

"TAXATION"

An Interesting Address Delivered Before the State Bankers' Association at Bedford Springs on September 8th, 1909, by State Treasurer Sheatz.

Mr. Chairman, Ladies, Members of the Pennsylvania Bankers' Association, and Guests:

I appreciate highly the invitation of your Association, tendered me through your secretary, to take part in this morning's program; it is indeed very flattering and I thank you for the honor.

The subject, "Taxation," upon which I will speak, is too broad and comprehensive, to permit of any deep or exhaustive analysis or comment on my part, so I shall merely touch upon the surface of several forms of taxation, most familiar to the people. It has been said, that it is human nature to believe that taxation is an evil which should be avoided if possible; but taxation is practically a universal custom in the civilized world, and one of the oldest peaceable forms by which a government secures the means to carry on its business, whether in times of peace or war; so taxes are levied as regularly as the rising and setting of the sun. Indirect taxation is the most agreeable form by which a government may levy and collect her revenues; a direct tax being the most irritating to a community. The adjustment of the recent tariff bill was paradoxical to the foregoing statement, and through the latter part of the session of Congress, the theories of Altruism and the brotherhood of man were annihilated; and the result was that the pocket-book revisionists revised the tariff through their friends in the Senate and in the House. The only question that might have perturbed their minds throughout this trying and anxious period, was, how much will the consumer stand without making too much noise? The great masses believed and hoped to the end, that as the time had finally arrived for a change in the tariff laws, the revision would be downward upon such necessities at least, as were parts of the daily lives of the people, but they were grievously disappointed. A magazine writer stated, that of three hundred and five articles under consideration, two hundred and eighty were increased or kept the same as in the Dingley Act, and twenty-five dutiable articles reduced. If this statement is correct, the revision was not in accordance with what the people believed was the true meaning of the Republican platform or the pre-election speeches of the campaign.

In touching briefly upon the Income Tax, I find that this nation is rather late in giving consideration to this form of taxation. The first historical reference to an income tax that I could find, is in the laws governing Athens, 483 B. C. The populace at that time was divided into four classes; the first paying the highest tax, a graded reduction for the second and third classes, while the fourth class was exempt; which proves that even in those ancient times there must have been a firm belief in the equity of a graded tax.

The English government derives its greatest single item of revenue from the income tax, which tax system has been in force over one hundred years, and the amount received the last year, of which statistics can be secured, was one hundred and sixty-five million dollars. The French government has also recently approved this form of taxation and will levy such a tax in 1911. With such a precedence it seems that the Representatives of our national government were justified in their endeavor to increase the revenues by levying an income tax; especially, if the progressive policies which seem to be the very spirit and life of our nation's people are to be continued. The vast sums necessary in building the Panama Canal, the proposed construction of the National Irrigation system and inland Waterways, the further upbuilding of our navy, so it may be greater and better each subsequent year; how can all this be accomplished without raising additional revenues? We have heard that it is possible to tax the vitality out of a nation; such a statement is not applicable to this method of taxation, and cannot be charged against an income tax; but it can apply to burdensome taxation upon the homes of our municipalities and the farms of our commonwealths. The method adopted by the National Congress in disposing of this subject, by referring the resolution for approval or disapproval of this form of taxation to the legislatures of the States, is a new one, and must be adopted by three-fourths of the States of our Union before the National Congress has the authority to levy this tax. As there is no specified time in which the approval or rejection of the income resolution must be consummated, and as the levying of this tax seems to have placed the opportunity of "give and take" into the hands of the people; I believe that the necessities of our nation, and the overpowering strength of the masses, will eventually place the income tax resolution as a law upon the statute books of our national government.

Taxation in Pennsylvania seems to be satisfactory, so far as it re-

lates to revenue with which to conduct the business of the commonwealth, provide liberal assistance to several hundred hospitals and homes; pay seven and one-half million dollars yearly to the school districts of the state, about one million a year to various universities and other educational institutions, build some highways, and expending great sums for numerous other purposes.

The receipts of the Treasury department for the fiscal year ending November 30, 1908, were \$25,670,540.97; the expenditures during the same period were \$29,158,878.40. The income for the first nine months of the nineteen hundred and nine fiscal year are \$21,284,626.05, an increase over the same period of nineteen hundred and eight of \$4,171,967.17. The payments during this period have been \$20,665,563.04, an increase over nineteen hundred and eight of \$2,968,518.57.

I know it will be a great pleasure to you and all Pennsylvanians to hear that, yesterday, the seventh day of September, the accumulated interest added to the amount of money in the Sinking Fund equalled the entire state indebtedness, and to-day, if it were possible to secure all outstanding bonds, Pennsylvania would be free from debt.

In returning to the subject of Taxation, there was a resolution introduced and passed by the last General Assembly and approved by the Governor, providing for a commission to consider the laws of the commonwealth relating to corporations and to revenues. I believe this to be a very proper procedure, and even if the Legislature of nineteen hundred and eleven will not adopt the measures which this commission might draft, still a great amount of very valuable information may be secured by the commission, which will guide the members who will take an active part, in what should be an important improvement in our tax laws, which are far from perfect from the commonwealth standpoint.

I am firmly convinced that it would be a tremendous benefit to the people of the commonwealth, if they would discriminate in the selection of their lawmakers for the session of nineteen hundred and eleven, but should the members of the General Assembly decline to enact laws which will clothe the tax levying and collecting departments of the State Government with authoritative power, backed by clearly drawn, inflexible and equitable laws, then the Executive should use every power and every prerogative of his high office; concentrate this force upon the lawmaking body, and bring about the passage of such very necessary laws.

Corporations pay a little more than one-half the revenue received by our commonwealth. The various forms of corporation taxation in use by Pennsylvania, are not conclusively applicable, and are far from equitable and they should be speedily amended or repealed. If repealed in their entirety, but one tax should be levied, and this a tax upon the gross receipts or the entire value of the production of a corporation within the commonwealth; but equaling the present combined income from gross receipts, capital stock, loans and bonuses. This method of taxation would be more equitable, and would reduce taxes now paid by domestic corporations, and increase taxation upon those corporations that operate under a foreign corporate law, while using the natural resources and facilities of Pennsylvania for the benefit of their companies.

Insurance companies and banking institutions should be in two separate tax classes. The manner of taxing insurance companies should have most careful consideration by the commission selected to revise laws in relation to corporations and revenues. The manner of taxing banking institutions seems satisfactory, with the exception of the four mill tax on time deposit certificates, and the fifty per cent. fine for failure, on the part of a banking institution, to file its report and pay its tax by Aug. 1st of each calendar year. This penalty seems unreasonable and should be made the same amount as all other penalties, exacted for non-compliance within the time limit as provided by law.

The four mill tax upon time deposit certificates should be repealed, as such deposits represent a class of savings rarely amounting to large sums. The interests paid by banking institutions on these accounts are too large to admit the bank to pay this tax, and the income derived by the depositors is such that they cannot afford to pay the tax by abolishing this four mill tax no particular harm would be done to the state's income. Irrespective of any change suggested in the loan tax laws, the four mill tax charged against all real estate mortgages should be eliminated, as it means but an additional burden to the borrower.

Pennsylvanians should more seriously turn their attention to the depletion and the final disappearance of the natural resources of their State. Only one of the three of which I will mention can in part be replaced. The first of her natural resources which felt the devastating hand of man were her forests. They should be partially replaced by the State government, not in the slow manner that the State Forestry Commission is compelled to move, but by quick strides,

increasing the state's holding from what it is now, less than a million acres, to at least five million acres, giving preference to localities containing water-sheds and water-power streams, keeping absolute control of these streams, as we are reverting for the second time to this method of producing a great commercial force.

The second of the natural resources upon which I will say but a few words is oil. This state which for thirty years had the greatest oil producing section in the world, creating vast fortunes for individuals, has received no permanent benefit from this great wealth producing commodity.

The third natural resource is coal. I shall only speak of anthracite coal, because it is distinctly a Pennsylvania production; and the people of our State should not permit this to be depleted for the use and the comfort of the nation, without one permanent compensation, benefitting all the people of a State in which a Divine Creator so generously placed beneath the surface of her soil this wonderful and valuable commodity.

Therefore, as two of our great natural resources are past producing a large revenue, we are then justified in levying a tonnage tax upon this one great natural resource, which could produce a sum great enough to leave a permanent monument of enduring benefit to all in Pennsylvania. There is no doubt, but that the very catchy phrase, "Taxing the coal bucket," would be used to some considerable extent, but as the average coal shipment per family of moderate means is but four tons a year, they should not disapprove of this additional charge, when the return in value to them in various ways would be about four dollars to one expended. Of the 64,665,014 tons of anthracite coal sold during nineteen hundred and eight, all but nineteen million tons could bear a graded tax, the amount so placed as to produce about ten millions dollars annually. The domestic coal consumers of Pennsylvania would not pay more than one-fourth of this amount, while the various sections outside of our State would pay the remainder—three-fourths—of this tax; one-half of this amount should be used in highway construction to build good substantial roads throughout all Pennsylvania, thereby keeping pace with our neighboring states; one-fourth should be used for the purchase and preservation of the forests, water-sheds and water-power and the remaining one-fourth should be added to the public school appropriations.

In closing my remarks, permit me to say, that the active officials of the financial institutions of Pennsylvania are to be congratulated upon the careful, proper and conservative management of their banks, which fact is recognized by most everyone and appreciated by the people of Pennsylvania. The organization of bankers as a whole, is undoubtedly the most powerful association within the commonwealth; for practically all forms of commercial business, great and small, depend upon the assistance they render, and upon this liberal help depends the upbuilding and progress of all lines of business, which means progressive municipalities and employment for its inhabitants.

The business community and the financial institutions are so closely interwoven that they form one great business fabric of superior force and strength. There is a multiplicity of duties devolving upon the active head of a bank, but these should not be permitted to engross the entire interest in one's life; for the general welfare of your towns, cities, state and nation should have an equitable share of the abilities you possess. There should be a well-beaten pathway leading to some central point in your community, aside from the one between the bank and your home, where civic conditions are discussed and where you men who are the most vital force in your community should without fear or favor stand for the betterment of conditions within our commonwealth.

An Every Day Occurrence.
A few minutes before 12 o'clock noon every day in the year a young man walks into a certain room of the main building at the naval observatory, which is set up on a hill in the northwestern part of the District of Columbia. He glances at the various clocks in the room and then goes over to a table which is covered with electric apparatus. He watches the clocks to his left closely and waits for the hands to reach 11:55. As the second hand approaches the 60 on the dial he prepares to shift a switch. The clock is so finely adjusted that when the second hand points to 60 it exactly marks the beginning of a new minute.

As it touches the 60 the switches are thrown on. That starts a signal that goes out instantaneously over 900,000 miles of telegraph lines. In Washington, New York, Buffalo, Cleveland, Newport, Baltimore, Newport News, Norfolk, Savannah, New Orleans, Key West, Galveston, Chicago, and elsewhere the time balls go up on their poles. People know that it is five minutes to noon, Washington time.

The clock which keeps the time in the observatory ticks on. With each tick there is a contact of electric points. A circuit is closed,

and an instrument on the table similar in appearance to a telegraph sounder ticks away loudly.

It goes on to the twenty-ninth second, then skips one tick, then resumes its steady sounding until the last five seconds; then there is another gap. These gaps are for the purpose of giving listeners at the other ends of the great system of wires a chance to know what part of the minute the clock is on. So it goes up to the last minute.

At the twenty-ninth second there is again the skipping of one second. Finally the clock gets around to the fiftieth second. Then the circuit remains open for ten seconds. There is silence all along the telegraph wires.

At the other end, where there are time balls or merely train operators, the long pause indicates that noon is almost there. The second hand makes on toward 60 and finally reaches the mark. Then there is another click; in about a second the sounder is down, and that tells hundreds of thousands of people that it is noon in Washington.

It is a wonderful operation, this getting the time, and highly technical. Finely adjusted clocks, chronographs and other instruments of great value are used, and the taking and recording of the time have reached a point where the human equation is practically eliminated.

The results obtained are of great value, particularly to mariners. The time is not only flashed to hundreds of points in the United States, but it is sent far out to sea by wireless. A cable carries the flash to Havana; another to Panama and Callao, Peru.

The observatory here does not send the time much farther west than the Rockies, but they have an observatory at the Mare Island navy yard, and from there the time is sent up and down the Pacific coast, just as it is from here to the eastern part of the United States. In the cities where the central time is used the flash marks 11 o'clock. An hour later local operators drop the time balls.

The mean time is determined by astronomical observations. When certain stars pass the seventy-fifth fifth meridian, called the meridian of Washington, it is a certain time. The operator watches for the stars through a telescope, the field of which is covered with fine wires.

As the stars reach a certain point in transit the operator presses a key in his hand. A contact is made and recorded on a chronograph. The chronograph consists of a cylinder covered with paper. It is held by an arm attached to the mechanism. The cylinder revolves once a minute, and the pen moves along the surface of the paper, making a spiral line.

A sidereal clock of the finest make is running in a vault underneath the observatory. With each tick of the clock there is a contact of two points. These two points are attached to wires that lead to an electro-magnet attached to the arm that holds the pen of the chronograph. The clock is so adjusted that each minute the pen jumps to one side. Consequently there is a break in the line.

There are other breaks, too, when the observer watches the stars cross the lines in the field of the telescope. The mean time thus recorded for each star, after being corrected for errors, is the clock time of the star's transit. Whatever difference there is between the clock time and the sidereal time marked by the transit of the stars in the error of the clock. From these astronomical observations the sidereal time is obtained. The error amounts to but little, rarely being more than from five one-hundredths to ten one-hundredths of a second.

The time of sending a flash over the wires is practically nothing. A flash has reached Greenwich, England, in three-tenths of a second.—Chicago Inter Ocean.

COACHMEN TURN CHAUFFEURS.

Most Students in Motor Schools Have Sat on the Box.

The instructor of one the largest schools of motor instruction in the country says that 50 per cent. of his pupils are old coachmen sent by their employers to learn how to drive the new carriages. They make good chauffeurs.

The simple reason is that while they may not be blessed with a great amount of mechanical knowledge they know what a vehicle is, what it is for and that it should be treated seriously.

The same testimony, according to the Review of Reviews, is given by one of the large automobile manufacturing companies which has established a chauffeurs' school. This school makes chauffeurs out of any kind of material that purchasers of cars may ship in.

Most of the material, and the best in a general way, is composed of coachmen, old and young. They have had experience in caring for fine carriages. They know how to drive on city streets.

Hunger.
Hunger is God's instrument in bringing the idler to toil, and Hunger waits to work her will on the idler and the waster.—J. R. Green.

Uncle Ezra Says:
"All things come to him who waits, but they come a good deal quicker to her."

HOUSEHOLD EXPENSE BOOK.

How Five Cent Trial Balance Pamphlet May Be Kept Accurately.

Buy a paper covered trial balance for five cents. Then decide what accounts you will keep, such as clothing, rent, groceries, fuel and light, laundry, furnishings, insurance, benevolences, &c.; sundries and cash last. Enter these names at top of columns for twelve or more accounts for one month.

The left hand column is for dates and at night it is an easy matter to enter under their respective accounts the total amount for each day, using the same line across the two pages.

At the end of the month add each account and place totals on one line, then make summary totals in unused space below. In column reserved for cash enter amount on hand on first of month, and by subtracting total expenditures from the total receipts the amount of cash on hand at end of month will be shown; thus all cash transactions for the month can be seen at a glance.

A Real Man Hater.

Miss Harriet Evans, an elderly spinster on whom an inquest was held at Hackney recently, was said to have been a confirmed man hater.

"She was so much against men that she would not have a coin with the king's head on it," her landlady said. "If one was given her she would throw it into the fire. She would only deal in money bearing Queen Victoria's head."

Miss Evans went to the office of a local newspaper some time ago, but refused to enter until a woman was sent to transact business with her. An advertisement for apartments which she published stipulated that there should be no man in the house. She even declined to receive letters because the stamps bore the king's head.—Pall Mall Gazette.

Tree Planting in Pennsylvania.

Land owners in Centre county are taking up the question of reforestation in a practical way. This spring a number have planted tree seedlings on various kinds on the denuded hills on their farms, and just now a force of men is engaged planting 250,000 white pine seedlings on the old Whipple place near Pine Grove Mills. The seedlings are from the State nursery at Greenwood Furnace, and the planting is being done under the direction of Mr. Morton of the State Forestry Department.—Philadelphia Record.

Spanish Executioner's Remorse.

A curious story comes from Seville. On Sunday night the local executioner died, his death being due to remorse. For several years he had carried out any executions, but recently he was summoned to Cordova to inflict the final penalty on some criminals. The impression made upon him was so painful that he was unable to face the ordeal when condemned in Seville, and the sentence will have to be carried out by the Madrid executioner.

Traveling with Phials.

In traveling with toilet bottles or medicine phials, which cannot be dispensed with, first ascertain that the corks are sound and will not allow the liquids to pour through. Then cut small pieces of thin, pliable wire. Draw a piece around the neck of each bottle and make one loop, drawing tight. Put the other end across the cork and form another loop around neck of bottle. So prepared the bottle may be packed in either bag or trunk without danger of spilling.

Curious Facts.

Special clocks which need winding up only once in 400 days are now being manufactured in Munich.

The suffragists of England are offering a prize of one guinea for the best epigram in verse on the question of woman suffrage.

At a concert which took place in the large hall of the Royal Museum at Stuttgart no instruments were used save spinets, clavecinobas and pianos of the seventeenth and eighteenth centuries.

A Dreadful Analogy.

The hypothetical question had just been asked, and the prisoner fell forward in a faint. All was confusion in the court room.

"What is the matter with the prisoner?" demanded the judge, hammering his desk madly.

"Nothing, your honor," groaned the unhappy man, as he came to. "I was only thinking how long I should have to serve if my sentence was as long as that."

Only Woman of Her Kind.

Miss Polly Page, of Philadelphia, is the first woman in the United States who has ever been chosen master of the hounds by a fox hunting club. She is a thorough horsewoman, and fully capable of carrying out the duties of her office. The season opens in November, and Miss Page says she will be ready for it.

Value of Trees in Cities.

There is no well populated country in the world which has so many well wooded towns as Holland. Most of our streets and canal banks have avenues of trees. These abundant growths in thickly populated cities are highly useful and hygienic as well as ornamental. The great European capitals should follow this example.—Hague Handelsblad.

Indians' Choice of Guns.

While some Indians prefer repeating rifles others in actual hunting choose the muzzle loader, as they do not take long range shots, preferring to get close to the game and be sure.

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