *Journal of the Senate*, 1913, p. 880.

⁴³ House File, No. 644, Sec. 14, 1913.

⁴⁴ *Report of the Special Tax Commission to the Governor of Iowa*, 1912, p. 89.

ance of any order made by said commission or to require any assessor or board of equalization or any other officer or person to perform any duty required by this act."⁴⁵

While the Committee on Ways and Means were working faithfully on the revenue bill, which was reported for passage in the Senate on April 2, 1913,⁴⁶ and in the House on March 31st,⁴⁷ the opposition was actively engaged in printing at Des Moines thousands of petitions against a permanent tax commission for circulation largely among the farmers of Iowa. As these manufactured petitions began to roll into the General Assembly, the sentiment in favor of replacing the provisions of the *Code of 1873* by a modern tax system rapidly weakened, and the friends of the revenue bill realized that tax reform had again been defeated.

Four quite distinct forms of petition were prepared by the opposition. For the sake of convenience these forms may be designated A, B, C, and D. Inasmuch as these petitions contain the arguments used to defeat the bill, the taxpayers of Iowa as well as the historians will be interested in the exact language of the documents. They are worded as follows:⁴⁸

[Form A]

PETITION

TO THE MEMBERS OF THE IOWA LEGISLATURE:

The duties and powers of the State Executive Council pertaining to taxation are not well understood. They are more than a Board of Review to equalize taxes among the several counties. The law provides that they shall adjust the value of property by adding to

⁴⁵ House File, No. 644, Sec. 13 (11), 1913.

⁴⁶ *Journal of the Senate*, 1913, p. 1544.

⁴⁷ *Journal of the House of Representatives*, 1913, p. 1703.

⁴⁸ Documents in the Economics Seminar Library, Iowa State College of Agriculture and Mechanic Arts, Ames, Iowa.

or taking from the valuation of each kind and class of property such percentage in each case as will bring the same to its taxable value.

What greater powers can be given to a Permanent Tax Commission? What reason for creating a high salaried, centralized commission to assume duties which already belong to men elected by the people?

We do not favor the radical changes in our revenue system which are proposed under the name of Permanent Tax Commission nor do we favor any Tax legislation that shall take away from the people the right to assess, collect and disburse their own local taxes in their own way.

We respectfully and urgently petition your honorable body to vote in harmony with us in this important matter.

NAME

ADDRESS

[Form B]

PETITION

To the Members of the Senate,
Thirty-fifth General Assembly.

We are opposed to a Permanent Tax Commission for Iowa. Wherever it has been tried, the farmers' and land owners' taxes have been radically increased. It is a needless expense and subversive of the peoples' right to assess and disburse taxes as their special needs require.

The small inequalities that now affect the state tax do not justify changing our tax system and taking from the people the control of the local assessment machinery and placing it in a Centralized Commission to be appointed by the governor for six year term with practically the power to perpetuate itself.

We respectfully and urgently petition your honorable body that you do not enact the Permanent Tax Commission bill into law, or any similar measure that would materially increase our taxes either by levy or unfair increase of valuation.

NAME

ADDRESS.

[Form C]

PETITION

TO THE MEMBERS OF THE
THIRTY-FIFTH GENERAL ASSEMBLY OF IOWA:

Claims are being made that our farm lands and farm property are now under-assessed and unequally assessed for taxation, and that a Permanent Tax Commission with a County Assessor for every County is the only means of reforming these supposed evils.

Since nearly all the taxes our people pay are for our own schools, roads and other purposes of local government, about which the people of each local community can best judge for themselves, and since the Tax Commission plan has not proved satisfactory where tried, but has shown greater varieties and inequalities of methods and assessments than does the present revenue system of Iowa,

THEREFORE, We do not favor a Tax Commission, which will add enormous burdens of taxation, and take away from the people of our local communities the right to assess and pay out their own taxes in their own way. The small inequalities that now effect the State tax do not justify a sweeping change that will place this important function of government in a centralized commission. We respectfully and urgently petition your honorable body not to enact any such tax system.

NAME.

ADDRESS.

[Form D]

PETITION.

To the General Assembly of Iowa:

We, the members of the Corn Belt Meat Producers' Association, and other tax payers of Iowa, respectfully and urgently petition your Honorable Body not to enact the Permanent Tax Commission bill reported by the Temporary Tax Commission into law.

It is objectionable because of its great expense, because it takes away from local communities the handling of their own tax business, and because wherever tried, as in Kansas, Wisconsin, and Minnesota, has not proved satisfactory, and has materially increased farmers' taxes.

We annulled the "Tax Ferret" law and this would be its equivalent under another name. Our state Executive Council has just as much power as the Legislature could grant to a tax commission. Why should they not exercise this power and thereby save this quarter million annual outlay. We approve of no system of taxation which does not impose upon every species of property its full and equitable share of the burden of taxation, including moneys and credits.

NAMES

ADDRESSES.

Form A, it will be observed, gives five alleged reasons why a permanent tax commission should not be created: first, the State Executive Council already has sufficient power and authority under existing law; second, the law already provides for valuation at the "taxable value"; third, high salaries; fourth, centralized authority to assume duties which under present laws belong to "men elected by the people"; and finally, the people should have the right to "assess, collect and disburse their own local taxes in their own way". The framer of this petition, whose identity has never been known, was certainly a shrewd judge both of human nature and of democracy, and was also a reasonably good psychologist. It is well known that the people in general have very distinct prejudices against increasing taxes, high salaried public officials, and centralized power and authority vested in appointive officers.

To any person reasonably well informed on the subject of taxation in Iowa the answer to the above arguments is simple and obvious. The State Executive Council is not at present clothed with sufficient power and authority in matters of assessment and equalization; nor can the limited power which that body does possess be made effective for the reason that proper county fiscal administration as a necessary connecting link has not been established. In the second place, the present law provides for assessment at

the actual value, a fact which is purposely distorted in the petition.

Regarding high salaries, it should be stated that the small number of additional offices created would represent almost an imperceptible expenditure as compared with the more than eighty millions of dollars of State and local taxes collected for the year 1920. Moreover, if the permanent tax commission and county assessor system had been created as recommended, millions of dollars in taxes would have been collected on moneys and credits alone, which under the present antiquated system have entirely escaped the burden of taxation. In the fourth place, experience has demonstrated over and over again that administrative authority to be efficient and therefore just must be more or less centralized, and preferably should be vested in appointive officers subject to civil service regulations.

Finally, the reader should observe that we do not "assess" taxes, but we "assess" property and levy taxes. Assessment is an administrative function, properly vested in appointive officers, because what is wanted is efficiency which means uniformity of assessment. The levy of taxes, on the other hand, is a legislative function which must be vested in the people themselves or their chosen representatives. Permanent tax commissions, county assessors, and local assessors as such have nothing to do with the increase or decrease of taxes. There is no connection between the existence of permanent tax commissions and either the increase or decrease of taxation. This simple distinction, if clearly understood, will enable the reader to appreciate the most important fallacy in this petition.

Forms B, C, and D are similar to A in that all object to centralized authority and high taxes, and demand that the people control their own local affairs in their own way. Form A, however, is of a general character intended to

benefit almost any taxpayer, whether rural or urban, and to safeguard the interests of any class of property; while the other three petitions all relate specifically to farm lands. The reference in form D to the increase of taxes and general unsatisfactory results under the operation of a State Tax Commission in Kansas, Wisconsin, and Minnesota conveys an impression that will not bear scrutiny when the facts are examined. A discussion of the workings of the commissions in these States and a tabulation of their tax statistics compared with those of Iowa will be given later in this paper.

The forces arrayed against the revenue bill, working persistently along the lines indicated above and by means of other forms of literature widely distributed throughout the State, were successful in defeating the measure. The opposition to administrative reform of the tax system of Iowa was, indeed, very efficiently organized; it operated through representatives of both major political parties, made extensive use of the press, and circulated from forty to fifty thousand petitions for signatures throughout the State.⁴⁹

It will be recalled that the Special Tax Commission suggested that "before anything approaching a complete separation of revenue sources in this state is possible" it would be necessary to amend Article VIII, Section 2 of the Constitution.⁵⁰ In the Thirty-fifth General Assembly there was a substantial sentiment favoring at least a partial separation of revenue sources in order to expand the revenue for State purposes without increasing the general tax levy on property. Joint resolutions to amend the Constitution along this line were promptly introduced in both houses. House Joint Resolution No. 4 proposed an amendment as follows:

⁴⁹ *The Register and Leader* (Des Moines), March 9, 11, 1913.

⁵⁰ *Report of the Special Tax Commission to the Governor of Iowa*, 1912, p. 71.

Section 1. That the following amendment to the Constitution of the State of Iowa be, and the same is hereby proposed: To add, as Section thirty-nine (39) to Article three (3) of said Constitution, the following, to-wit:

“Section 39. For the purpose of providing revenue for state purposes, the General Assembly may provide for the exclusive taxation of such classes of property as it may deem proper. When any class of property is exclusively taxed for state revenue purposes, such class shall not be otherwise taxed for general county, township or municipal purposes.”

Sec. 2. That the foregoing proposed amendment to the Constitution of the State of Iowa be, and the same is hereby referred to the Legislature to be chosen at the next general election for members of the General Assembly, and that the Secretary of State cause the same to be published for three months previous to the day of such election, as provided by law.

Resolved further, That should said proposed amendment be agreed to by a majority of the members of the said succeeding General Assembly, the said proposed amendment shall be submitted to the electors of the State of Iowa at the general election in the year 1914.⁵¹

Senate Joint Resolution No. 4 proposed somewhat different amendments for the same purpose as follows:

That the following amendments to the Constitution of the State of Iowa be and the same are hereby proposed and referred to the Thirty-sixth General Assembly:

First: Amend article three (3) of said constitution by adding thereto as section thirty-nine (39) thereof the following:

“Sec. 39. The General Assembly may provide by statute for the exclusive taxation of such classes of property as it may deem proper, for the purpose of providing revenue for state purposes. Property thus selected by the legislature for exclusive taxation for state purposes, and so taxed, shall not be otherwise taxed by any subdivision of the state or municipality, for general purposes.”

Second: And amend section two (2) of article eight (8) of said constitution so that the same will read as follows:

“The property of all corporations for pecuniary profit shall be

⁵¹ *Journal of the House of Representatives*, 1913, p. 118.

subject to taxation the same as that of individuals, except when the same is taxed exclusively for state purposes."⁵²

The Senate joint resolution was indefinitely postponed,⁵³ but the House joint resolution was reported for passage on February 8th.⁵⁴ With slight amendment correcting the date of submitting the amendment to the people, the resolution passed the House by a vote of 58 to 43, with seven members absent or not voting.⁵⁵ In the Senate, however, more opposition developed. The resolution was reported unfavorably and indefinitely postponed,⁵⁶ only to be reconsidered later and passed by a vote of 32 to 17 with one member absent or not voting.⁵⁷ Quiet influences had been at work to defeat the amendment; but other quiet influences, at the same time, were working more efficiently in favor of this particular reform.

The amendment as adopted was in the form of the House joint resolution above noted.⁵⁸ Two years later, as required by law and by the Constitution itself, the amendment in this form was brought before the Thirty-sixth General Assembly.⁵⁹ At that time the World War was in progress. People had forgotten about the desirability of a partial separation of revenue sources in Iowa. Few members of the General Assembly took an active interest in the amendment proposing exclusive State taxation of certain classes of property. The "silent method" of treatment was all on

⁵² *Journal of the Senate*, 1913, p. 190.

⁵³ *Journal of the Senate*, 1913, p. 1540.

⁵⁴ *Journal of the House of Representatives*, 1913, p. 435.

⁵⁵ *Journal of the House of Representatives*, 1913, pp. 504-506.

⁵⁶ *Journal of the Senate*, 1913, p. 1539.

⁵⁷ *Journal of the Senate*, 1913, pp. 1987, 1988.

⁵⁸ House Joint Resolution No. 4.—*Laws of Iowa*, 1913, pp. 422, 423.

⁵⁹ *Journal of the House of Representatives*, 1915, pp. 235, 236; *Journal of the Senate*, 1915, pp. 704, 705.

the side of the opposition and, as a consequence, the amendment was defeated.⁶⁰

The period 1914–1919 was one of war, not of reform in the field of State and local taxation — at least that was true in Iowa. Only minor changes in detail were made in 1915. Two years later the Thirty-seventh General Assembly passed a law providing that the amount of taxes as such should be certified to the county auditor in dollars and not by rate, and that, after the readjustment of taxable valuation by various boards as required by law, the county auditor should spread upon the records a rate which would raise the amount required by a given taxing district.⁶¹ In 1919 the Thirty-eighth General Assembly permitted banks to deduct United States bonds from the assessed value of their bank stock — a very unpopular law, which is almost certain to be repealed⁶² — and provided that certain loan corporations, conforming to definite conditions as shown by annual reports made to the Auditor of State, might be as-

⁶⁰ *Journal of the Senate*, 1915, pp. 1596, 1597; *Journal of the House of Representatives*, 1915, p. 887.

⁶¹ *Laws of Iowa*, 1917, Ch. 343.

⁶² *Laws of Iowa*, 1919, Ch. 257. This much debated measure is worded as follows:

“That section one thousand three hundred four (1304), supplemental supplement to the code, 1915, be and the same is hereby amended by adding after the semi-colon in line sixteen thereof, the following:—‘provided, however, that in determining the assessed value of bank stock, the amount of obligations issued by the United States government since the declaration of war against Germany, actually owned by a bank or trust company shall be deducted, and any bank or trust company which since January first, nineteen nineteen has been assessed on its shares of stock without so deducting such United States government securities shall be entitled to have its assessment on its shares reduced by the board of supervisors of the county in which such bank is located, so as to deduct from its total valuation such government securities. Provided, however, that no deduction shall be made unless the bank or trust company claiming the same shall have been the owner in good faith and not for the sole purpose of securing such deduction, of said securities for a period of more than sixty (60) days prior to December thirty-first of the year preceding that for which the assessment is made.’”

sessed on the net actual value of their moneys and credits at the rate of five mills on the dollar.⁶³

The act passed in 1917, providing that the tax rate should be fixed with reference to the new adjusted valuation so as to raise the sum required for a given taxing district and not a greater amount, is worthy of special consideration. This law, for which credit should be given James B. Weaver who introduced the bill, outlines four distinct steps in the determination of the tax rate as follows: first, the rate required for any public purpose shall, in all cases "be estimated and based upon the adjusted taxable valuation of such taxings district for the preceding calendar year"; second, the amount thus determined shall be certified to the county auditor in dollars and not by rate; third, the county auditor shall then fix the rate on the new adjusted taxable valuation necessary to raise the sum required; and finally, the rates for each taxing district shall be entered upon the permanent records of the county auditor.⁶⁴ In the judgment of the writer the same thing might have been accomplished in as simple and effective a manner by enacting into law Section 140 of the revenue bill presented by the Special Tax Commission in 1912 to which reference has already been made.⁶⁵

The purpose of the law enacted in 1917 to certify the amount of taxes in dollars and require the county auditor to determine the rate based upon the new adjusted taxable valuation which would raise the required sum of money, was to prevent a repetition of what had happened following the great increase of aggregate taxable valuation of the entire State in 1913. At that time an unusual increase was made in the aggregate assessed valuation of the State without making provision for reducing the various levies in the

⁶³ *Laws of Iowa*, 1919, Ch. 151.

⁶⁴ *Laws of Iowa*, 1917, Ch. 343.

⁶⁵ See above, p. 19.

same ratio. The logical and inevitable result was that millions of dollars in taxes were collected without the slightest authority from the people themselves acting through their chosen representatives in the various taxing districts of Iowa. The people had a right to object and did object to what was in fact a levy of taxes by administrative instead of legislative officials.

Assessment is an administrative function and is properly vested in assessors and boards of review whose legal duty is to see that assessments are uniform on the basis of the actual value of taxable property, or some fraction thereof as in Iowa. If aggregate assessment is increased (for example, by the Executive Council acting as a State board of review as in 1913), without properly readjusting the rates as required by the law under consideration and also by the revenue bill of the Special Tax Commission rejected in 1913, taxes are in fact arbitrarily increased in like ratio without the consent of the people.

At this point it might be well to remind the reader that the levy of taxes is a legislative not an administrative function of government. The people should determine the amount of taxes they must pay, acting directly or through local, State, or national representatives. Taxation without representation was on one important occasion referred to as tyranny. Now it so happens that the people can fix the amount of taxes they must pay by a mere adjustment of rates only if the base or assessment is known and finally determined. The amount of tax depends upon both the base or assessment and the rate. The duty of the proper administrative officials is to fix the base or taxable valuation which should be uniform as between different parcels and classes of property. That accomplished, the duty of other administrative officials is to adjust the rate, it being understood that the amount of tax has been determined and

legally approved by the representatives of the people. If mere administrative officials are allowed to change the base or taxable value without any reference to the rate, or to fix the rate without proper reference to the valuation, the people have no effective control of their tax burden.

In 1913 the base was greatly increased without a proper adjustment of the rate. The result is shown by Table I.

TABLE I

STATE AND LOCAL TAXES, 1905-1919 ⁶⁶		
YEAR	TAXABLE VALUATION	TOTAL TAX LEVIED
1905	\$622,738,675	\$26,061,977.03
1906	634,587,379	26,333,163.21
1908	666,926,216	29,248,378.54
1910	693,211,177	32,500,045.88
1912	718,673,202	37,148,106.01
1913	917,181,156	46,022,009.65
1914	932,476,812	47,072,369.27
1915	945,061,505	50,676,033.25
1916	955,143,629	54,267,625.44
1917	975,387,872	62,381,314.24
1918	1,008,009,783	66,216,150.50
1919	1,089,140,177	80,495,235.92

The aggregate taxable valuation of Iowa, it will be observed, increased very gradually from 1905 to 1912 and again from 1913 to 1919. The amount in 1913, however, is nearly \$200,000,000 greater than in 1912. If rates had been reduced for reasons above explained, this increase in taxable valuation would not have affected the total amount of tax levied in 1913. Rates, however, were not readjusted, with the result shown in the column headed "Total Tax Levied". This column also shows a gradual increase from 1905 to 1912, and again from 1913 to 1916 — the larger increase for the years 1917-1919 being the obvious result of

⁶⁶ *Valuation and Taxes* (compiled by the Auditor of State), 1919, pp. 5, 15.

higher tax levies made necessary by the high cost of living. The increase of about \$9,000,000 in 1913 is explained to a large extent by the simple fact that aggregate taxable valuation was increased without a proper readjustment of the rates. Had the provisions for the readjustment of rates, which were incorporated in the revenue bill submitted by the Special Tax Commission in 1912, or those which were enacted into the Weaver law of 1917, been operative in 1913 the taxpayers of Iowa would, in the judgment of the writer, have been saved at least \$5,000,000 in taxes levied without de facto authority of law in 1913 and collected in 1914. Furthermore, it is a well known principle that taxes once collected and expended mark a level that is not likely to be reduced, which means that if \$5,000,000 less in taxes had been levied in 1913, a somewhat smaller amount would have been levied for each of the following years.

The flat rate of five mills on the dollar of actual value of moneys and credits, being perhaps the most important substantive change during the decade under consideration, the reader will be interested in the listing of this class of property. Table II shows the actual value of moneys and credits

TABLE II

FIVE MILL TAX, 1912-1919 ⁶⁷			
YEAR	ACTUAL VALUE MONEYS AND CREDITS	TOTAL TAX	AMOUNT RECEIVED BY STATE
1912	\$189,199,168	\$ 945,995.84	\$ 77,370.26
1913	210,712,518	1,053,562.59	88,053.52
1914	251,828,587	1,259,142.93	97,783.88
1915	275,361,750	1,376,808.75	102,111.28
1916	307,258,690	1,536,293.45	107,243.64
1917	329,954,615	1,649,773.07	167,882.40
1918	436,068,796	2,180,343.98	193,838.94
1919	468,277,795	2,341,388.97	202,035.08

⁶⁷ *Valuation and Taxes* (compiled by the Auditor of State), 1919, pp. 5, 7.

listed for the years 1912-1919, the total tax computed at the flat rate of five mills, and the amount of said tax which was received by the State. It will be observed that the amount of moneys and credits listed in 1912 was \$189,199,168; and the total amount of tax levied was \$945,995.84 of which the State received only \$77,370.26, the balance as provided by law being retained by the localities. The increase in listing was gradual until 1918 when we note a listing of \$436,068,796 as compared with \$329,954,615 for the previous year. The total tax levied in 1919 was \$2,341,388.97 of which the State received only \$202,035.08. At a time when a great expansion of State revenue is almost mandatory, the writer would suggest that one simple way of adding more than \$2,000,000 to the income of the State would be to make the flat rate of five mills on moneys and credits an exclusive State tax and not a State and local tax like that on general property as provided by the present law.

Turning our attention to Table III the reader can see at a glance the increase of enrollment in the public schools and higher State institutions of learning, and the State support of public schools and higher State institutions of learning for the years 1911-1920 — except that official reports omit certain tax data for 1912. It should be noted that the State institutions of higher learning in Iowa are the State University of Iowa at Iowa City, the State College of Agriculture and Mechanic Arts at Ames, and the State Teachers College at Cedar Falls.

Speaking frankly, the writer is surprised at the striking contrast between the increase in State support granted the public schools as compared with that given to the State institutions of higher learning during the ten year period. The enrollment in the public schools increased from 507,294 in 1911 to 547,272 in 1920, or 7.9 per cent; while the State support of public schools increased from \$12,295,354.62 to

\$32,421,449.98 or 163 per cent during the same period. In striking contrast with this increase in support of public schools voted by the people in their own localities, which was no doubt conservative and necessary, we observe that

TABLE III

TAXATION IN IOWA, 1911-1920 ⁶⁸				
YEAR	PUBLIC SCHOOLS		INSTITUTIONS OF HIGHER LEARNING	
	ENROLLMENT	SUPPORT	ENROLLMENT	SUPPORT
1911	507,294	\$12,295,354	6,897	\$1,236,538.83
1912	507,109		7,025	1,630,774.45
1913	507,845	13,978,718	7,829	1,416,150.26
1914	517,559	15,976,244	9,105	1,911,812.92
1915	522,423	17,272,483	10,127	2,263,520.24
1916	525,579	18,704,312	12,633	2,440,899.60
1917	532,060	20,189,047	15,733	2,361,091.98
1918	530,379	22,907,318	12,115	3,001,658.05
1919	529,732	26,177,056	14,289	2,611,099.78
1920	547,272	32,421,449	14,781	3,247,469.85

the State institutions of higher learning with an increase in enrollment from 6,897 to 14,781, or 114 per cent (as contrasted with 7.9 per cent) received even a smaller increase in State support—162 per cent—the amount being \$1,236,538.83 in 1911 and \$3,247,469.85 in 1920.

In other words the higher institutions received a smaller percentage of increased support than the public schools in spite of the fact that the percentage of increase in their enrollment was more than fourteen times as much as that of the public schools. From another point of view we reach the same conclusion. The same rate of increase in State support for the public schools would have meant an increase of 151 per cent if there had been no increase in enrollment.

⁶⁸ The facts given in this table are taken from the reports of the State Superintendent of Public Instruction covering the years 1910 to 1920, the various reports issued by the Auditor of State, and the pamphlet giving the legislative askings of the State Board of Education for 1921.

Applying this ratio to the higher institutions of learning there should have been an increase in State support of about 321 per cent, whereas the actual increase was 162 per cent or almost exactly half that sum. State aid to public schools is not included, but it would not materially change the comparison.

On the basis of enrollment it is therefore obvious that the State support for higher education in Iowa should have been nearly \$6,500,000 in 1920 and not the \$3,247,469.85 as shown in Table III. The true meaning, from an educational point of view, of these cold statistics — cold in a literal as well as a figurative sense — is painfully apparent. Low salaries, frequently below the level of wages received by skilled workers or even unskilled workers; no recognition of real productive scholarship for its own sake; no recognition of worthy public service for its own sake; living incomes only when the torch of knowledge must be kept burning in spite of the competition or alleged competition of the commercial world; wholly inadequate physical plant and equipment; and a more inadequate teaching force — such are some of the high points in an educational analysis and application of the above table.

Before presenting a conclusion to the writer's *History of Taxation in Iowa*, of which this study is only a supplementary chapter, a word should be said regarding the work of the Code Commission authorized by the Thirty-eighth General Assembly.⁶⁹ The writer was appointed as tax expert for the Commission and was instructed by its Chairman, James H. Trewin of Cedar Rapids, to compile the tax laws in a logical form, codify the same when necessary to make the meaning clear, and be very conservative in preparing bills for acts to amend and revise the tax laws. These instructions were very proper and in strict conformity with

⁶⁹ *Laws of Iowa*, 1919, Ch. 50.

the spirit and letter of the law creating the Code Commission. As the more technical aspects, both economic and legal, of the writer's work as tax expert of the Commission are being discussed for the *National Tax Bulletin*, only a brief recital of essential facts need be attempted in this historical study.

After nearly a month of earnest effort to evolve some order and system out of the confusion worse confounded of the old tax code, and considering various possible methods of arrangement, the conclusion was finally reached that the law should be so arranged as to describe in a simple chronological manner the practical working of the tax system from the time that property is listed until tax deeds are issued and recorded. Once this generalization was conceived, sections of law scattered here, there, and everywhere without any clear design or logical purpose, seemed to literally fall into their proper places. The four revenue chapters in the *Code of 1897* and the chapters of supplemental legislation were replaced by twenty-two chapters as follows:

1. Property exempt and taxable
2. Listing in general
3. Moneys and credits
4. Banks
5. Corporation stock
6. Insurance companies
7. Telegraph and telephone companies
8. Railway companies
9. Freight line and equipment companies
10. Express companies
11. Electric transmission lines
12. Reassessment by executive council
13. The local assessor
14. Boards of review
15. Tax list
16. Tax levies
17. Collection of taxes

18. Tax sale
19. Tax redemption
20. Tax deed
21. Collateral inheritance tax
22. Security of revenue.⁷⁰

By far the most important work done by the writer for the Code Commission was the logical compilation of the tax laws for publication in the *Compiled Code*. Only a very limited amount of codification proved to be necessary in order to make the meaning clear. Nor was it considered desirable to draft radical changes in the tax laws, a duty which properly belongs to the General Assembly.

CONCLUSION

Iowa is now one of only a few States which have not adopted a modern progressive system of taxation. More than three-fourths of the States have either a permanent State tax commission or a State tax commissioner. This is true of all of the States bordering Iowa except Nebraska. It may, therefore, be reasonably assumed that real tax reform can not be postponed much longer; and with this idea in mind, the writer desires to offer the suggestions and recommendations which follow.

A Permanent State Tax Commission.—The first and most important step in tax reform in Iowa is the establishment of a permanent State tax commission. This could be accomplished either by following the recommendations of the Special Tax Commission of 1912 in reference to the creation of a permanent tax commission,⁷¹ or by conferring additional powers upon the Executive Council.

⁷⁰ *Compiled Code*, 1919, p. x.

⁷¹ *Report of the Special Tax Commission to the Governor of Iowa*, 1912, pp. 85-90.

Should the latter plan be adopted and the Executive Council constituted the State's permanent tax commission, it should be given authority to appoint such expert assistants as may be necessary in administering the law. Thus the general direction of the work would be confided to officials elected by the people, while the law would be administered through expert assistants.

The recommendation along this same line was rejected by the General Assembly in 1913 for reasons which have been presented in some detail. It was urged, for example, that permanent tax commissions always resulted in the increase of taxation. It has already been observed that administrative bodies of this character have nothing to do with the increase or decrease of taxes, which is a strictly legislative function vested in the people acting through their elected representatives.⁷² In order to set at rest, however, the charge that tax commissions increase taxes, Table IV has been prepared showing the increase in State and local taxes for Iowa, Kansas, Wisconsin, and Minnesota. The figures for Minnesota are from the year 1910. Iowa is the only State in this list which does not have a permanent State tax commission. The reader will observe that taxes have increased at about the same ratio in Iowa as in the other States. The people have wanted large sums of money for schools and other legitimate purposes in all the States compared, and as a consequence the total amount of State and local taxes has increased very rapidly, particularly during the last three or four years. The 1919 figure for Wisconsin includes nearly \$7,000,000 for soldiers' bonuses. Taking this into consideration the relative increase of State and local taxes is slightly greater in Iowa than in Kansas or Wisconsin.

The charge was made in 1913 that the assessment of

⁷² See above, p. 38.

property on the basis of actual value would in itself tend to increase taxes, as the rate of levy would not be reduced to correspond with the increase in valuation. The reader will recall that in 1913 the permanent tax commission bill was

TABLE IV

STATE AND LOCAL TAX LEVIES ⁷³				
YEAR	IOWA	KANSAS	WISCONSIN	MINNESOTA
1905	\$26,061,977.03	\$17,880,377	\$22,896,641	
1906	26,333,163.21	18,485,744	23,267,646	
1907		20,497,601	26,382,190	
1908	29,248,378.54	21,217,979	28,332,045	
1909		23,738,135	29,287,107	
1910	32,500,045.88	24,516,113	30,675,518	\$39,129,587.70
1911		27,776,736	32,610,975	42,052,936.29
1912	37,148,106.01	27,806,060	33,623,412	44,710,899.72
1913	46,022,009.65	29,483,883	41,755,035	51,861,251.51
1914	47,072,369.27	30,988,122	42,061,707	53,302,834.63
1915	50,676,033.25	33,849,567	43,365,640	57,686,850.31
1916	54,267,625.44	35,788,531	47,444,622	62,567,685.93
1917	62,381,314.24	41,179,180	50,134,005	71,027,186.44
1918	66,216,150.50	44,543,634	56,271,297	78,273,899.74
1919	80,495,235.92	55,613,474	77,128,835	103,442,509.96

defeated, and that later aggregate assessments were greatly increased without a corresponding reduction of the levies, with the result that the people of Iowa had the privilege of paying from five to ten millions of dollars more taxes than had, in fact, been authorized. Had a permanent tax commission been established as recommended, tax levies would have been properly adjusted and this unnecessary increase in taxation avoided.

Table V shows how tax levies in Kansas were very mate-

⁷³ *Valuation and Taxes* (compiled by the Auditor of State), 1919, p. 15; *Ninth Biennial Report Wisconsin Tax Commission*, 1918, p. 30; *Seventh Report to the Legislature by the Tax Commission, Kansas*, 1921, p. 25.

Wisconsin figures for 1918-1919 were obtained by letter from the Wisconsin Tax Commission. The figures for Minnesota were also obtained by letter from the Minnesota Tax Commission.

rially reduced following the creation of a permanent tax commission and the assessment of property in that State on the basis of actual valuation. It will be observed, for example, that the average levy for all taxes in Kansas in 1919 was about one-third of the levy in 1907 in spite of the fact that the total State and local taxes had in the meantime increased from \$20,497,601 to \$55,613,474.

TABLE V

TAX LEVIES IN KANSAS, 1907-1919 ⁷⁴			
YEAR	AVERAGE LEVY FOR STATE TAXES	AVERAGE LEVY FOR ALL LOCAL TAXES	AVERAGE LEVY FOR ALL TAXES
1907	.006456	.0405078	.0469638
1908	.0009	.00775488	.00865488
1909	.0012	.00825267	.00945267
1910	.00105	.00785811	.00890811
1911	.0012	.00878812	.00998812
1912	.0012	.00891461	.01011461
1913	.0012	.00928995	.01048995
1914	.0012	.00983845	.01103845
1915	.00125	.01046334	.01171334
1916	.0013	.01069667	.01199667
1917	.00145	.01193488	.01338488
1918	.00117	.01182398	.01299398
1919	.00175	.0143655	.0161783

A County Assessor.— A county assessor with power and authority to carefully supervise the work of local assessors and to serve as a necessary connecting link between State and local authority in all matters relating to assessment and taxation should be provided. This can be done by making the county auditor ex officio county assessor or by creating a separate county office. The present General Assembly could very appropriately resurrect the report of the

⁷⁴ *Seventh Report to the Legislature by the Tax Commission, Kansas, 1921, p. 27.*

Special Tax Commission, 1912, and enact into law the carefully prepared sections relating to the county assessor or, better still, the sections relating to the same subject in House File 644 of the Thirty-fifth General Assembly, 1913.

The necessity of enlarging the assessment district is almost everywhere recognized by practical authorities on taxation. After thirteen years' experience the Tax Commission of Kansas makes the following statement:

What is needed is the creation of larger assessment districts, so that the varying judgment of a large number of workers may be eliminated. The township is now the unit assessment district, but the best results in the way of equality will be impossible of attainment until the county is made the unit of assessment and a single officer given power to assess all property in the county. In this way only can the assessment reflect the judgment of one person, and in only this way will it be possible to secure what is so necessary in distributing the tax burden properly, i. e., an equalization of the assessments.⁷⁵

Separation of Revenue Sources.—The time has come when a partial—not a complete—separation of revenue sources should be made possible by the proper readjustments in constitutional and statutory law to the end that the revenue of the State as contrasted with the localities may be expanded to meet at least absolutely essential needs without increasing the State levy on general property. In fact, this much desired result can be obtained even with a substantial reduction of the State levy on general property if the General Assembly has the constructive vision and moral courage to adopt a modern tax system to take the place of the present antiquated system created in its main outlines in 1858 and given a few finishing touches in 1873.

Table VI shows the increase in State revenue from the

⁷⁵ *Seventh Report to the Legislature by the Tax Commission, Kansas, 1921, p. 40.*

counties — general property tax — the insurance tax, and the total revenue from all sources for the period 1901–1920. Except for the year 1905–1906 the data are given for biennial periods. The reader will note the gradual increase

TABLE VI

STATE REVENUE OF IOWA, 1901–1920 ⁷⁶			
BIENNIAL PERIOD	TAXES FROM COUNTIES	INSURANCE TAX	TOTAL REVENUE
1901–1903	\$4,188,812.08	\$475,484.11	\$6,177,855.50
1903–1905	4,925,213.12	555,172.28	6,600,347.71
1905–1906	2,481,369.26	299,909.87	3,466,150.66
1906–1908	5,304,450.60	630,443.07	7,247,078.01
1908–1910	5,910,579.34	651,037.97	8,388,280.93
1910–1912	6,112,228.33	710,246.26	9,270,324.89
1912–1914	6,719,449.18	859,706.41	11,524,770.80
1914–1916	8,081,771.12	1,023,995.30	14,632,601.26
1916–1918	12,137,786.80	1,224,560.21	20,800,704.00
1918–1920	16,660,670.66	1,752,755.59	34,133,874.19

in State taxes from counties and also total revenues down to and including the biennial period 1914–1916. It is a striking fact that the revenue from the counties — State levy — more than doubled from 1914–1916 to 1918–1920 and the total State revenue from all sources increased nearly 150 per cent during the same brief period. During the fiscal year 1919–1920 it should also be stated that the State revenue from counties was the large sum of \$8,925,761.12 which, however, was only 44.1 per cent of the total State revenue of \$20,225,742.31.

In making even a brief analysis of the sources of State revenue it should finally be observed that, of the total State revenue of \$34,133,874.19 for the biennial period 1919–1920, slightly less than one-half was received from the counties —

⁷⁶ *Biennial Report of the Treasurer of State, 1916–1918*, pp. 32, 33.

The figures for the biennial period, 1918–1920, were obtained by letter from the Treasurer of State, the same being submitted for each year separately.

general tax levy — the balance of \$17,473,203.53 consisting of the insurance tax \$1,752,755.59, the collateral inheritance tax \$1,224,228.63, and miscellaneous sources comprised almost entirely of fees.

The way to expand the State revenue and at the same time reduce the general State levy on property is to obtain very substantial revenues from: first, a direct inheritance tax; second, a State income tax with reasonable exemptions provided to take the place of the present flat rate of five mills on moneys and credits; third, an exclusive State tax on certain classes of property, the same to be in lieu of all other taxes both State and local; and fourth, certain license taxes, for example on moving picture shows. At least six million dollars could have been provided from the first three of these sources in 1919-1920 which would have reduced the State levy to about two mills.

If a State income tax is not provided, the present flat rate of five mills on moneys and credits should be made an exclusive State tax, which would have added more than \$2,000,000 to the State treasury in 1920, and, in the judgment of the writer, about double that sum if the recommendations of the Special Tax Commission, 1912, had been enacted into law. An exclusive State tax on moneys and credits is possible at the present time, but an exclusive State tax on certain public service corporations is not possible except by amending Article VIII, Section 2 of the Constitution as was proposed by the Thirty-fifth General Assembly. Such an amendment when again proposed should contain a provision which will guarantee that classes of property taxed exclusively by the State shall not be subject to a greater relative burden of taxation than the average rate levied on general property throughout the State.

Modern State tax reform in Iowa based on long practical experience in many progressive States means, therefore, the

following: first, a permanent State tax commission; second, county assessment or at least rigid county supervision of local assessment; third, a direct State inheritance tax; fourth, a State income tax to take the place of the flat rate of five mills on moneys and credits; and fifth, a constitutional amendment making possible the exclusive State taxation of certain public service corporations at the average rate of tax levied on general property throughout the State. All of these reforms were either definitely recommended or suggested by the Special Tax Commission, 1912, a document which should be read carefully by the Committees on Ways and Means of the present General Assembly.

JOHN E. BRINDLEY

THE IOWA STATE COLLEGE OF
AGRICULTURE AND MECHANIC ARTS
AMES IOWA