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"Harmony in
Diversity"

PORTLAND CITY CLUB BULLETIN

"Active
Citizenship"

VOLUME VII

PORTLAND, OREGON, OCTOBER 15, 1926

NUMBER 3

FRIDAY, OCTOBER 15

Hotel Benson, 12:10

BALLOT MEASURES

SPEAKER

DAVID LLOYD STEARNS

Chairman, City Club Committee on Bridge Bonds

**"Shall Portland Build the Proposed Interstate Avenue
and St. Johns Bridges?"**

SPEAKER

C. W. PLATT

Chairman, City Club Committee on Income Tax

**"The Two Income Tax Measures and
The Dennis Resolution"**

SPEAKER

DR. CHARLES H. ROGERS

Chairman, City Club Committee on Tuberculosis

**"Is There a Need for a Tuberculosis Hospital and Does the
Present Bill Adequately Fill That Need?"**

SPEAKER

J. P. NEWELL

Chairman, City Club Committee on Longview Bridge

**"What Should Be Portland's Attitude Toward a Bridge
at Longview?"**

SPEAKER

EDWARD L. CLARK

Chairman, City Club Section on Education

"Oregon's Proposed New Normal Schools"

SPEAKER

L. K. HODGES

Chairman, City Club Section on Port Development

"Portland's Shipping Report"

VOTE NOVEMBER 2. VOTE AS YOU PLEASE BUT PLEASE VOTE

PORTLAND CITY CLUB BULLETIN

Published Weekly By

THE CITY CLUB OF PORTLAND

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

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CITY CLUB PURPOSE

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

CITY CLUB BOARD of GOVERNORS

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ALDEN B. MILLS Executive Secretary

A very full program is scheduled for this Friday. Messrs. Stearns, Platt, Hendrickson, Rogers, Newell, Clark and Hodges will all present reports. The income tax report, the report on normal schools, and the shipping report are presented in this bulletin and supplement. The bus report was printed last week. The other reports will be read in full at the meeting. A large attendance is desired so that all of this interesting and important legislation may receive adequate discussion.

The privilege of citizenship implies obligations of good citizenship.
Give your friends an opportunity to meet some of those obligations through membership in the City Club.

REPORTS PRESENTED TO CLUB AROUSE DEBATE

Three reports were presented for discussion and approval of the Club at its meeting on Friday. The first, the compulsory automobile report, was again vigorously debated and finally a motion was made that the body of the report be approved and the conclusions subjected to a post card vote. The motion carried.

The second report, which was presented by J. Hunt Hendrickson, chairman, dealt with the two bus and truck bills. Some objection was raised to the report by a member of the Club who is in the bus business and the report was sent back to the committee.

The report on the cigarette and tobacco tax, which was presented by Arthur D. Platt, was rejected because it was felt that the proposed tax was a "patchwork" measure and did not conform to fundamentally sound principles of taxation.

FIRE MARSHAL GRENFELL ADDRESSES CLUB

"The Portland Fire Department expects not only obedience to the fire laws but common sense as well," according to Fire Marshal Grenfell, who spoke briefly before the City Club on Friday. Seventy-five percent of the people don't know how to get the fire on the telephone, Mr. Grenfell stated. "It is not necessary to look for the number, just ask central for the fire department."

APPLICATION FOR MEMBERSHIP
The following application for membership has been received and will be voted on at the regular Friday luncheon, October 29th:
FRANK W. PARIS
Life Insurance
306 Oregonian Building
Proposed for membership by C. A. Staver.

COMMITTEE REPORTS AGAINST BOTH INCOME TAX MEASURES AND THE DENNIS RESOLUTION

To the City Club of Portland:—

Your committee authorized August 26, 1926, to study the income and inheritance tax measures before the electorate of Oregon submits the following report.

There are three measures dealing with this subject:

The Dennis Resolution to amend the State Constitution to prohibit inheritance and income taxes for a period of 15 years.

The Inheritance Tax Bill proposed by the Oregon State Grange.

The Off-set Income Tax Bill.

In the main these measures present a single issue which is whether or not Oregon shall shift its tax burden that now falls almost entirely upon landed capital to other forms of wealth. The proponents of the taxation of incomes are seeking to reach the intangible wealth of the state not now making direct contribution toward the administration of government.

The general property tax was easily and equitably applied in those days when wealth was most commonly evidenced by land, land improvements, live stock, stock of merchandise and factories financed by local capital. Today with the capital securities of our industries scattered widely over the whole country it has become so nearly impossible to assess personal property that the general property tax has become almost entirely a tax upon real property and real property improvements.

Two ways of reaching this intangible wealth have therefore come into favor in recent years. One of these is by inheritance or succession taxes and the other by the taxing of incomes. The former is not solely a tax upon intangibles but is levied also as a supplement to the general property tax.

The so-called Dennis Resolution was a joint resolution of the 1925 legislative session referring a constitutional amendment to the people of Oregon inhibiting the levying of any tax upon inheritances or upon the incomes of residents or citizens of this state by the State of Oregon and that such amendment if enacted into law shall not be submitted for repeal before the year 1940.

The proponents of this measure maintain that the tax burden can only be lightened by increasing the taxable wealth of the state; that the inbound flow of investment capital would be sure to follow the passage of the proposed amendment; that the development of the state would be a sure sequence of such an invitation to outside capital; and that the consequent increase in corporeal taxable wealth would control the general property tax rate more effectively than the application of income and inheritance taxes.

It is also claimed for this measure that it is the sole means of gaining that atmosphere of stability in our policy of taxation that will induce investment capital to flow into and remain in the state.

The abolition of inheritance and income taxes in Florida has been given very large credit for the recent spectacular land development in that state. The committee has failed to find any concrete evidence that this development is due to such causes.

Roger W. Babson, after comparing the present Florida boom to that which broke out during his boyhood in Kansas and Nebraska, later spreading to cities like Minneapolis, St. Paul and Duluth and to the far northwest and to California, attributes Florida's development to: first, the automobile industry and good roads; second, the "Going-Away-Winters" industry which results from automobiles, good roads and good times; and third, the speculative desire to get something for nothing, which desire is prompted, encouraged and made possible by the improved conditions above indicated.

Your committee believes that the ratio of enduring property values to the demands for government administration will not be greater in Florida than in other states and that the large influx of people which is the hope and expectation of Florida will require the building of roads and streets, sewers and sidewalks, garbage disposal plants and water works, school systems and other state institutions, and that in the final analysis someone will have to foot the tax bill. It appears that this will fall upon the land owners and that the increase in taxes will fully keep pace with the increase in landed wealth.

Those who are against the Dennis resolution are not necessarily in favor of an income tax now, but are unwilling to bind the state for a period of fifteen years during which time changing industrial and social conditions might alter the whole economic structure of our commonwealth.

It is not difficult to observe that the whole subject of inheritance taxation in this country is in a chaotic condition. Other states than Oregon are grouping for a solution of the problem. It appears evident that the Federal government will before long retire from this field and leave the taxation of inheritances to the states. The subject has received the most intense study for a number of years by the National Tax Association and it seems evident to one reading the extensive writings and reports arising from that and other sources that the states soon can reach at least a point of knowledge upon the subject if not a point of common understanding. The principle of the inheritance tax is not so faulty as are the ignorance and selfishness with which it is applied.

Two income tax measures are to be voted upon in November; one, initiated by the State Grange, provides for a progressive tax running from one percent on the first \$1,000 of taxable net incomes up to six per cent on net taxable incomes in excess of \$9,000 upon the income of both individuals and corporations with an exemption of \$1500 to single persons, \$3,000 to husband and wife plus \$400 for each dependent, and a flat exemption of \$2,000 to corporations. The other measure, initiated by the Public Service League, is in all respects identical with the measure promoted by the State Grange except that it provides for the deduction of property taxes levied during the preceding year as an offset from the taxes imposed upon the taxpayer's income. Both measures are in turn very similar to the Oregon Income Tax Law of 1923 which was repealed in 1924.

The treatises upon this subject, both academic and specific, are so extensive that your committee

could not hope to cover completely the sources of information. A rather complete study was made, however, of the reports of the National Tax Association, beginning with its presentation in 1918 of a model state income tax plan. A very careful study was made of the report of the Portland Chamber of Commerce Fact Finding Committee in its report upon the 1923 State Income Tax Act. Other sources of information to which we are indebted are the office of State Tax Commissioner, Mr. Earl L. Fisher and the office of Mr. C. C. Chapman.

It is an accepted principle of taxation that every individual should contribute to the support of the government affording him protection and that his contribution should be based, not upon a per capita plan, but should be graduated according to his ability to pay. It is, moreover, evident that the ability of any given individual to contribute to the support of the government may arise: first, through the accumulation in past years of property of value; second, by reason of his then net earning power; third, through his participation in the earnings of some business enterprise.

The committee of the National Tax Association in its Preliminary Report recommends three forms of taxation: first, a personal income tax levied on everyone at his domicile; second, a property tax on tangible property levied at the place where the tangible property is located without regard to a record ownership or personal condition of the owner; and third, a business tax levied upon all business carried on within the jurisdiction of the taxing body.

It will be noted that this recommendation, in conformity with the commonly accepted opinion of tax experts, assumes the propriety and practicability of the tax upon the incomes of individuals as a source of needed revenue supplementing that raised by the general property tax. It will also be noted, however, that the committee specifically recommends a business tax upon all business conducted within the state.

On the propriety and necessity of the distinction between a tax upon the income of individuals and a tax upon business conducted within the jurisdiction of the state, the committee of the National Tax Association had the following to say:

Since the purpose of the personal income tax is to enforce the obligation of every citizen to the government under which he is domiciled, it is obvious that this tax must be levied only upon persons and in the states where they are domiciled. It is contrary to the theory of the tax that it should apply to the income from any business as such, or apply to the income of any property as such. The tax should be levied upon persons in respect of their entire net incomes, and should be collected only from persons and at places where they are domiciled. It should not be collected from business concerns, either incorporated or unincorporated, since such action would defeat the very purpose of this tax.

At first thought this proposal will doubtless seem objectionable to many, who will ask why a state should not tax all incomes derived from business or property located within its jurisdiction, irrespective of whether the recipients are residents or non-residents. And if the personal income tax were the only one proposed, the objection would be well grounded. The committee, however, is under the necessity of reconciling the conflicting claims of the states, and of doing so in a manner that will avoid unjust double and triple taxation of interstate business and investments. We, therefore, propose as the only practical remedy a system which comprises three taxes, each of which is designed to satisfy fully and fairly the legitimate claims of our several states. We are elsewhere providing methods by which property will be taxed where located and business will be taxed where it is carried on. At this point we are dealing exclusively with a personal tax designed to enforce the right of our states to tax all persons domiciled within their jurisdiction; and we are merely

insisting that, in enforcing this claim, the states shall act consistently, and shall confine personal taxation to persons and attempt to levy it only at the place of domicile. If the personal income tax is levied in any other way, it will simply reproduce and perpetuate the old evil of unjust double taxation of interstate property and interstate business.

The fundamental object of all taxation measures is the raising of revenue for the operation of the government. It is necessary, therefore, that the tax measure be one that will yield revenue, be comparatively simple in enforcement, and that it will not make any unfair or arbitrary classification. The Off-set Income Tax Bill seems to meet only the second of these three principles, and even in that there is grave doubt that the revenue produced will justify the cost of collection.

The Committee estimates from the sources which it has at hand that the annual revenue produced by this bill would probably be in the neighborhood of \$500,000.00, while the annual cost of collection would probably be \$40,000.00. This would represent a decrease of about 6% in the property tax.

Oregon is still essentially an agricultural state, and it is necessary in order to support manufactures in the city of Portland that the rural district adjacent to the city be in sound condition. If the farms are already heavily burdened with direct taxes, and if the Off-set Bill passes, there will not accrue any substantial relief from this burden. It cannot be said, then, that the Off-set Tax would bring any appreciable relief to those who are already burdened with the direct property tax.

Furthermore, the bill creates a class distinction by the attempt to consolidate the property itself with the income derived therefrom for purposes of taxation. The state offers its protection equally to the property and the man, whether it is producing revenue or not, and to a man's business whether it is producing revenue or not. They are separate things and should not be confused.

The bill as drawn would permit the man with property, and paying a tax thereon, to escape the payment of a tax due the state of Oregon, merely because of the revenue that he pays, not only to the state in direct taxes, but also to the school district, road district, port and county. In other words, the man residing in the city of Portland would be permitted to offset from his income tax, which is a tax entirely for the state government, the amounts that he pays to the Port of Portland, the City of Portland, the County of Multnomah and School District No. 1, and the farmer residing outside of the city would receive no benefit from these offsets.

Your committee has reached the following conclusions:

First, that the imposition of a state income tax upon business is unsound in principle unless the industries of other states are similarly burdened, and that if business taxes are levied they should be in such amount as not to interfere with interstate business competition.

Second, that Oregon should enact a personal income tax law to reach through low exemptions the largest number of people that the cost of administration will profitably allow.

Third, that the Off-set Tax Bill has even less merit than the Grange bill.

Fourth, that Oregon should not retire from the inheritance tax field until there is a general movement among all states to do so, but should

eliminate from its inheritance tax law any features which make the interstate application of it unjust and discriminatory.

We recommend such a decisive defeat of all three measures as will warn the advocates of changes in our state tax law that their efforts will be fruitless until sound and properly constructed legislation is offered.

C. W. PLATT, *Chairman*
M. M. MATTHIESSEN
JOHNSTON WILSON

(See Supplementary Report attached.)

This supplement to this main report of the committee on Income and Inheritance Tax Measures has been subscribed by two members of the committee, the third being absent from the city and having had no opportunity to declare his position thereupon.

We feel that a general tax measure so far reaching in its effect upon the people of this state and with indirect results perhaps entirely unanticipated and not apparent without close scrutiny should be left to a committee of the legislature for a full consideration following upon public hearings with the right of all to present their views and arguments. This, we feel, would more likely insure a hearing before a non-partisan committee.

In a measure enacted by the people on initiative petition a bill must be taken or rejected as a whole. It cannot be denied that legislatures are slow to amend any bill initiated by the people. We feel that if the Grange bill were passed it would be many years before an income tax measure of the type outlined by the committee in its report would be written into the statutes of this state by amendment to the bill, because of this feeling of legislators of the sanctity of initiated legislation.

JOHNSTON WILSON
C. W. PLATT

Through the courtesy of the Pacific Mutual Life Insurance Company the City Club is to have in its library for a year the magazine, *Pan Pacific Progress*, called a magazine of international commerce and service. The first number contains a discussion of America's relations to the Philippines, a study of trade possibilities with the Orient, and numerous shorter articles dealing with America's relations with her neighbors across the Pacific. Other interesting magazines received at the Club rooms include *The World's Work*, the *National Municipal Review*, the *Oregon Voter*, *Forbes Magazine*, *Time*, *The Pacific Christian Advocate*, *The Review of Reviews*, the *Nations Business*, *Correct English*, *The Timberman*, *Oregon Business*, the *Saturday Review of Literature* and the *Christian Science Monitor* as well as the bulletins of most, if not all, of the city clubs of the country and the local luncheon clubs. A modest collection of worthwhile books is also included in the Club facilities.

Members are free at any time to make use of these advantages either in the Club rooms or by taking books and magazines to their homes. This is your library.

CITY CLUB HAS MANY COMMITTEES AT WORK

The City Club now has committees working on the following assignments:

CITY PLANNING SECTION:

1. Financing Arterial Highways.
Philip Dater, Chairman.
2. General Park Development.
T. T. Munger, Chairman.
3. Bridge Bonds for the City of Portland.
David L. Stearns, Chairman.
(This assignment is in collaboration with the Port Development section.)

EDUCATION SECTION:

1. Normal School Bills.
E. O. Sisson, Chairman.
2. Platoon System in the Public Schools.
3. Teachers' Salaries and Tenure Features.
4. New Methods For Our Schools In Handling Students of Differing Mentality.

GOVERNMENT ORGANIZATION AND PUBLIC FINANCE SECTION:

1. Disenfranchisement of Soldiers and Sailors.
Nicholas Jaureguy, Chairman.
2. Excess Condemnation.
A. L. Veazic, Chairman.
3. Hydro Electric Bill, 10% Measure, Negro Voting Clause, Grange Fish Bill, Two Bill re: Recalls.
Albert L. Gordon, Chairman.
4. Refunding County Warrants.
J. Hunt, Hendrickson, Chairman.
5. Fire Equipment and Police Equipment Bonds.
Hall S. Lusk, Chairman.
6. Charter Revision.
W. K. Royal, Chairman.

PORT DEVELOPMENT AND PUBLIC UTILITIES SECTION:

1. Development of the Resources of the Columbia Basin.
2. Shipping Report.
L. K. Hodges, Chairman.
3. Local Bridge Bonds.
David L. Stearns, Chairman.
(This committee in collaboration with City Planning section.)
4. Longview Bridge.
J. P. Newell, Chairman.

PUBLIC HEALTH SECTION:

1. Tuberculosis.
Dr. Charles H. Rogers, Chairman.
2. Stream Pollution.
Dr. A. A. Knowlton, Chairman.

PUBLIC SAFETY AND DEFENSE:

No assignments.

SOCIAL WELFARE:

1. Homeless Man.

NORMAL IN EASTERN OREGON IS URGED

To the City Club of Portland.

Your Committee appointed to consider the question of the measures on the ballot to establish additional normal schools in Oregon reports as follows:

I. Eastern Oregon Normal School (310-1 on Ballot)

1. The existing normal schools with their present facilities provide much less than half the new teachers required each year by the schools of the state. The consequence is that many teachers are brought in from other states, and that even then schools are conducted by inadequately trained teachers.

2. The school at Monmouth has practically reached its limit in size, owing to the limited possibilities for training classes; even now students must go to considerable distances to get their practical work. The school at Ashland is just starting out; but it is not likely to grow fast enough to do much more than keep the supply of graduates up to the present ratio to demand; the demand naturally grows with the growth of the State and the advancement of the schools.

3. The portion of the state east of the Cascades has at the present no state educational institution of any sort. The population of the eighteen counties in this section is in the neighborhood of 180,000; young people in this region who seek higher education must either cross the Cascade mountains to western Oregon, or go to other states.

4. There seems to be a surprising degree of public support for the measure: educational leaders from every section have come out publicly in favor; newspaper comment in general endorses it; the last legislature passed the resolution submitting the measure to the electorate.

5. The committee has made diligent effort, within the limited time at its disposal, to learn of objections to the plan. There is, of course, the general and universal objection to the additional cost to the state. It is the conviction of the committee that the benefits calculated to accrue from the establishment of the school fully justify the necessary expenditure. Some few voices urge waiting until the new normal at Ashland gets into full operation to see if that will not meet the situation; but this school can neither make good the great shortage of trained teachers for the state, nor satisfy the just claim of Eastern Oregon for additional educational facilities.

6. These are the facts, in the briefest form, which support the view, first, that the state needs another normal school; and second, that this school should be located in the eastern part of the state. This the bill provides. The exact location is wisely referred to the State Board of Regents of Normal School as are other details of organization and operation, subject to proper legislative authorization and appropriation.

II. Seaside Normal School (308-9 on Ballot)

The committee see no reason for the addition of two new normal schools at this time. Geographical considerations are overwhelmingly in favor of Eastern Oregon as a location for the new school, against any other part of the state; the western portion now has two normal schools,

as well as the University, and the Agricultural College.

III. Recommendations

The committee recommend the approval of the Eastern Normal School Measure, No. 310; and the disapproval of the Seaside Normal, No. 309.

Signed:

E. EARL FEIKE

C. A. RICE

E. O. SISSON

Chairman of Committee

EDWARD L. CLARK

Chairman of Educational
Section.

Note:—For further information and details see leaflet issued by Better Teachers Training Committee and Eastern Oregon Normal Committee (Chamber of Commerce Building, Tel. Bdwy. 4254); Oregon Voter, September 4, 1926; October 2, and 19, 1926; Approved Voters' Handbook.

COUNCIL MANAGER TYPE OF GOVERNMENT PRAISED

The council manager plan of city government is the highest and yet the simplest form of effective representative democracy yet devised, declared Harrison G. Otis, president of the International City Managers' Association and city manager of Clarksburg, W. Va., in his annual address at the opening session of the thirteenth annual convention of the organization. Council manager is the new name for city manager.

"This plan offers the surest, quickest, easiest way of finding out and of carrying out what the people want," Mr. Otis added. "It is so simple that we wonder why cities did not work it out years ago."

But the rate of growth of the council manager plan continues slow, due, apparently, to mismanaged campaigns, and the optimism of local civic bodies, whose enthusiasm leads them to believe that all that is needed to obtain the city manager plan for their city is an election to vote on it, in the opinion of John G. Stutz, executive secretary of the International Association, as outlined in his annual address.

"Nothing could be more erroneous," he added. "The electors in practically every community—and fortunately so—will not change their form of government unless they have good cause to believe that the change sought would be a distinct betterment of conditions. Poor educational campaigns are one of the outstanding reasons for the slow growth of the number of cities which have adopted the manager plan.

"During the last year nine cities have adopted the plan by charter and one city by ordinance. The records of our association show that there are 361 cities which are operating under or have adopted this plan of government.

—Christian Science Monitor.