

7-28-1922

City Club of Portland Bulletin vol. 02, no. 44 (1922-7-28)

City Club of Portland (Portland, Or.)

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Recommended Citation

City Club of Portland (Portland, Or.), "City Club of Portland Bulletin vol. 02, no. 44 (1922-7-28)" (1922). *City Club of Portland*. 19.

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"Harmony in
Diversity"

PORTLAND CITY CLUB BULLETIN

"Active
Citizenship"

VOLUME II

PORTLAND, OREGON, JULY 28, 1922

NUMBER 44

FRIDAY, JULY 28

Hotel Benson, 12:10

FOUR YEARS AFTER IS AMERICA STEERING STRAIGHT WITH HER FOREIGN POLICIES?

HEAR

A. E. CLARK

Well known Portland attorney who has been in Government Service almost continuously since the War and who has made three trips to Europe to adjust war claims.

"Are Your Children Being Educated"

SPEAKER

J. A. CHURCHILL

State Superintendent of Public Instruction.

Meet your friends at the City Club on Friday. The Public Affairs Committee is offering some mighty fine summer programs, each different and each highly interesting and instructive. Mr. Clark and Mr. Churchill are our invited guests this week. Will you be present to help receive them?

BOTH SIDES OF GRADUATED INCOME TAX GIVEN

WITHIN a week from the time the state graduated income tax measure was referred to it for consideration, the City Club Taxation Committee was ready, Friday, with a study of both sides of the question for reading before the Club. This quick work was made necessary in order that the Club might decide whether or not it would add its name to the list of organizations signing the negative argument to appear in the Voters' Pamphlet. Acting upon the Board's recommendation that the Club take no further action at present, other than to approve the report, the vote taken last Friday was unanimous for considering the measure this Fall along with others on the ballot.

"Pat" McArthur made some pointed comments on the "Air-ial" attack by the Senate on the bills referred to it by the House. His talk on the amount of Senate "talk" was his headliner for the latest news from Congress, following which he gave some interesting facts on bonus, tariff and budget legislation.

Dr. Albert R. Sweetser, head of the department of botany of the University of Oregon, made a forcible plea for the preservation of Oregon wild flowers from ruthless picking by campers and tourists. He stated that fifty varieties of flowers, plentiful a few years ago, are now extinct. "The simplest remedy is not to pick flowers in the woods or along trails," he said.

Report On Income Tax

The Taxation Committee's report to the Board was as follows:

Pursuant to your request that the Committee on Taxation interview Mr. Spence, representing the proponents of the State Graduated Income Tax Measure, and report to your Board in brief from the principal arguments for and against this measure, with a view to your enlightenment in determining whether or not the City Club should join with other clubs and civic organizations of Portland in signing a negative argument against this measure for

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"City Club — Friday, 12:10 — Hotel Benson" Your Appointment

PORTLAND CITY CLUB BULLETIN

Published Weekly By

THE CITY CLUB OF PORTLAND

Office of the Club 308 Henry Building
Telephone Broadway 8079

Subscription Price \$1.00 per year

Entered as Second Class Matter, October 29, 1920, at the
postoffice at Portland, Oregon, under act of March 3, 1879

*"To inform its members and the community in
public matters and to arouse them to a realization
of the obligations of citizenship."*

CITY CLUB OFFICERS

E. T. MISCHE	President
DR. OTIS B. WIGHT	First Vice-President
ELLIS R. HAWKINS	Second Vice-President
DR. J. EARL ELSE	Secretary
IRA T. WALKER	Treasurer

CLUB FINANCES ARE ON BUSINESS BASIS

City Club finances are being handled in a business-like way by the Finance Committee composed of Ira T. Walker, chairman, A. L. Andrus and C. W. Platt.

A budget for the current six months term has been adopted after careful consideration of the amounts needed to provide for carrying on and extending the Club's civic activities. A saving in rent and other economies have been effected and the Club is being managed with a minimum of expense.

The success of the plans of the Finance Committee, however, are dependent upon the co-operation of Club members to the extent, at least, of paying dues promptly.

A statement of dues may be found on either of the two notices sent out since May 1 to delinquent members.

TAX REPORT

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publication in the Voter's Pamphlet, the Committee begs to report as follows:

In view of the adoption and apparently successful operation of the income tax in such states as Massachusetts, New York and Wisconsin, and in view of the generally increasing favor with which this method of taxation is coming to be regarded, both in public and expert opinion, it is not to be expected that the City Club would put itself upon record, without the most thorough study and consideration, in opposition to a proposed income tax law upon the broad ground that an income tax law is an undesirable method of raising State revenue.

Accordingly, the Committee has segregated the arguments for and against this measure which go to the question of the desirability of adopting any income tax in Oregon, from those dealing with the merits or demerits of this particular measure, believing that the Club will not care to consider the former in this connection. Examples of the arguments dealing with this fundamental question and which we assume that the Board will wish to eliminate from consideration in this connection are as follows:

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WHY NOT?

Have you some spare time this summer? Why not volunteer for City Club work?

There will be study in connection with nearly every legislative measure on the ballot this Fall. In addition there will be several city measures, notably a revised charter.

In the public health division, municipal garbage collection, dental clinics, hospital survey and recommendations in the Public Health Report are under consideration.

The Port Committee can use volunteer assistants and there is room for interested members on the committee which is studying the form and operation of the Community Chest.

Try calling the Office, Broadway 8079, if you have a special interest in the above subjects, or others, because, after all, it is in the opportunity to study civic problems that the true value of the City Club lies.

WANTED!

Names of prospective members for the City Club

Notify the office, 308 Henry Building

Broadway 8079

(a) That an income tax will reach sources of wealth now escaping taxation; (b) That it will reduce general property taxes in proportion to the amount raised by it; (c) That it will tend to equalize but will not increase taxation; (d) That graduated rates, based upon ability to pay, are now recognized as the fairest measure of taxation; (e) That an income tax automatically adjusts itself to changing conditions of individual and general prosperity; and (contra):

(a) That an additional source of public revenue will inevitably lead to corresponding extravagance in public expenditures; (b) That the expense of administration will be out of proportion to the benefits; and (c) That Oregon cannot afford to take the lead, among near-by States, in a similar condition of competitive development, in adopting an income tax.

Arguments Against Tax Stated

The principal arguments thus far advanced against this particular measure appear to be:

1. That, on top of the Federal Income Tax, the rates are confiscatory, and greatly in excess of those provided in any State income tax heretofore adopted.

2. That a drastic income tax, such as this, will discourage new industries and investments, and will be disastrous to existing industries and the business prosperity of the States.

3. That the provisions of the proposed law making the income tax rolls public records and thereby giving publicity to (a) the amount of gross income; (b) the deductions allowed, and (c) the amount of income tax assessed to each taxpayer; together with (d) "such other facts as in the judgment of the Commission may be necessary for a complete roll," are wholly unnecessary features of a proper income tax law, resulting in a disclosure of the taxpayers' private affairs, not only obnoxious from the tax payer's standpoint, but extremely dangerous in the conduct of business.

4. That the exemptions of \$1,500 to an unmarried person and \$2,500 to married persons, with \$400 for each dependent, are unreasonably high, allowing too large a proportion of citizens to escape the tax.

5. That the application of steeply graduated rates to all corporations, irrespective of the amount of invested capital, is grossly unfair, particularly to large corporation, such as public utilities having large amounts of invested capital, but whose annual income, though large, is low in proportion to the invested capital.

6. That the provision taxing the interest on bonds issued by Oregon corporations would make it practically impossible for them to finance themselves through bond issues.

Mr. Spence Is Quoted

Mr. C. E. Spence, upon being interviewed by the Committee with respect to the following arguments against the measure, replied to them substantially as follows:

1. He insisted that the rates in this measure are not confiscatory, but disclosed no reason for such high rates (a maximum of 15% as compared with the maximum of 6% obtaining in other States) except the need for money to reduce real estate taxes and relieve the farmers. He stated that the tax yield, roughly estimated,

would be about \$3,000,000 and that the income tax to be paid by taxpayers with large incomes under the rates as fixed in this measure, would be relatively no more burdensome than the present real estate taxes paid by farmers.

2. He admitted that the measure would have a tendency to discourage new industries and investments, temporarily; but pointed to the fact, as he claimed, that no complaint is heard on that score from States where the income tax has been in operation for several years, observing that the rate of tax can be amended if experience proves that the law in its present proposed form is detrimental to State development.

3. With respect to the objection to the publicity features of the law, he explained that the Committee framing the measure felt that those were essential to the proper enforcement of the law. Mr. Spence, however, did not appear to have given much consideration, if any, to the improper use likely to be made by business competitors, credit agencies, agitators and others, of information as to private financial affairs so to be disclosed.

4. With respect to the amounts of the exemptions provided in the law, Mr. Spence explained that the Committee framing it were led to place the exemptions at a rather high figure largely on the ground of expediency, the reason being that the votes of persons who would be relieved from the tax under the higher rates of exemption would be needed "to put the measure over," and that the Committee also felt that the exemptions as fixed in the bill would allow for no more than a decent living.

5. Mr. Spence did not undertake to dispute the assertion that the failure to include the amount of invested capital as a factor in the taxation of corporations would operate unfairly as against corporations with large incomes but earning only a small percentage of income in proportion to the invested capital.

6. Mr. Spence did not comment upon the disadvantage to Oregon corporations in floating bond issues, due to the tax imposed upon bond interest of such corporations, to be collected at the source.

More Study Advocated

It should be borne in mind, in connection with the matter under consideration by your Board, that there is another income tax measure to be voted upon at the coming Fall election which this Committee has neither had time as yet to consider, nor been requested to consider. This presents the question of whether it would be good policy for the City Club to single out a particular initiative measure for commendation or opposition without having given proper consideration to other proposed measures dealing with the same subject of legislation.

With respect to the particular measure now under consideration, however, we think it proper to advise the Board that, from such investigation as we have been able to make in the short time available for the purpose, and without assuming to suggest what the policy of the City Club should be in regard to publicly opposing an initiative measure under circumstances such as are now presented, the Committee is of the opinion that the high rates of tax and the

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**Have We Your Correct Name, Address and Phone Number
for the Membership Roster to be Issued Soon?**

Charter Revision Defined by Club Committee

(The Public Affairs Committee of the City Club in considering the question of charter revision and the attitude the Club should take towards the Mayor's committee now at work, presented the following statement to the Board of Governors, on Monday. Of the three alternatives given at the close of the article, the Board approved part "B" as the definition of the City Club attitude toward present charter revision.)

To the Board of Governors:

Local charters may be changed in two ways: In the first place amendments may be made year after year embodying particular points, and in the second place it becomes necessary at occasional intervals to provide for a thorough overhauling of the charters with a view to correlating the various amendments which have accumulated and revamping the charters in other ways so as to adapt them to the most modern ideas and accepted practices of local government. The changes in methods of administration and in the machinery of the local government, as well as changes in the problems and functions of government are so rapid that the best charter becomes obsolete and out of date before the passing of many years.

It is our impression that the charter revision now being undertaken by the city administration is of the second type and is contemplated to be a thorough-going and complete revision.

Thorough Revision Requirements

If thorough-going and complete revision of the laws and charters relating to local government is undertaken, the following conditions are, in our opinion, essential to a satisfactory solution:

First: The work of revision, including the control of the personnel of the revision committee should not be completely in the hands of the local government administration. This work should, in our opinion, be undertaken by a group of citizen representatives unofficially appointed and having a constituency of all classes in the community. Most of the "committees of fifteen" and "committees of twenty-five" in the cities where complete revamping of local government has taken place have been unofficial committees representing the various civic agencies.

Second: The charter revision committee should not be prohibited from considering a change in the form or frame work of local government, for the successful administration of local government is, to some extent at least, dependent upon proper legislative and administrative machinery.

Third: A committee revising a city charter should be required to consider the problem of

decentralized organizations exists. This is particularly true in Portland where one of the most obvious requirements is consolidation of some or all of the government units (that is, the city, county, school, library, port and docks).

It is obvious that these conditions under which a revision committee should work do not obtain in connection with the present charter revision committee of the City of Portland.

Three Alternatives Given.

The question that has arisen in the mind of the Public Affairs Committee is this: Does the City Club subscribe to the idea of thorough going local government revamping, as outlined above, and if it does what shall be its attitude at this late date toward the Mayor's committee? It might conceivably take several positions:

(a) It might remain passive in the entire matter.

(b) It might support the work of the Mayor's committee, if the amendments were in themselves worthy of support, without making any mention of the larger problem of local government revision.

(c) It might support the amendments suggested by the Mayor's committee that it deems meritorious and at the same time express the conviction that sooner or later thorough-going revision of local government machinery and methods is necessary by a committee appointed in a different manner and having a longer time in which to work.

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consolidation of local governments wherever publicity provisions incorporated in this proposed measure are sufficient to make it absolutely objectionable. This, it should be explained, is rather the individual judgment of the members of the Committee than the formal conclusion of the Committee itself, which the Committee prefers to reserve until after it has completed the more thorough study of the entire subject which it hopes to conclude for the information of the Club prior to the approaching Fall election.

The investigation we have conducted has developed the fact that the provisions of this proposed measure fixing the rates of the tax as contained in the printed copies furnished to the various Clubs for their consideration in this connection and as commented upon in press are entirely different from those contained in the official document filed with the Secretary of State, the rates in the measure as filed ranging from 1% on \$1,000 to 15% on \$50,000 and excess of taxable income, the rate for each bracket, however, applying only to that particular bracket, instead of uniformly to the entire amount of taxable income.

We have not yet ascertained how this discrepancy occurred.

Respectfully submitted,

COMMITTEE ON TAXATION.