

An Amendment to the State Constitution

To Be Submitted to the Qualified Electors of the State for Their Approval
or Rejection at the

GENERAL ELECTION

TO BE HELD ON

TUESDAY, NOVEMBER 6, 1928

CONCISE STATEMENT

"AN AMENDMENT of Article VII of the state constitution relating to revenue and taxation, by striking sections 1, 2, 3 and 4 and inserting in lieu thereof a single section reenacting certain provisions of the sections stricken and providing that property may be classified for the purpose of taxation."

AN ACT to amend Article VII of the constitution of the State of Washington relating to revenue and taxation, striking Sections 1, 2, 3 and 4 and inserting in lieu thereof a new section to be known as Section 1.

Be it enacted by the Legislature of the State of Washington:

SECTION 1. That at the general election to be held in this state on the Tuesday next succeeding the first Monday in November, 1928, there shall be submitted to the qualified electors of this state for their adoption and approval an amendment to Article VII of the Constitution of the State of Washington, by striking from said Article VII all of sections 1, 2, 3 and 4, and inserting in lieu thereof the following, to be known as Section 1:

Section 1. The power of taxation shall never be suspended, surrendered

or contracted away. All taxes shall be uniform upon the same class of property and shall be levied and collected for public purposes only: *Provided*, That the property of the United States and of the State, counties, school districts and other municipal corporations, and such other property as the legislature may by general laws provide, shall be exempt from taxation: *And provided further*, That the legislature shall have power, by appropriate legislation, to exempt personal property to the amount of Three Hundred Dollars (\$300.00) for each head of a family liable to assessment and taxation under the provisions of the laws of this state of which the individual is the actual *bona fide* owner.

Passed the House February 3, 1927.

Passed the Senate February 18, 1927.

J. GRANT HINKLE,
Secretary of State.

STATE OF WASHINGTON—ss.

Filed in the office of the Secretary of State, February 26, 1927.

J. GRANT HINKLE, *Secretary of State.*



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AN ARGUMENT AGAINST THE PROPOSED AMENDMENT OF ARTICLE VII OF THE STATE CONSTITUTION.

The same amendment was submitted to the voters of this state at the general election held in November, 1908, and overwhelmingly defeated by a vote of nearly three to one.

A similar amendment has been before the Legislature at every session since that time, but each Legislature, except the last one, did not forget the emphatic stand taken by the voters.

All the reasons that the voters had for the defeat of the amendment before, still hold.

Remember, this amendment has nothing to do with the amount of taxes levied for state, county, city, school district and other public purposes.

It does not touch upon the question of high taxes or the reduction of taxes.

This amendment covers the one question of whose property, and the extent that one's property, shall be taxed, to make up the total sum required for state, county, city, school district and other public purposes.

Keep in mind that this amendment concerns the very Constitution itself which the people themselves have adopted for the preservation of their rights and privileges. The Supreme Court has said that the Constitution imposes impassable barriers beyond which the Legislature cannot go. It is a limitation and not a grant of power.

This amendment is a grant of power. It reverses the whole theory upon which our Constitution is based. It removes the barriers and grants to the Legislature substantially free power to deal with the complicated subject of taxation in any manner that pleases those who happen to be elected to any Legislature.

Here are some of the limitations the amendment would strike from the Constitution,—“All property in the state not exempt under the laws of the United States or under this Constitution shall be taxed in proportion to its value, to be ascertained as pro-

vided by law.” “The Legislature shall provide by law A UNIFORM AND EQUAL RATE OF ASSESSMENT AND TAXATION ON ALL PROPERTY in the state, according to its value in money and shall prescribe such regulation by general law as SHALL SECURE A JUST VALUATION FOR TAXATION OF ALL PROPERTY, SO THAT EVERY PERSON AND CORPORATION SHALL PAY A TAX IN PROPORTION TO THE VALUE OF HIS, HER OR ITS PROPERTY.”

Do you want to strike that from the Constitution? The voters said “NO” the other time.

The object of these provisions in the Constitution was to protect the weak from the strong.

Granting the Legislature a free hand simply means pushing the tax burden on to the weak.

This amendment opens the doors to special interests at each legislative session in which each group will try to “get out from under.” There will be more lobbyists than legislators, and a new set of tax laws at each session. You need one guess as to which group will come out on top in the end. What will become of equality and uniformity then?

It must be remembered that balance of legislative power shifts from year to year. The group who feel that they can today impose their will upon the people may in a short time find themselves hopelessly outclassed and at the mercy of those on whom they may have imposed. Such instability in dealing with the vital question of taxation can only result in harm to the fair NAME of our state and internal confusion.

THIS IS NOT A CLASSIFICATION AMENDMENT. It will actually operate to remove from the Constitution all restrictions upon the legislative power of taxation. The amendment is silent as to what the basis of classification is or may be.

We have prospered under the present Constitution for nearly forty

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years, so we can safely wait to go about this in the right way instead of granting the Legislature all this power.

Most of the defects now complained of can be cured by enforcing the laws we already have. This amendment cannot help us any in that respect.

What we must have is less need of taxes. The way to reduce taxes is to

see that the officers you elect spend less money.

Study this matter from all of its angles. Do not be led astray by false assertions as to need for change.

Look for the amendment on the ballot and vote—

AGAINST THE AMENDMENT

J. T. S. LYLE,
Tacoma, Wash.

STATE OF WASHINGTON—ss.

Filed in the office of Secretary of State, March 10, 1927.

J. GRANT HINKLE, *Secretary of State.*

ARGUMENT FOR THE AMENDMENT

Vote for the Amendment. It Permits the Taxing of Wealth Now Escaping and the Relieving of Land, Farms and Homes of Present Excessive Taxes.

Under the Constitution of our state all property must be assessed at a uniform and equal percentage of its value, and the rate of taxation levied thereon must be uniform and equal.

Experience: Experience has demonstrated that this provision cannot be complied with; that all property cannot be taxed alike. Land is immovable and is taxed where situated, regardless of the residence of the owner. The owner of bonds can move out of the state and take his bonds with him, and would do so if bonds were assessed and taxed at the same rate as land.

Evasion: Realizing this fact, the Legislature, pending an amendment to the Constitution, declared that bonds and other intangibles are not property for the purpose of taxation.

And now the State of Washington is the only state in the Union and the only government in the world where such wealth cannot lawfully be taxed.

One-half of State's Wealth Escapes Taxes: The result is that wealth represented by intangibles in the form of bonds, notes, etc., now amounting to about one-half of the wealth of the state, pays nothing toward the cost of local government, and practically the whole burden thereof falls on land.

One million dollars may be invested in foreign bonds and be untaxed, but if invested in our own land or in merchandise will be taxed \$100 a day, or \$36,500 a year in our large cities.

Confiscation: Land is not only excessively taxed but it is being confiscated by taxation. Relief must come from some source. Means must be found of making all forms of wealth bear some share of the burden of government.

The Remedy: The means must be found in new tax laws, and the first step is to remove the senseless and unscientific restrictions on the action of our legislative bodies contained in our state constitution, and that is the object of the proposed amendment.

It substitutes for the inflexible provision above mentioned, the following: "All taxes shall be uniform upon the same class of property."

This wording was recommended

by the National Tax Association in 1911. It would permit the classification of property for taxation by the legislature, without which a scientific and commonsense revision of our revenue laws is impossible. It makes no other change in the Constitution.

Since 1908, when this amendment was formerly submitted, the intangible wealth of the state has increased to immense proportions, and the tax burden on land has more than doubled.

Since then, sixteen states have adopted this identical amendment.

Since then, every Tax Commission serving the State of Washington including the present commission has urged such an amendment. The Hart Tax Investigating Committee authorized by the 1921 Session, and consisting of the following members, namely:

NATHAN ECKSTEIN, Seattle, Chairman.
C. W. TWOHY, Spokane.
W. W. ROBERTSON, Yakima.
PETER MCGREGOR, Hooper.
S. B. L. PENROSE, Walla Walla.
ALEX POLSON, Hoquiam.
GEORGE M. ELLIOTT, Tacoma.
FRANK D. OAKLEY, Tacoma.
ROBERT H. HARLIN, Seattle.
REEVES AYLMOORE, JR., Seattle, Sec'y.
recommended such an amendment and suggested the identical language used in the pending amendment.

Remarkable Record: The bill submitting this amendment received the support of three-fourths of the members of the House and the unanimous support of the senate except one absent member against the opposition of one of the strongest lobbies ever assembled in Olympia.

Thirty Other States: The constitutions of some thirty states now permit of classification, including such conservative states as Delaware, Kentucky, Maryland, Maine, Massachusetts, Missouri, New York, Pennsylvania, Rhode Island and Virginia.

The Federal Government uses classification in all of its forms of taxation.

The Supreme Court of the United States said: "A system which imposes the same tax upon every species of property, irrespective of its

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nature, condition, or class, will be destructive of uniformity and equality in taxation."

Lower Taxes Possible: The proposed amendment will not in itself lower taxes, and it does not purport to do so. Its passage will open the way for substantial reductions to the taxpayers of this state.

Industries can be encouraged by tax concessions.

Provision can be made for the reforestation of logged-off lands.

Investments in bonds and notes secured by property within the state can be encouraged, while the sending of our own money outside of the state can be discouraged.

Legislative Power: State Constitutions should embody fundamental principles only, and not details. The legislature should be trusted to deal with them. It is now entrusted with matters of life and death. It can impose or abolish death penalties. It can abolish marriage, make divorce impossible, escheat estates of decedents in whole or in part, and it is called upon to act on bills affecting man from birth to death, and his estate after death. Why should classification of property for taxation be set apart as something sacred, with which the legislature cannot be trusted to deal?

Lobbyists: There always have been lobbyists at the sessions of our Legislature, and always will be, whether this amendment carries or not. Lobbying is no worse in the states where property is classified than in those where it is not. The strongest lobbies in this state have been maintained by the railroad and power companies which oppose this measure. They are special beneficiaries under the present laws, and do not want them changed.

False Hope: Economy in government should always be strived for under any system of taxation, but it will not bring about an equitable distribution of the burden and it is being urged now with the deliberate purpose of diverting the voters from the support of this measure.

Real Hope: This amendment will open the way for new laws under

which the cost of government will be shared by all the members of society, and more revenue can be raised with less cause for complaint, and the taxes of the farm owner, the home owner, and the land owner, under the new system can be materially reduced.

It has the opposition of those persons and of those interests who are unfair beneficiaries under the present system, but it should have the support of everyone willing to pay his or her fair share of the cost of the government under which they live and whose protection and advantages they enjoy.

SUMMARY

The State of Washington has the most antiquated tax system in the United States, under which almost the entire burden of the cost of government falls on real property.

Special interests and tax dodgers favored under the present unjust system and their paid propagandists oppose this measure, but its passage is essential to the future prosperity of this state. Do not be deceived by their propaganda or false alarms. The constitutions of thirty states of the Union permit classification, and the principle has worked everywhere when tried.

This measure is the only tax relief proposed.

Vote for the Constitutional Amendment to classify property, and help remedy our tax system and bring prosperity to this state.

A. S. GOSS, Master, Washington State Grange.

J. W. WHEELER, Past President, Pacific Northwest Real Estate Association.

L. S. BOOTH, Chairman, Committee on State Taxation, National Real Estate Boards.

LESTER P. EDGE, Spokane, Legislator.

DIO RICHARDSON, Chairman, Taxation Committee, Washington Education Association.

WASHINGTON TAX EQUALIZATION COUNCIL: By FRANK C. JACKSON, Secretary.

STATE OF WASHINGTON—ss.

Filed in the office of Secretary of State July 14, 1928.

J. GRANT HINKLE, *Secretary of State.*

PROPOSED AMENDMENT HARMFUL AND DANGEROUS

Proponents Argue False, Not Real Issues. True Purpose of Amendment Disclosed.

Amendment Would Not Permit Taxing New Wealth, But Would Open Door to Tax Laws Fostered by Special Interest Lobbies and Political Cliques, Unfair to Farmers, Home Owners and Other Property Owners.

Concerning Experience: The advocates of the proposed amendment seek to divert attention from its lack of merit by raising false issues. Tax revision should be constructive, not destructive, and you will vote on this measure by considering what it will or will not do.

Regarding Evasion: Advocates seek to make it appear that the amendment's sole purpose is to provide for taxation of intangibles and thus to divert attention from its true purpose. IT WILL NOT PERMIT THE TAXATION OF INTANGIBLES. Our Supreme Court has held that "intangibles are not property," hence intangibles cannot be taxed if the amendment passes. Intangibles should be taxed. The opponents of the pending amendment tried to secure an amendment specifically providing for the taxation of intangibles, but were prevented by the very men who now urge the approval of the proposed amendment.

The best legal opinions say that, with proper legislation and effective administration, every form of wealth within the State may be taxed under our present Constitution except intangibles. The advocates of the proposed amendment defeated an effort to make intangibles taxable.

Does One-Half the State's Wealth Escape Taxes? Much of the wealth now escaping taxes can be taxed if the Legislature and the people wish it taxed, and if the present tax laws are fairly and courageously administered.

The claim that intangibles make up one-half the State's wealth is false. What the amount may be is unknown. The proposed amendment would not permit taxing any intangibles.

About Confiscation: City lots which have been sold for taxes have been so heavily loaded with local improve-

ment assessments that the payment of the local improvement assessments (regardless of general taxes) was not justified.

Of the farm mortgages foreclosed by the Federal Land Bank of Spokane, which serves Washington, Oregon, Idaho and Montana, nearly one-half in amount were in Montana, and that state taxes intangibles and has classification.

Proposed Amendment Not a Remedy: Taxes are too high, but this proposed amendment is no remedy. It will not produce new revenue. It will not relieve the burden of taxes on property. It will not relieve the burden of taxes on farmers and home owners.

It will make taxation the football of politics at every session of the Legislature.

It is not true that the National Tax Association Committee of 1911 nor the Hart Tax Investigating Committee recommended the UNLIMITED CLASSIFICATION proposed by this amendment. It is not true that sixteen State Constitutions contain the identical language of the proposed amendment. There is BUT ONE.

WHAT ABOUT THAT REMARKABLE RECORD? The proponents of this proposed amendment led some of the members of the 1927 Legislature, and are now trying to lead the people, to believe that this amendment would give the Legislature power to tax intangibles. Other legislators were influenced by disagreements that had arisen over other legislation. It was a case of barter-and-trade, and that will be the rule with every tax proposal if the amendment passes. The best trader will get the best treatment.

What Thirty States? Ask the advocates of this proposed amendment to show you the Constitutions of

Proposed Amendment Harmful and Dangerous

thirty states containing this identical provision. There is ONLY ONE, Minnesota. Minnesota is now seeking a new constitutional amendment. That state is in as much trouble over its tax problem as it was before it adopted classification.

"How" Lower Taxes by This Amendment? Advocates of this proposed amendment say that it would open the door to substantial tax reductions. HOW? They suggest the exemption of some properties and the making of tax concessions to others. No new revenue will be forthcoming, so a tax concession to one class will add to the tax burden of others. The partial exemption of city property would add to the tax burden of farm property. The partial exemption of farm property (although this is politically impossible with farm population in the minority) would add to the tax burden of the home owners.

Legislative Power Too Broad: This proposed amendment is a GRANT OF UNLIMITED POWER and not a LIMITATION. It empowers a bare majority of any Legislature to create favored classes without any reference to or consideration of fundamental principles of justice and equity.

More Lobbyists Wanted by Proponents: The advocates assert that in the past lobbyists have been able to secure favors for special interests even with the present safeguards and limitations, yet they ask for a scheme that will remove every safeguard against these "special interests" lobbyists.

Some farmers and home owners may be misled into voting for this amendment by the representations of a few real estate brokers who are its original sponsors and advocates. If it passes, the farmers and home owners will find these same real estate

brokers lobbying for laws that will advance their own selfish interests at the expense of farmers and home owners, who will be left to fight their own battles.

What Are "False" and What "Real" Hopes? By calling "economy in government" a "false hope" the proponents suggest a desire for "more money to spend." They say: "This amendment opens the way for new tax laws under which more revenue can be raised." In another part of their argument they say: "Its passage will open the way for substantial reductions to taxpayers." With the one statement they hope to catch the TAXPAYERS' votes and with the other to catch the "TAXEATER" votes.

Summary: Every argument advanced by the proponents has been fully and frankly answered. The true purpose behind this amendment has been exposed.

THE PROPOSED AMENDMENT WILL NOT REDUCE TAXES. IT WILL NOT PERMIT THE TAXATION OF INTANGIBLES OR OF ANY PROPERTY THAT CANNOT NOW BE TAXED. IT WILL NOT RELIEVE THE FARMERS AND HOME OWNERS.

IT WILL CREATE LEGISLATIVE CHAOS, INSTABLE TAX LAWS, ENCOURAGE "SPECIAL INTEREST" LOBBIES CLAMORING FOR SPECIAL FAVORS.

IT IS HARMFUL AND DESTRUCTIVE.

VOTE AGAINST IT.

(Signed) FRED K. JONES, *President*

Taxpayers' Economy League of Spokane,
Past President Pacific Northwest Real Estate Association.

STATE OF WASHINGTON—ss.

Filed in the office of Secretary of State, August 4, 1928.

J. GRANT HINKLE, *Secretary of State.*