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REPORT

OF THE

Commission to Investigate Tax Assessments

IN THE STATE OF NEW JERSEY

1912

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JOINT RESOLUTION for the appointment of a commission to investigate present methods of making assessments for taxes throughout the State, and report whether changes are desirable.

BE IT RESOLVED *by the Senate and General Assembly of the State of New Jersey:*

1. That a commission of five be appointed to investigate the present methods of making assessments for taxes throughout the State, and whether, for the purpose of securing uniformity and equalization, changes in the present system are desirable, and report their findings and recommendations, if any, at the next session of the Legislature.

Said commission shall consist of the president of the Board of Equalization of Taxes of the State of New Jersey, one member from the Senate, to be appointed by the President of the Senate, one member from the House of Assembly, to be appointed by the Speaker of the House, and two citizens of the State of New Jersey, to be appointed by the Governor.

Said commission shall hold at least one public hearing at each county seat in the State, for the purpose of discussion and the examination of local methods and conditions, and shall have the power to compel the attendance of witnesses by subpoena, and to punish them for failure to attend or testify.

The members of the commission shall serve without salary, but for the purpose of necessary expenses and clerical help, the sum of three thousand dollars will be available when appropriated in the regular appropriation bill.

Approved April 1, 1912.

Summary of Recommendations.

1. Assessment system should be put on a business basis with direct responsibility from top to bottom. The State Board of Equalization should have the power to secure, and be held responsible for, uniformity and equalization throughout the State.
2. Establish office of State Supervisor, to supervise county assessors and assessments generally. Also inspector to visit counties and report.
3. Establish a County Assessor in each county to have general supervision of local assessments.
4. Revise county tax boards to consist of the County Assessor and two associates. Their duty to hear appeals and equalize valuations.
5. Taxing districts that are now too small to require entire time of a competent man, should be consolidated for assessment work.
6. Cities should be assessed as a unit by one assessor or board.
7. Public utility property now locally assessed, should be assessed by State Board of Equalization with aid of data from Public Utilities Board, and valuations certified to local taxing districts.
8. State Board of Assessors should be abolished. State Board of Equalization should assess railroads, using data furnished by Public Utilities Board.
9. Tax maps should be required gradually until entire State is mapped.
10. Notice of assessment should be sent to all taxpayers, and appeals should be heard before tax rates are fixed.
11. Appeals should be simplified.
12. Existing obligations for current expenses should be funded, and in future taxes should be collected in advance of

expenditures, and collection date changed to following January.

13. If above change is made, tax payments may be made semi-annual.

14. Banks and trust companies to be taxed at a uniform rate of one per cent. on capital, surplus and undivided profits, with no deduction for exempt securities.

15. Household furniture and personal effects should be exempt.

16. Poll tax should be abolished.

17. Taxing districts should be permitted to exceed maximum tax rate when increase is approved by vote of the people.

18. Further investigation should be made of exemptions, collection methods, tax sales, liens, etc.

19. Revision of the fundamental basis of taxation should be considered.

Report of the Commission to Investigate Tax Assessments.

To the Honorable Woodrow Wilson, Governor of the State of New Jersey, and to the Legislature of the State of New Jersey:

Your Commission, appointed "To investigate present methods of making assessments for taxes throughout the State, and whether for the purpose of securing uniformity and equalization, changes are desirable," respectfully report:

That we have investigated present methods, and find changes desirable, and we submit herewith certain recommendations, with our reasons for them.

Briefly stated, we find the present system is less a system than an aggregation of detached units. There is no proper continuity of authority from top to bottom. The units (taxing districts), are largely working independently, with imperfect control by the County Boards, and less by the State Board of Equalization. The result is lack of uniformity and equalization. The ratio of assessment to value varies in different districts, and frequently between taxpayers in the same district, the variance ranging between thirty per cent. of value to full value and above.

In seeking a remedy, your Commission has been guided by a single principle, viz., the work of assessing property, being a business matter, should be put upon a business basis.

To accomplish this, the accepted modern method of conducting governmental business is recommended—making the head which determines the policy subject to administrative change, but keeping the routine work in a permanent body of trained employes, secure in their position and free from political or other influence.

This principle, extended to supplying a backbone to the system through the suggested State Supervisor and county assessor, is the controlling factor in the following recommendations.

CHAPTER I.

Recommendations.*

1. The system of making assessments of property for taxation should be revised on a basis of efficiency and responsibility. There should be a separate State department to be known as the State Tax Department.

The State Board of Equalization, as the head of the Department, should be given the power to secure, and be held responsible for, equalization and uniformity between districts and between individuals throughout the State.

It should have the authority to make and enforce such rules as may be necessary to secure compliance with the statutes, and to remove incompetent and negligent taxing officials.

It should formulate standards or "units," for the assessment of various classes of property, issue pamphlet instructions to assessors, and standardize books, tax bills and papers.

2. To aid the Board of Equalization, and stand at the head of the routine administration, a State Supervisor should be appointed by the Governor to have general supervision of assessors and assessments throughout the State, subject to the rules and directions of the Board. He should give his entire time to the work. He should have a deputy or inspector under him, to visit the several counties, investigate assessments, advise and instruct local officials, and report on conditions for the information of the State Supervisor and Board of Equalization.

3. A County Assessor should be appointed by the Governor for each county, who will give his entire time to the work. The County Assessor to be responsible to the State Board of Equalization for the accuracy and equality of the assessments through-

* In Chapter IV each of the recommendations is explained in more detail and additional reasons given for the change proposed.

out his county, and to have general supervision over all local assessment work.

4. The County Tax Boards should be reorganized on the following basis:

The County Assessor to be *ex officio* a member and president of the Board, and have joined with him two other members, appointed by the Governor, and not both of the same political party. These associate members should not be required to give their entire time, nor receive as much compensation as the County Assessor. The County Assessor and associate members to act as a Board to hear appeals and perform the functions of a board of equalization within the county; subject to review by the State Board.

5. All assessment districts should be large enough (in area or valuation) to require the entire time of an assessor and to justify the employment of a competent man at a salary sufficient to enable him to give his full time and undivided attention to the work. Where present taxing districts are not large enough for this, they should be consolidated, for assessment purposes only. The assessment work should be done under the general direction of the County Assessor by assessors appointed by the County Tax Board under civil service rules; assessment rolls to be made up separately for each taxing district, and the local rates to be fixed upon such valuations as at present.

6. Cities or other taxing districts sufficiently large to require the full time of an assessor or board, and which are now subdivided into districts or wards each having a separate assessor, should be consolidated under one assessor or board of assessors. All such boards or assessors should be appointive and not elective, and all subordinates should be employed under civil service rules.

7. Public utility properties should be valued by qualified experts.

The Public Utilities Board, through its engineering force, is now engaged in valuing such properties. To avoid duplication and effect economy, its work should be used for assessment purposes.

Public utility property now locally assessed should be assessed by the State Board of Equalization. The appraisal of physical property to be made as above suggested by the Public Utilities Commission and transmitted to the Board of Equalization for its guidance. Notice of such assessments should be given, with opportunity for a hearing before the State Board, and after a final determination of the valuations they should be certified to the local tax districts to be placed upon the local rolls.*

8. The State Board of Assessors should be abolished, and its powers and duties transferred to the State Board of Equalization, save and except that the physical appraisal of railroad property should be made by the Public Utilities Board, and certified to the Board of Equalization for its guidance in making the assessment. The working force of the Board of Assessors to be continued and transferred to best advantage.*

9. Accurate maps are essential to correct assessment. Every district in the State should have a tax map. Such maps will have to be secured gradually. This can best be accomplished by conferring power upon the State Board of Equalization to require that the preparation of such maps shall be commenced at once in populous districts that do not now have maps, and to extend this work gradually until the entire State is mapped for assessment purposes.

10. Notice of assessment should be sent to each taxpayer. The notice should be sent in time to permit appeals to be heard and determined before the books are finally closed and the tax rates fixed. With the proposed county assessment system, assessment books can be prepared in time to permit this to be done. Some changes should be made in the dates of assessment and collection to allow more time for revision and appeals.

11. Appeals from assessments of ordinary property of small value should be simplified, and every possible opportunity should be afforded the small property owner to be heard promptly and at the least possible expense. The County Board

* Mr. Jess dissents from recommendations 7 and 8 in regard to assessment of railroad and public utility properties, for reasons stated in supplemental report, page 63.

should meet in different parts of the county and summarily hear and dispose of complaints without making formal petition or notice of appeal a prerequisite. Power should be given to raise assessments on notice, to the proper value, as well as reduce assessments.

12. We believe that all taxing districts now obliged to borrow money for current expenses would benefit by receiving their taxes in advance. The simplest way to accomplish this is to require taxing districts now doing business on borrowed money, to fund their indebtedness by a bond issue sufficiently large to cover their expenses until January first. Then the taxes received can be applied to future expenses instead of being used to pay off debts and notes. If this is done, collection day can be changed from December twentieth to a date in (the following) January without inconvenience. This will meet objections now made to the present date by persons who have money on deposit and will lose the interest by withdrawing funds prior to January first; and by others who feel that payment at this time of the year is an inconvenience.

13. If the above change is made, so that taxes are paid in advance for the current year, the taxing districts will not need all the money at one time. It will then be possible to make the payments semi-annual, the second half of the tax bill coming due in July, and providing revenue for the last six months of the year. This will be more convenient for many taxpayers.

14. The present law for the taxation of bank shares should be changed so that this class of property may be assessed with uniformity and pay a fair return toward the support of government. We favor the general plan employed in New York, Pennsylvania and several other States, namely, the assessment of capital, surplus and undivided profits with no deductions or exemption except for the value of real estate; and this assessed valuation to be taxed at a fixed rate of one per cent. uniform throughout the State. This method to apply also to trust companies.

15. All household furniture and personal effects in use in homes should be exempt. This class of property is difficult to

value and the assessments are unequal and arbitrary. Furniture is a necessary burden and not a productive asset. Many States give some exemption and in Pennsylvania these items are not taxed at all.

16. The poll tax should be abolished. This tax is unequally administered throughout the State, and it would bear unfairly even if it were administered equally. Poll taxes are deservedly unpopular, because they fall on every one alike, regardless of financial status, and in several States are prohibited by the constitution.

17. The maximum tax rate law should be amended to permit a taxing district to increase the local rate by a vote of the people.

18. There should be a further investigation of the tax system, taking up questions beyond the scope of the present inquiry, such as exemptions, collection of taxes, arrears, enforcement of lien, and tax sales. These and related matters have been brought to the attention of the Commission and some changes seem desirable and necessary.

19. Consideration should be given to the fundamental basis of assessment in taxation and to the effect of present laws for the taxation of property. The changes we recommend will do much to remedy inequalities and to make a fair readjustment of the burdens imposed by existing law. They will not alter, however, inequalities of tax burden due to the tax law itself. Under modern conditions the selling value of property is not always a measure of its proper contribution to public expense, and there are privileges that escape because their value is not included in the assessment of physical property.

Before taking up in detail each recommendation and giving the reasons therefor, we present an outline of the work of the Commission, and a general summary of existing conditions, as developed at our hearings and from investigation, and also a summary of the causes of these conditions.

CHAPTER II.

Organization and Work of the Commission.

The Commission was authorized by Joint Resolution No. 7, Laws of 1912, to investigate the system of assessing property throughout the State, whether there were inequalities, and if so to recommend such changes in the system as would remove them.

Pursuant to the terms of the resolution, the commission was appointed as follows:

Senator Carlton B. Pierce, named by the President of the Senate.

Assemblyman Albert R. McAllister, named by the Speaker of the House.

Frank B. Jess, *ex officio* as President of the State Board of Equalization.

Arthur C. Pleydell and Thomas B. Usher, named by the Governor.

The Commission met for organization May 14th. Senator Carlton B. Pierce was elected chairman, and Wm. F. Keohan was appointed secretary.

The first work of the Commission was the preparation of a question sheet, requesting information from the local assessors in regard to their equipment, salary, and methods used in assessing various classes of property; also requesting suggestions for improvement. These sheets were distributed by the county boards, and replies were received from 378 districts in all sections of the State.

Commencing July 24th, the Commission gave hearings in every county as directed by the resolution, holding 24 county hearings in all. Invitations to attend these hearings were sent to all assessors and to other taxing officials, mayors of cities and boroughs; and through the press to citizens generally. Full opportunity was given at the hearings for everyone interested to make complaint or offer suggestions.

The Commission has also met at Trenton for consultation with State officials.

In October a meeting of the members of county tax boards, called by the Middlesex county board, was held at Trenton, and an organization was formed. The Commission was invited to attend and all members were present and participated in the meeting.

The Fifth Conference of the National Tax Association was held in Des Moines, September 3-5, 1912. The members of the Commission were appointed as delegates to this Conference by Governor Wilson, and four members attended. Thirty-three States were represented at the Conference, and many of the delegates were State or local tax officials. There were also present members of tax investigating commissions from six other States. This conference enabled the Commission to secure much valuable information as to the experiences and conditions in other States that are confronted with the same problems as New Jersey.

SUMMARY OF EXISTING CONDITIONS.

In presenting the following summary of conditions, we do not wish to be understood as asserting that all of these conditions prevail in every tax district. In some districts excellent methods have been developed; in some others, officials are giving service very far in excess of the compensation which they receive. Nor do we in any case intend to single out any district or person for condemnation. We have endeavored to make it clear at the hearings that we were concerned not with individuals, but with methods. What we present here is an outline of the general situation existing throughout the State, and which stands out all the more by contrast with the exceptions.

1. Real estate assessments are frequently unequal in the same taxing district, as between properties of similar value, and more frequently between different classes of property. This inequality results in one owner paying more than his share of local taxes in comparison with another owner.

2. There is a considerable variation between the percentage of actual assessment to the true value of real property as between different tax districts within a county. The proportion

of assessed to true value frequently ranges from forty per cent. in some districts to eighty per cent. in others, thus placing twice the burden of State school tax and county tax upon property in one tax district as compared with similar property in another.

3. In many districts there is no way of ascertaining whether all real property is placed upon the roll. The experience of a few districts where a thorough re-assessment or the adoption of a tax map has disclosed additional property hitherto unlisted, indicates that a considerable amount of real estate is not assessed at all, thus increasing the burden on the property of those who are assessed.

4. Tracts held for speculative purposes are often assessed at a lower rate than improved lots in the vicinity, thus discriminating against those who are adding to the prosperity and values of the district by constructing improvements.

5. The assessment of personal property is unsystematic and arbitrary. There is practically no attempt made to ascertain the actual value of personal property. In the case of the smaller assessments, the amounts set down are an arbitrary estimate. In the case of larger assessments, the amount is often fixed by the consent of the taxpayer. Money, credits and other intangible property almost entirely escape. This tax falls chiefly upon automobiles, household furniture, and live stock, and to some extent on merchants and manufacturers.

6. Many complaints were heard of the continuous decrease in the valuation of bank shares, due to the increasing deductions claimed for exempt securities. And there is no effective machinery to insure the listing of bank shares held by non-residents of the district.

7. The assessment of public utility corporations, with a few exceptions, is as unsystematic as that of personal property. Little attempt is made to verify the returns of property submitted by the corporations, and in many cases their own "lump sum" valuations are accepted without question.

8. There is a great variation in the assessment of property with which the local assessors are unfamiliar, such as factory plants, and the general tendency in such cases is towards bargains between the tax districts and the owner of such property.

CAUSES OF CONDITIONS SUMMARIZED.

These conditions are due to a variety of causes.

1. The local assessors as a rule are most inadequately paid for the time which their work requires though the results are better in many instances than might be expected. They are equipped poorly or not at all. There are few permanent records at their disposal and few districts have tax maps.

2. There is a continual pressure upon the local assessor, especially where he is an elected official, to keep down the valuations in order to reduce the share of the county and State tax paid by his district.

3. The law for personal property taxation is antiquated and impossible to enforce. No one expects it to be enforced to the letter, and in consequence the degree of enforcement is a matter of compromise in which the least influential taxpayers fare the worst.

4. Manufacturers have to compete with factories in Pennsylvania, where machinery and personal property are exempt, and with New York, where the law for personal property assessment is more liberal than in New Jersey, consequently the desire to attract and hold factories here leads to undervaluation.

5. The assessment of public utilities by local assessors on the value of physical property in each tax district is a survival from the time when such utilities were few in number, small in value, and rarely extended beyond one district. These corporations have developed to a point where the local assessor, like other ordinary citizens, is unfamiliar with the values of their property, and is unable to accurately determine its extent.

6. The State Board of Equalization is directed to supervise the administration of tax laws throughout the State, but it has no actual control over the local assessors or the County Boards. It can formulate rules but cannot enforce them, and is powerless to remedy incompetency. While entitled a "Board of Equalization" it has no power under the law and court decisions to "equalize" inequalities between individual taxpayers. The County Boards

are expected to supervise the work of the local assessors, but they have no direct authority until the assessor turns over his list.

To sum up, there is an entire lack of co-ordination or effective responsibility. The State, county and local officials work independently and frequently at cross-purposes. There is no one official or department upon whom rests the responsibility for inequality or inefficiency. The assessments of the State amount to more than two billion dollars and the total State and local revenue based thereon amounts to forty-five million dollars. Yet, outside of a few cities, the officials upon whom the duty is imposed of equally distributing this burden are insufficiently paid and unprovided with proper working equipment or records. The initial valuation for assessments is made by some 500 officials working independently in as many districts, with little guidance or help. Such attempts at uniformity as are made are confined to the tax districts of a county, and there is practically no effective supervision over the counties.

The conditions we have described are not peculiar to New Jersey; in fact, this State is in advance of many others in its assessment methods. But this advance has been achieved in spite of numerous obstacles due to defective organization.

A system should be established which will work with the least possible friction, and which will enable the aggrieved citizen or municipality to know exactly where to place the full responsibility for inequalities. The officials charged with the duty of assessing property should be adequately paid, and their work should be so thorough that appeals will seldom be necessary. Every effort should be made to have the initial assessments correct at the start, instead of depending upon appeals and subsequent correction.

Before presenting in detail the proposed changes and the results to be secured thereby, we give a general outline of existing conditions, believing such a statement to be the best evidence of the need for the changes proposed.

CHAPTER III.

Existing Conditions and the Need for Changes.

The State of New Jersey is divided into 477 taxing districts—cities, boroughs, towns and townships. Each district has at least one assessor. Most of the cities have several assessors. In a few cities there is a board of assessors, giving a united judgment upon valuations, although generally dividing the work for convenience. In other cities, assessors are appointed or elected for wards or districts, with no compulsion upon any assessor to conform his valuations to those made in the rest of the city, although the same rate applies to all property. Elizabeth, for instance, has twelve assessors, each one elected by the voters of his ward and assessing that ward only. So that there are even more assessing districts than taxing districts.

The township assessors and most of the borough assessors are elected for three-year terms. Most of the city and town assessors are appointed, though some are elected.

Each assessor (or board of assessors) is a law unto himself during the time of field work and until the tax list is submitted to the county tax board. It is true that the county boards have a general supervision over the assessment, and that they visit the various districts while the work is in progress. But the unwilling assessor need not attend county meetings, nor need he be at home when the county board visits his district. He can disregard the suggestions made by the board and its only remedy is to change the valuations after receiving the tax list. In repeated instances, where the County Board has made complete new assessments, the assessor has returned his old assessments the following year.

The State Board of Equalization is authorized to remove an assessor on complaint of the County Board, after due hearing, if he "shall wilfully or intentionally fail, neglect or refuse to comply with the constitution or laws." But in practice it is almost impossible to prove "wilfulness". And the State Board is without any power to remedy incompetence, no matter how inefficient

a local assessor may be. One case is on record where an assessor made no entry whatever on his list, confessing that he did not know how, and the collector and secretary of the county board made up his list for him; but he drew his salary and retained his position.

The elected assessor, and even the appointed assessor, is under continual pressure to keep down the valuations in his district so as to reduce its share of county and State school tax. Even though he may try to equalize between individuals in his district, he has no inducement save pressure from the county board to increase his ratio of valuation so as to be on a par with other districts in the county. The local pressure is all the other way. Many assessors have admitted freely at the hearings that they refrained from raising valuations because they had no assurance that the other districts in the county would raise theirs, and they did not want their district to suffer.

A circular issued by an assessor, who was a candidate for re-election, stated frankly that he thought he was entitled to support because he had reduced the total valuations by about \$100,000, though actual values had risen 15 per cent.

The assessment of property is an important function. It is the foundation for the revenue that must be had if government is to continue. Equality in assessment is essential if there is to be a just distribution of the tax burden. Yet the office of assessor is commonly regarded as unimportant and the salaries paid are miserably inadequate.

No better illustration could be given of the effect of this attitude of the public upon the assessor himself than an incident related at one of our hearings. An assessor who had served for a good many years for a salary of \$75 per annum, told the county board that he thought he should get an increase; the valuations had grown and he had more work to do. He was asked what he thought he should get. His answer was that he thought he should have at least ten dollars more.

In the following table the salaries paid to local assessing officials throughout the State have been classified into groups:

<i>Annual Salary.</i>	<i>Number of Assessors.</i>
\$25 and under,	6
\$30 to \$50,	20
\$60 to \$75,	42
\$79 to \$100,	46
\$108 to \$150,	78
\$155 to \$200,	75
\$205 to \$300,	79
\$310 to \$400,	49
\$450 to \$500,	32
\$525 to \$600,	20
\$650 to \$900,	19
\$1,000 to \$1,200,	23
\$1,300 to \$1,500,	15
\$1,800,	3
\$2,500,	8
	<hr/> 515

Total salaries \$190,409.

(There are six assessors, not included above, who are paid per name.)

The smaller salaries are in the taxing districts which have only one assessor, so that the 114 assessors receiving \$100 a year or less, represent one-fourth of the total number (477) of taxing districts. There are only 49 officials receiving \$1,000 or more annually, and 346 are paid \$300 or under, being less than a dollar a day in about three-fourths of the taxing districts.

We give a few illustrations also of the amount of property which the assessors are supposed to inspect and value in return for these small salaries. They also are required to do a lot of clerical work in making up a tax list and duplicate, and extending the taxes before turning the book over to the collector. In about thirty districts the salary is less than one-hundredth of one per cent. of the valuation, and some of these districts cover a large area.

<i>Assessed Valuation.</i>	<i>Annual Salary.</i>	<i>Salary per \$10,000 Valuation.</i>
\$5,833,641,	\$500	\$0 85
1,767,820,	150	85
1,518,111,	150	99
1,130,796,	75	66
683,312,	40	58
502,230,	50	1 00
373,811,	50	1 34
357,718,	35	98
285,800,	40	1 51
238,650,	10	42
95,053,	20	2 10

Not only are the salaries small, but the assessor has scarcely any equipment. Very few districts have an office, and the assessor does his work home as best he may. The old books and records are thrown into a cupboard or stowed away in the attic. The newly-elected assessor has turned over to him little more than a field book of the preceding year. The law is somewhat indefinite, but seems to require that the assessor shall make a duplicate of his list for the collector and turn over the original to the county board. To keep another list for himself or his local district would involve so much clerical work that in practice only the collector's duplicate and county board list are made up, and the assessor relies on a field book in beginning the next year's work.

Under such conditions few records are kept, the assessor relying largely upon his memory. In fact, some assessors have told us that they considered their records of sales and similar information as their own private property and its possession an asset towards re-election; that if a new assessor was elected in their place they would not turn such records over as it was up to him to get the work done.

While such lack of public spirit is quite exceptional, it illustrates the injury a community may sustain through its failure to provide a proper office equipment for assessors.

When a new assessor is elected the usual routine seems to be that, in the first year, he copies the list of his predecessor with a few changes. The second year he attempts to readjust valua-

tions and stirs up protests from those who have been profiting by inequalities, with little support from those who have been benefited by the change. The third year he is either disgusted and refuses to run again, or he reverts quietly to the old order so that his chances of re-election will not be hurt.

A number of assessors stated to the Commission that they would prefer to be appointed rather than elected, as they would feel more free to perform their work impartially.

SYSTEMATIC METHODS IN SOME DISTRICTS.

There are, it should be noted, some striking exceptions to the general lack of system, and these should be mentioned both in fairness to the assessors and as examples of what the conditions ought to be throughout the State.

Newark is entitled to first mention for the excellence of its office equipment and the development of systematic methods that have attracted attention from students of taxation throughout the United States. Newark was one of the first cities to adopt the lot and block system of assessing by aid of a tax map, and using the map numbers as a description of the property. Unit values per front foot are used and tables have been worked out for apportioning values of lots longer or shorter than the standard size. Complete records of size and character of all buildings are kept. Trenton, Atlantic City, Camden and some smaller cities and boroughs also have adopted map and unit systems, with definite rules for ascertaining and apportioning values.

In various small communities assessors have taken office under exceptional conditions, determined to make an heroic effort to equalize valuations, and they have succeeded in spite of obstacles, but at a cost of time and labor that should not be expected of anyone, and which precludes their example from being followed generally. And one of the unfortunate results of such exceptionally good work frequently is to make that well-assessed community bear a higher burden of county tax than falls on the districts where the poorest assessment work is done.

There are also a number of assessors in the State who, by reason of many years' experience and conscientious work, have succeeded in producing equitable results despite the lack of maps and other equipment. But this is due to personal ability and knowledge, and a successor would find little to aid him except the tax list itself.

INEQUALITIES IN REAL ESTATE ASSESSMENT.

That the lack of systematic methods and proper equipment has resulted in much inequality was apparent from the discussions at our hearings. Cases were cited where property of equal value in adjoining districts was assessed at twice as much in one district as in another district or county. The differences between two sides of a road will be in some cases as \$30 to \$15 or \$20 an acre, or as \$1,000 to \$600 for a lot.

The assessor of one district complained of an adjoining district where the general undervaluation has become so notorious that the side of a road in the district that undervalues has been built up by people who wish to enjoy the low assessments, while the opposite side of the road in his district where valuations are made on a higher basis is still unbuilt. While it may be desirable to encourage improvements, it hardly seems fair to do this by methods which load other districts with a disproportionate share of taxes.

Some districts are assessing on what is termed a 40 per cent. basis; many at 50 or 60 per cent.; a few at 80 per cent. to 90 per cent. When such differences exist in any one county (as they do), it is obvious that the people of some districts are paying more than their share of county tax.

But this percentage basis does not mean or guarantee that every individual in the district will be placed on the same basis as his neighbor. While a district may average 50 per cent., some properties or classes of properties may be assessed at 40 per cent. of value and others at 70 or 80 per cent.

The mayor of one city frankly told us that in his judgment large hotels and business properties were assessed at not more

than 30 or 40 per cent. of actual value, while small cottages and homes were assessed at 70 per cent. The former mayor of another city told us he had offered \$4,000 an acre for property in his city that was assessed at \$200 an acre, while ordinary dwellings were assessed at two-thirds of their value; that built-up land was assessed \$30 to \$50 a front foot while equally valuable vacant lots were assessed at \$6.

These communities are not exceptional and similar instances could be given from many other sections. We cite these only as types and with no desire to reflect upon any person or locality. Many of these inequalities are merely the natural result of expecting assessments to be made without maps or records and without adequate compensation to the assessor.

Another common complaint was that small homes and cheap buildings were assessed much nearer to their real value than expensive buildings or large country estates. This discrimination is due largely to the absence of standards. The assessor, like other people, is more familiar with the values of ordinary small properties, but when he comes to the unusual kinds he is naturally conservative in order to be on the safe side.

There are also many omissions of property from the lists, thus increasing the burden upon others. Recently a county board discovered thirty-six parcels worth about \$75,000 in one district that had not hitherto been listed. In another district the inquiries of a title company led the collector to find several hundred lots that were not taxed. Other instances of a similar character have been related, and the officials say frankly that in the absence of maps they are still unable to give assurance that the lists are complete.

PERSONAL PROPERTY ASSESSMENTS.

The assessment of personal property is haphazard, arbitrary and unequal. Very little attempt is made to ascertain the actual amount and value of property owned by taxpayers, especially of intangible property such as moneys and credits. In a few cases the assessors send lists to the taxpayers to be filled out, but the

results do not seem to be better than in districts where this is not done. Suggestions have been made that the assessment of personal property could be improved if every taxpayer were required to give the assessor a sworn statement of his property. The experience of other States where this plan has been tried does not warrant the belief that it would meet with any greater success in New Jersey. Honest and conscientious persons would, perhaps, pay more than now, but those who wished to evade would do so as at present. Nor do we believe that the citizens of this State look with favor upon inquisitorial methods.

It is generally admitted by the assessors that the personal property assessment against an individual is estimated in a lump sum, with little attempt to specify or estimate his various kinds of property. The exceptions are automobiles, bank shares and live stock. Automobiles are specified on the tax lists, although there is a great variance in valuations; and the small runabout will have a five or six hundred dollar assessment while an imported touring car is listed at a thousand.

One county board has standardized live stock, classifying horses and cattle and placing the same value per head throughout the county. In another county, although not admitted, the lists show clearly that a uniform value is used of so much per cow or horse, which, no doubt, works out more equitably than attempts to inspect and value each animal separately.

Bank shares are specified on the tax lists because the assessment and ownership is ascertained through the bank and county board and not from the owner. (This matter will be taken up separately. See next chapter, recommendation 14, page 47.)

Moneys and credits are not indicated on the lists, and the assessors say they have no way of telling how much of the personal assessment represents this class of property. There is general agreement, however, that very little is assessed unless in the hands of an executor or trustee. Out of a number of tax books examined, there was just one entry found of a credit: "note, one thousand dollars." It is almost superfluous to say that this solitary victim was a woman. Men seem to have more experience in arranging their business affairs around assessment day.

Various extra-legal devices have been adopted by assessors which at least have the advantage of measuring roughly the taxpaying ability of the citizen, and which produce, in fact, more equitable results than might be reached by a strict enforcement of the letter of the law. But these devices merely emphasize the fact of the lack of any system and that the assessor is in a large measure a law unto himself.

Some years ago the assessors of one large district inquired whether they could use the rent of property occupied as a basis for making the personal assessments. They were advised that such procedure was illegal and that the law required them to make diligent inquiry as to the possessions of every resident. The assessors then proceeded to make the aforesaid diligent inquiry, but, by a curious coincidence, the assessment list showed that the possessions of the occupants of various houses bore a surprisingly close ratio to the character and rent of the premises. However, the results of the assessment seem to have been satisfactory to the people of the district.

One ingenious assessor suggested a better plan than sworn affidavits. He remarked that the best way to obtain information in regard to personal property was to "gossip with the women," and they would tell you everything, particularly the character of their household possessions, which, of course, would compare quite favorably with their neighbors. Still, dependence on back-step gossip is scarcely a dignified method of collecting revenue for the government.

There seems to be a general plan in some counties of adopting a fixed scale of assessments—one hundred dollars for residents and two hundred dollars for commuters—perhaps on the theory that the latter earn higher salaries. It seems to be a common practice, also, to assess every merchant conducting an ordinary business at a uniform amount, say five hundred dollars each, which again does a rough sort of justice, but hardly can be said to be a compliance with the statutes.

Small as these assessments may seem, they are much larger in proportion to actual belongings than those which are made against wealthy citizens. It is extremely rare to find on the tax

list a personal assessment against an individual higher than \$5,000. In fact, there are few assessments higher than \$1,000, except in farming districts where the assessment against live stock and other visible property is often several thousand dollars.

The taxpayer with personal property that would cost a thousand dollars to replace, usually feels satisfied if he is assessed for two hundred dollars, even though his property would not bring much more at a sale. He makes no complaint of the system of personal property assessment because of the special favor which he thinks is shown him, not realizing that in many instances other taxpayers in the district who may own personal property running into the hundreds of thousands of dollars, are assessed at only five or ten thousand dollars, and that therefore he is paying a greater share of the tax than is his proper burden. On the other hand, the wealthier taxpayer does not feel the burden of the personal property tax, and so there is general acquiescence in a system which is most inequitable in application.

The personal property assessment is, however, not always a farce to those assessed. The assessor frequently puts down these two hundred dollar valuations without the slightest inquiry or knowledge of the condition or possessions of those whom he assesses. Collectors have recited to us some distressing cases, where they started out to collect delinquent taxes and found the persons assessed were actually without the necessities of life, and where, from sheer humanity, the collector had to refrain from any attempt to collect the tax. For instance, a poor family living in an old shack, whose "household furniture" assessed for \$200 consisted of a rough table and chairs made from old boxes; and a widow living in a rented room whose possessions consisted chiefly of the washtub by which she was earning a living for several small children.

Little wonder that a frequent answer to the question, "What can be done to improve the personal property tax," was: "Abolish it." Certainly unless some better method of enforcement can be devised than any yet employed, the tax ought to be abolished. Such an unequal, oppressive and farcical method of collecting revenue ought not to continue.

CHAPTER IV.

Details of Proposed Changes and Reasons Therefor.

We present in this chapter our suggestions for improvements in the present system of assessing property, giving the details of, and reasons for, each recommendation separately.

The first six recommendations relate to the establishment of a system for assessing property which will insure efficiency and responsibility. The essential features of this proposed system are, that every official directly responsible for assessment work shall give his entire time to the duties of his office, receive adequate compensation, and be supplied with a proper working equipment; and that there shall be a complete chain of responsibility from top to bottom.

Under the present system there is little, if any, control over the initial assessment, and the only remedy available to an aggrieved citizen or municipality is through appeals which must be renewed year after year. By the proposed plan, inaccurate or inefficient work may be prevented in large degree and appeals be reduced to a minimum. This plan provides for:

(a) A State Tax Department, at the head of which shall be the State Board of Equalization of five members, to hear appeals, formulate standards for assessment work, standardize books and forms, remove incompetent assessors, and assess railroad and public utilities with the aid of the Public Utilities Board.

(b) A State Supervisor to be the executive officer of the State Board of Equalization, work under its direction, and see that its instructions are carried out; and to have general supervision over the routine and details of the system throughout the State, with an inspector to visit all districts and report on conditions;

(c) A County Assessor, to be responsible for his county, and with two associates to hear appeals and act as an equalization board for the county;

(d) The division of each county into assessment districts sufficiently large to employ a competent man at adequate pay for his

entire time. Where a city or other taxing district is large enough to warrant this expense, it should have its own assessor or board. Taxing districts too small to require time of one man should be consolidated for the purpose of assessment, and assessed under direction of the county assessor.

Under this plan there will be direct responsibility for efficiency and adequate equipment for accurate work, while the present remedies by appeal are retained.

I. A STATE TAX DEPARTMENT, WITH THE BOARD OF EQUALIZATION AT THE HEAD.

The first step toward securing uniformity and equalization throughout the State is to provide adequate and effective State supervision of local assessment work. A State Tax Department should be established to have general supervision of all matters relating to taxation and assessment.

The State Board of Equalization should be the active head of the taxing system of the State and should have ample power to secure compliance with the statutes and efficient work. It should be authorized to remove any county or local tax officials for negligence or incompetencè, after a proper hearing.

The Board should also have the power to order a re-assessment of the whole or a part of any taxing district upon its own initiative, as well as upon the complaint of individual citizens or of other taxing districts, without the prerequisite of actual individual notice to each taxpayer. Such powers are possessed by State Tax Boards in several States.

The Board should be authorized and directed to formulate standards for units for the assessment of various classes of property. There are various kinds of property with which the local assessor is not familiar, as he may have very little of such property within his district. The Board can secure the services of experts in these various classes of property and establish standards which will aid the local assessors and secure a uniform treatment of such property in the various parts of the State.

The Board should also be authorized to prescribe standard forms for assessment and collection books, notices, bills and papers.

The State Board of Equalization is now inadequately equipped for this work. By taking over the duties of the State Board of Assessors and the present force of that Board, the Board of Equalization will have a better "working plant," which should be increased so far as necessary to secure efficiency. The assessment of public utility properties will require some additional help.

The State Board of Equalization is now supposed to supervise the assessment of property throughout the State, but its control over the work of assessment is extremely limited. While authorized by statute to make rules for local assessors, it has no power whatever to enforce such rules. It can only remove an assessor on complaint of the County Tax Board and if he "shall wilfully or intentionally fail, neglect, or refuse to comply with the constitution and laws," and "wilfulness" is almost impossible to prove. The Board is practically without power to remedy incompetence.

Nor has the State Board any direct control over the work of the County Tax Boards. However unequal might be the valuations as established by the county board, the State Board can only alter them on appeal, and the County Board can revert to the same valuations next year and so on, just as the local assessor can revert back to his valuations despite the County Tax Board or the State Board.

The chief work of the Board of Equalization is to hear appeals, but under the law, as construed by the courts, it cannot grant relief to a property owner merely because he is assessed out of proportion to his neighbors, but only if it be shown that his property is assessed at more than its actual value. So there is no real power of equalization as between individual assessments.

The hearing of appeals by the State Board is an important feature of the New Jersey system and should be retained and improved. In many States the aggrieved taxpayer who cannot secure relief from the local assessor must go directly into court,

and this procedure is so expensive that it practically results in a denial of justice to the small property owner. Hearings before the Board are less formal and technical than court proceedings and the taxpayer can readily plead his own case. It is also cheaper for the State to have tax appeals decided as far as possible without the delays and expenses of court proceedings. The practice of the present Board of Equalization of visiting each county to hear appeals should be continued and be required by statute.

2. ESTABLISH A STATE SUPERVISOR OF ASSESSMENTS UNDER DIRECTION OF BOARD OF EQUALIZATION.

While the State Board of Equalization should be at the head of the taxing system, its work should be largely of a supervisory character, such as the determining of appeals, the formulation of rules, standard books, and instructions.

This and the assessment of railroad and public utilities (which we propose shall be transferred to this Board) will occupy the time of its members.

To aid the Board in its work of supervision and equalization, there should be a State Supervisor, appointed by the Governor and working under the general direction of the Board, and who shall be at the head of the routine administration of assessment work throughout the State. He should be required to give his entire time to this work and his tenure should be unaffected by political changes. He should from time to time visit the various counties to confer and advise with the county and local assessors, and to ascertain general conditions. He should have a deputy or inspector to aid in this work, who could investigate specific complaints, inspect books in detail, and report on conditions or complaints to the State Supervisor and Board of Equalization.

3. ESTABLISH A COUNTY ASSESSOR IN EACH COUNTY.

The next step toward securing a responsible and efficient administration is the establishment of the office of County As-

essor. This County Assessor should be a resident of the county, appointed by the Governor, and he should give his entire time to the work. His term should be sufficiently long to enable him to acquire familiarity with the entire county. He should have general supervision over all local assessment work, visit every district in the county at frequent intervals, and be held responsible by the State Board of Equalization for the accuracy and equality of the assessments throughout his county.

The County Assessor's office should be the center of the tax work for the county. It should be open during business hours, so that any person can obtain information promptly and conveniently. Records of sales and other information should be kept so as to aid in equalization and in determination of appeals, and be at the disposal of local assessors.

The present county tax boards are expected to supervise the work of the local assessors, but they have no direct authority until the assessor turns over his list to them. Then the only way they can actually remedy inequalities throughout a district if the assessor differs with them, is by making a new assessment themselves and the time for this is too limited. While they can grant relief on appeals, to do this extensively causes much disorder in local finances, and it does not help those who do not enter appeals.

4. REVISE PLAN AND DUTIES OF COUNTY TAX BOARDS.

The supervision exercised by the County Tax Boards over local assessment work has tended to bring about more uniformity between individual property owners and between taxing districts than existed prior to the establishment of these boards. There are, however, several weak points in the present organization of those boards which stand in the way of efficiency. The boards which are doing good work are hampered by lack of power and lack of time. The boards which are not doing their best are under no direct control of the State.

With the present plan of three members, there is no one person in the county whom the State Board could hold directly

responsible even were it given more authority over the present county boards. And no one of the three members is under any particular obligation to give especial attention to routine matters.

Therefore, we believe there should be a County Assessor, as above stated, who shall be held directly responsible for the practical, routine work of assessment throughout the county.

In order, however, that the property owner shall not be left to the discretion of one man, we propose to retain a County Board to hear appeals and perform the functions of a Board of Equalization.

This County Board should be composed of the County Assessor, and two other members, not both of the same political party. These associate members would not be required to give their entire time to the work, and, therefore, should not receive as much compensation as the County Assessor. The County Assessor, being a member, the Board would have the benefit of his knowledge of conditions, while the two associate members would be a check against any arbitrary action upon his part.

This County Tax Board should be required to hear appeals in various tax districts through the county, and its action on these appeals and on matters of equalization between taxing districts should be subject to review by the State Board as at present. As the State Board would hold the County Assessor responsible ultimately for accurate and uniform assessments throughout the county, he should have the right to appeal to the State Board against the decision of his two associates. This would avoid the possibility of undue interference with accurate assessment work by the two associate members who had no direct responsibility for it.

The salaries now paid to the County Tax Boards should be re-adjusted, so that the County Assessor will receive sufficient salary to compensate him for his entire time, and the salaries of the associate members, whose work will be chiefly to hear appeals, should be reduced, so that the total expense will not be higher than at present. Such a re-adjustment of duties and responsibility will give a much better return to the State for this expense than the present plan.

The State Board of Equalization should have power to remove the County Assessor and associate members, after due hearing, for negligence or inefficiency, and to certify to the Governor that a vacancy exists, to be filled by him for the unexpired term.

5. CONSOLIDATE SMALL DISTRICTS FOR ASSESSMENT WORK.

One of the main causes of inequalities in local assessments is the utterly inadequate salary paid to the assessor in the majority of taxing districts. The salary in many cases is so small that the assessor cannot afford to take the time required for proper work, or to make a thorough canvass of his district. To increase the salary so that it would be an adequate compensation for the work would somewhat improve conditions. But there are many taxing districts in which there is not work enough to require the entire time of an assessor, and these districts could not afford, and should not be required to pay, for assessment work, a salary large enough to enable an assessor to give his entire time.

Yet there is no question but that assessments can be better made by an assessor who does give his whole time to the work instead of making it merely a secondary matter to other things. The assessor in a small district, giving only a few weeks' time at irregular intervals, cannot be expected to become familiar with all of the property and the values of different properties.

There are, we are glad to say, assessors in a number of taxing districts who are giving much more time and attention to the work of assessment than is justified by their compensation, and more than a small taxing district could afford to pay them for under any circumstances. But this requires a personal sacrifice that should not be expected of anyone and cannot be expected to continue indefinitely year after year.

To insure the employment in assessment work of competent men, who shall be adequately paid and give their entire time and undivided attention to the work, we propose that all assessment districts which are not now sufficiently large in area or valuation to justify the employment of an assessor on those terms, should

be consolidated for assessment purposes. The assessment work in such taxing districts should be done under the general direction of the County Assessor by local assessors, or field men, to be appointed by the County Tax Board under civil service rules. The assessment rolls should be made up separately for each taxing district and turned over to the local collector just as is now done by the local assessor, and this change in assessment methods would not make any difference in the manner of levying the local tax rates upon such valuations, nor would it at all interfere with the right of each taxing district to control its own budget and expenses.

To assess ordinary property with fairness as between individual owners does not require any scientific or expert knowledge beyond that of the average intelligent citizen. But it does require care and judgment and experience. Obviously the assessor giving his entire time and attention, can acquire more experience and use more care, than the assessor in a small district, with a limited field, giving only odd days or evenings, and with his attention diverted necessarily and continually to his own affairs.

And, more and more, exceptional kinds of property with which the local assessor is unfamiliar, are coming into the small district. The natural tendency is to be "conservative" in valuing such unfamiliar property, with the result repeatedly brought to our attention, that the ordinary small properties with which the assessor is familiar, are assessed much nearer to their actual value than the unusual kinds. Larger districts and better county supervision would do much to remove this kind of discrimination.

While judgment and care are required to ascertain the actual value of property, nevertheless, such value is a fact that can and should be ascertained and set down with substantial accuracy. The tax rate is flexible and can be adjusted to suit local views as to local finances. The valuation of property is an entirely different matter, and the only way to prevent discrimination and inequality is to make assessments on a fixed and uniform basis.

Nor are valuations only a matter of local concern. All property within a county is liable for the county tax (and also the State school tax) and every property owner is interested to see

that all property in the county is valued equitably and uniformly, and should a direct State tax be imposed at any time, every property owner will have an interest in the valuations of all districts.

The establishment of the county as a unit for assessment will do much to bring about uniformity of burden between property owners of different taxing districts. Nor is it by any means a revolutionary step. In a number of States the county has always been the taxing and assessment unit. A few years ago West Virginia substituted county assessors for the township assessors, and last year Oklahoma made the same change.

A consolidation of districts and establishment of a county assessor will also permit a system to be worked out, whereby competent assessors can put in most of their time in valuing property, and much of the clerical work on the lists can be done in the office by clerks. Assessors have complained to us that more than half of their time was taken up by the purely mechanical work of making up lists and calculating and entering the tax rates. A man may be an excellent assessor but slow at writing and figuring, and he should not have to use his time at routine clerical work, much of which under modern methods, could be done by adding and typewriting machines.

The salaries and expenses of field men or assessors of consolidated districts, should be paid by a tax on the ratables of these districts, to be added to the levy by the County Board, subject to approval of the State Board of Equalization. The other expenses in connection with the county assessor's office should be paid by the county, as the office expenses of the county boards are now paid, but the State Board should have the right to order a sufficient appropriation to insure proper work.

6. CITIES NOW DIVIDED INTO DISTRICTS TO BE ASSESSED AS A UNIT.

There are several cities in the State that employ modern assessment methods and where the work is done in a thorough and systematic manner. Newark has been developing a system for a number of years which has attracted favorable attention throughout the United States, and maintains an excellent office equipment.

Trenton, Camden, Atlantic City, and several others have, in recent years, improved their methods along similar lines.

Such cities as these now have all the advantages that come from having a taxing district sufficiently large to justify the employment of competent men and the installation of adequate office equipment. Nothing would be gained therefore, and much would be lost, by disturbing their present methods. For this reason, we believe that cities or other than taxing districts sufficiently large to require the full time of an assessor or board, and to maintain a well-equipped office open at all times to the taxpayers, should remain as independent assessing districts, subject, as at present, to the supervision of the County Tax Board. While this may seem to be a departure from the theory of establishing the county as the unit for assessment work, we do not think it is really a departure from the plan, as the county board would supervise the city assessments. In any event, we believe that to continue the cities as separate districts would give the best practical results.

There are a number of cities, however, that are now subdivided for assessing purposes into wards or districts, each district having an independent assessor, although not large enough to require his whole time. This practice results in the same inefficiency and inequality that prevails in the smaller rural taxing districts. The assessors are not well paid, they do not give their entire time, and each uses his independent judgment, with the result that properties of the same value on opposite sides of the street will be assessed at quite different valuations.

Such cities should be consolidated for assessment purposes under one assessor or Board of Assessors, so that the city will be assessed as a unit and not as a number of independent districts.

We believe the best results will be secured by having all city boards or assessors appointed by the Mayor or governing body, and that they should not be elected. We believe, also, that all clerks or field men employed under such boards should have a permanent tenure under civil service rules subject to removal by the city board for inefficiency.

Such city boards or assessors should be subject to removal by the State Board of Equalization after hearing in the same manner as other assessing officials, a vacancy thus occurring to be filled by another incumbent to be appointed by the city authorities.

7. PUBLIC UTILITIES TO BE ASSESSED BY STATE BOARD OF EQUALIZATION.

At present all public utility corporations (except railroads and canals) are assessed by the local assessors on their tangible property in each tax district through which such properties pass. This results in much inequality of valuation, and without doubt considerable property of this class escapes taxation entirely.

Except in a few districts, the general custom seems to be for the assessor to accept without question any statement submitted to him by a public utility company in regard to the extent and character of its property. Even granting that the description furnished him is correct, the ordinary assessor (like the ordinary citizen) is quite unfamiliar with the actual value of the wires, pipes, poles, tracks, etc., reported to him, and frequently he has to ascertain the values from the company itself. Indeed in some cases the assessor accepts a "lump sum" statement submitted by the company as to the value of its property in his district, without any details as to the character or extent of the property.

The Public Utilities Board is now engaged in valuing public utility properties throughout the State. It will not be difficult for this work to be extended immediately so as to secure returns from the public utility companies in regard to their property in each taxing district. The engineering force of the Public Utilities Board can then make an appraisal which will be much more accurate than the present assessments, and which can be improved upon in subsequent years.

Such appraisal and other data which can be required (earnings, etc.) should be transmitted to the State Board of Equalization, which should thereupon make a tentative assessment. Notice should be given to the companies affected, and also to

the tax districts, so that a hearing can be had before the final assessment is made. When the assessments are fixed by the State Board of Equalization, they should be certified to the local tax districts to be placed upon the local rolls and taxed as at present. A similar procedure is followed in other States with good results.

The State Board of Assessors now has in its files the returns from local assessors in regard to the valuation of public utility properties in their districts. These returns have been secured for the purpose of distributing the franchise tax on earnings, and this information, combined with the appraisal received from the Public Utilities Board, will enable the State Board of Equalization to make a fairly accurate tentative assessment immediately. The hearings would correct any gross inaccuracies, and the results the first year from an assessment made in the manner above described would unquestionably give a considerably higher revenue to the taxing districts of the State than they now receive. The assessments could be improved in subsequent years, with little expense, as fast as the Public Utilities Board completed its valuations, and other data became available,

8. RAILROADS TO BE ASSESSED BY STATE BOARD OF EQUALIZATION.

The duties now performed by the State Board of Assessors can readily be undertaken by the State Board of Equalization. The physical appraisal of railroad and canal property which is now made by the engineering force of the State Board of Assessors should be made by the Public Utilities Board and certified to the Board of Equalization for its guidance in making the assessment. The valuations should be made and the appeals heard by the State Board of Equalization substantially in the same manner as is now provided by law. The assessment of miscellaneous corporations and the apportionment of gross earnings taxes are largely routine matters which the State Board of Equalization can supervise. The present office and engineering force of the Board of Assessors, having experience in these matters, should be continued and transferred to the State Board

of Equalization and the Public Utilities Commission as may be most advantageous, and the State Board of Assessors should be abolished. This will place all matters of assessment and taxation under one State department, increasing efficiency and reducing expenses. It will also avoid duplication of work by placing all appraisals of such property under the direction of the Public Utilities Board.*

9. TAX MAPS TO BE REQUIRED.

Maps are essential to accurate assessment, especially in cities where property is subdivided and is of high value, and are a great help to any district. Without a map it is difficult for any assessor to be certain that he has the exact area of each property or that he has listed all of the property in his district; and it is practically impossible for anyone else to check up his work.

A number of cities and other taxing districts have tax maps. But there are still populous districts without maps, and very few of the more thinly settled districts have maps.

There was practically no difference of opinion at the hearings as to the value of a map in assessment work. A number of assessors from districts that have maps testified that they did not know how they could do their work without a map. Other assessors frankly admitted that as their districts did not have a map they could not be certain that they had all of the property listed and believed that despite their best efforts, some property escaped altogether. The only objection raised was that maps might be too expensive for some districts.

It was testified by several officials that the cost of providing tax maps for their districts had been met by the increased revenue derived the first year or two from property which had hitherto not been assessed, and which had been discovered and listed by the use of the map. Of course after the cost of the map had been met, future revenue from such property hitherto escaping its fair share, would help by that much to reduce the burden upon those who had always been assessed.

* Mr. Jess dissents from this, and the preceding, recommendation. See supplemental report, page 63.

Cities, boroughs, and incorporated towns need maps for general municipal purposes, and all such taxing districts not now supplied with maps should be required to commence the preparation of a tax map immediately and to have it completed within reasonable time. With maps in use, property can be described by lot and block number, thus simplifying the lists and aiding the taxpayers to find assessments against their property.

In rural districts the need of a map is not so pressing, although the assessor would be greatly assisted if he were provided with an adequate map. From the experience of other States it does not seem that a survey of all property is necessary in order to prepare a tax map which will be sufficiently accurate for assessment purposes in rural districts. The State of New Jersey has been thoroughly surveyed by the Geological Survey and maps are available showing all roads and topographical features. With these maps as a basis, it would not be difficult or expensive to have the boundaries of acreage property drawn in with approximate accuracy, and such maps would serve until the district became more thickly settled.

As the preparation of such maps involves considerable detail and various districts present different problems, we recommend that outside of cities and boroughs, the requirement of maps and the exact plan of preparation should be left to the decision of the State Board of Equalization, which can gradually extend the work until the entire State is mapped.

By establishing the office of County Assessor, there will be a headquarters at which all tax maps (except those of cities which maintain an adequate office) can be kept and can be corrected from time to time, so that there will always be an official map in a safe place from which blue prints can be furnished from time to time for local assessment work. The County Assessor can also supervise the preparation of the outline tax maps suggested above for the rural districts which will not need a surveyed map.

10. APPEALS SHOULD BE HEARD BEFORE TAX RATE IS FIXED.

Under the present system the assessment lists are added up and the tax rate struck (according to the proportion which the bud-

gets bear to the assessments) before any appeals are heard. The first notice which the taxpayer receives of his assessment is when he gets a bill from the collector giving both the assessment and the amount of tax levied against his property.

Then if he appeals and is granted a reduction, the tax district loses that much revenue for the ensuing year. There is a tendency therefore not to grant too many appeals on account of the disorganization of local finances that would result.

The tax lists should be made up earlier than now, perhaps July 1st, and a notice of his assessment should then be sent to each taxpayer; the books should also be opened for inspection and public notice given. Appeals should be heard by the County Board during September and October, and the final total assessment for a district should not be determined until after the appeals have been settled. The tax rate could then be fixed and the bills sent out some time in November or December. While there would not be time to have appeals which were taken to the State Board settled before the tax rate was fixed, these appeals are a small proportion of the total number, and the change suggested would remove much of the present difficulty. The practice suggested is followed in many other States.

This change would avoid also a present injustice. Appeals are now often left undecided until after penalties for non-payment accrue, thus putting an additional expense on the appellant.

II. APPEALS SHOULD BE SIMPLIFIED.

The process of appealing from an assessment should be made just as simple and as free from technicalities as possible. It is now the practice for county boards to require a petition for reduction to be filed in advance of the hearing, and to require the petitioner to make affidavit thereto.

There are many worthy citizens who own property and pay taxes thereon, but who are not familiar with technical formalities, and the requirement that they file a petition in advance causes them to hesitate to make their complaints known.

The law generally assumes every person to be innocent until he is proven guilty, and it should be presumed that any property owner who takes the trouble to apply for a reduction honestly believes that he has a grievance. He should not be required to make affidavit, nor should he be required to furnish irrelevant information as a necessary preliminary to consideration of his complaint.

The County Tax Board should be required to set days for hearing appeals from property owners of the various taxing districts, going as far as practicable into each district, or at least to some convenient place adjacent thereto; and at such hearings, which the local assessor should be required to attend, the board should hear any complainant and dispose summarily of his grievance. This would not preclude anyone from presenting a statement of his grievance in advance, if he so desired, in order that he might receive personal notice of the date when the hearing would be held. And it would satisfy persons who now feel that they are denied a proper hearing.

The present methods often put the property owner to unnecessary trouble and expense, out of proportion to the tax saved, even if his appeal succeeds. It should be remembered that an unjust valuation is due to an error of the assessing officials and is not the fault of the property owner but rather his misfortune. Therefore he should be inconvenienced as little as possible in his effort to secure justice.

The procedure on appeals to the State Board of Equalization should also be changed so as to do away with the present requirement that the appellant must serve a notice upon the local officials. Sometimes in the rural districts it is not easy to find these officials, as they usually do not have an office and must be found at their homes. The notice should be served upon the locality by the State Board or by the County Board.

12. TAXES SHOULD BE COLLECTED IN ADVANCE OF EXPENDITURES.

Very few districts collect their taxes in advance. Most of them are doing business on borrowed money, and when the

taxes come in December 20th the entire amount is used to take up outstanding obligations, and the tax district immediately begins to borrow again for the subsequent year.

We believe that it is a sounder public policy to collect taxes in advance of expenditures, and that all tax districts which do not now do this should be required to fund all outstanding obligations (as of January 1st). Money for this purpose should be borrowed at a cheaper rate than is now being paid upon current notes. Then the taxes collected would be available for future expenditures. By a reduction in penalty to the legal rate of interest, there would not be such a pressure to pay taxes immediately, but if more should come in than required for current needs, the money could be deposited at interest.

In any event, it seems desirable to change the present collection date from December 20th to a few weeks later; perhaps to January 20th. The present date is the cause of much complaint both because it is an inconvenient time of year for merchants and others dependent upon Christmas trade, and also because people who withdraw money from bank to pay the tax lose three months' interest, whereas if the payment were after January 1st they would get the interest.

13. SEMI-ANNUAL TAX PAYMENTS.

By changing the present method so that taxes would be collected in advance of expenditures, it would be practical and convenient to make the payment semi-annual, as the tax district would not need all of the money at the beginning of the year. Such a semi-annual payment would be a considerable relief to many small property owners who sometimes find it exceedingly inconvenient to pay a whole year's taxes at one time. This plan is used in some other States and has recently been adopted by the City of New York.

14. BANKS AND TRUST COMPANIES TO BE TAXED AT A UNIFORM RATE WITHOUT DEDUCTIONS FOR EXEMPT SECURITIES.

Under the present law for assessment of bank stock, this class of property is continually shrinking in taxable value. The revenue therefrom has greatly decreased, and from present indications will soon reach the vanishing point.

Up to the year 1905 bank shares were assessed at full value, and the only deduction allowed was for the assessed value of real estate owned by the bank. Trust companies, however, were allowed to deduct (in addition to real estate) the value of mortgages and other securities held by them, thus reducing materially the taxable value of their capital as compared with bank shares of similar actual value.

With the growth of trust companies and consequent increase in competition the banks naturally complained and requested a change in the law. But instead of amending the taxation of trust companies to bring them on a parity with the banks, the "Buck act" (Ch. 234, Laws 1905) was passed, giving banks the same right as trust companies to deduct the value of exempt securities from the full value of shares.

As a result the banks are now investing their capital and surplus, to a large extent, in exempt securities, and the assessed value of bank shares in all taxing districts is only a small fraction of the banking capital of the State.

The following table, prepared by the Newark Tax Board, shows the relation of assessed to full value of bank shares in that city, and is typical of the condition throughout the State:

	1911.		1912.	
	Market Value.	Assessed Value	Market Value.	Assessed Value.
Broad and Market National,	\$150	\$59 18	\$150	\$11 64
Essex County National (half shares),	150	50 00	150	49 67
Manufacturers' National,	250	Nothing	270	Nothing
Merchants' National,	255	44 14	255	22 36
National Newark Bank Co. (half shares),	195	116 80	192½	95 45
National State (half shares),	110	45 41	112½	15 23
North Ward National,	390	50 66	390	Nothing
Union National,	400	207 55	385	171 65
American National,	119	Nothing	125	Nothing

The above list shows that, out of nine banks, the shares of three pay no tax at all, although all are worth more than par, and the average assessed value for the nine banks is less than 15 per cent. of the market value.

The assessment of trust companies seems to be generally about the same ratio to actual value of their capital and surplus as in the case of banks, although the tax is collected with more certainty, being paid by the company.

For small as the bank share assessments are, even this sum is not all taxed. Bank shares are taxable in the district where the owner resides, but the banks are under no compulsion to furnish the names of shareholders to the assessors of districts outside the district where the bank is located. Consequently the assessor of another district has no means of ascertaining the owners of bank shares except by such inquiry as he makes to find other intangible personal property.

Banks are established primarily for the purpose of receiving deposits and discounting paper. The argument that they should be treated exactly like an individual citizen is fallacious. They are not investing institutions and cannot properly be compared with the individual citizen who buys an exempt mortgage or bond for investment purposes at a low rate of interest. The bank is dealing in money in substantially the same manner that the merchant deals in goods. The banking business should pay a fair return for the privileges enjoyed, especially as in practice the money of depositors in which banks deal is seldom assessed.

We believe a plan of taxing banks and trust companies substantially the same as that employed in Pennsylvania, New York, and several other States, will be fair to these institutions, and provide a reasonable revenue considerably in excess of the amount now derived.

We suggest that the shares of banks be assessed by ascertaining and adding together the capital, surplus and undivided profits, and deducting therefrom only the assessed value of real estate owned by the bank, the balance (to be divided according to the number of shares as now) to be taxed at the fixed rate of one per cent., uniform throughout the State. This would place all banks on a parity and impose the same rate on banking capital

without regard to the residence of the shareholder. The total tax paid by the shares of the banks in the list given above would be about three times the present taxes, though the rate of one per cent. is not at all excessive.

We believe also that the simplest method of collecting this tax is to have the bank collect it from the shareholder (as in New York), and that one-half the revenue should go to the district where the bank is located and one-half to the county. Districts that would lose by having the shares of residents exempt from the local tax would be compensated by the revenue that would go to the county and reduce the county tax rate. The general result of the change proposed would bring in much more to the public treasury.

Besides, it must be remembered that if the assessed value of bank shares continues to decrease as it has done for the past few years, and is likely to do unless the present law is changed, there soon will be no tax at all collected from this class of property.

Trust companies should be assessed and taxed on the same basis as proposed for bank shares, both as a matter of fairness and to comply with the federal statutes.

15. HOUSEHOLD FURNITURE AND PERSONAL EFFECTS IN USE SHOULD BE EXEMPT.

Household furniture is extremely difficult to value and to assess. It is a well-known fact that ordinary household goods bring very much less at a sale than their cost. It is practically out of the question for the assessor to obtain an inventory of all the items that make up household possessions. There are hundreds of articles, large and small, in an ordinary home. Nor could he form any accurate estimate of value should he make a personal inspection. Equally impracticable is it for him to value clothing and similar personal effects, although a strict interpretation of the law requires a tax to be paid on every item of wearing apparel.

There is, however, no authority in law to warrant the assessor entering a dwelling to inspect its contents, nor do we

assume that the people of the State would submit to a statute which would authorize a taxing official to enter their homes, visit every room and make a detailed investigation and inventory of their possessions. The right to be secure against searches and invasion of the home has been dearly won and is justly prized. We do not believe the citizens of New Jersey would care to surrender this liberty merely to add a few items of furniture to the tax list. Yet in the absence of authority to make an inspection the assessor can only guess at the contents of a home. But even if such authority were granted the results would be about the same as now. The assessor could make a fair estimate of the value of ordinary furniture, but the fine pictures and oriental rugs would be entirely beyond his experience.

The requirements of modern civilization demand that every self-respecting citizen shall provide furniture and clothing suitable for himself and his family. Such belongings are really more in the nature of a burden than an asset, being entirely unproductive property and requiring a continual expenditure (either in rent, or in purchase money and taxes) in order to have a place in which to keep them. In fact nearly every householder has some possessions—heirlooms or presents—that merely cumber up valuable space and of which the owners would gladly be relieved but lack the necessary moral courage.

Under the present method of assessment, the small householder who is assessed for \$200 or \$300 is certainly paying upon a higher proportion of the value of his furniture than the wealthy resident who is put down for a nominal valuation of a few thousand dollars.

Valuable furniture is kept in valuable houses in valuable residential sections, and the slight addition to the tax rate which would result from exempting all household furniture, would make no appreciable difference in the existing distribution of tax burdens. In fact, the change would help to relieve present inequality. To illustrate: Most of the household furniture assessment is paid by real estate owners. A \$200 assessment on furniture in a \$2,000 house is equal to an additional ten per cent. on the realty. A thousand dollar assessment on furniture

in a \$20,000 house is only 5 per cent. added to the realty. To exempt the contents of both houses would add less than 6 per cent. to the rate; the small home would pay a smaller total, and the increase on the mansion would be negligible.

Pennsylvania does not tax household goods and personal effects at all, and people who move across the Delaware into this State complain when they get a tax bill, being used to having all their taxes included in their rent, or in their real estate tax. In the northern counties, there is the same complaint from those who have moved over from New York, where the law gives an exemption of \$1,000 and in practice the majority of residents are not assessed at all.

One large manufacturer has stated that this personal tax was quite an element in deciding his skilled workmen to return to New York. Real estate men find it an element in deciding people to move back to New York or Philadelphia from the commuting area. As a matter of policy, as well as equity, the tax on household goods should be repealed.

16. POLL TAX SHOULD BE ABOLISHED.

We recommend that the poll tax be abolished, because it is unequally administered, and because it would bear unfairly as a tax even if it were administered equally.

Section one of the Tax Act provides that "a poll tax of one dollar shall be assessed upon every male inhabitant of this State of the age of twenty-one years and upward except paupers, idiots and insane persons". Certain other persons are exempted from such tax by reason of military service, membership in fire companies, etc. This law has become practically a dead letter in many portions of the State. In many districts the poll tax is only imposed upon and collected from real estate owners. In many other taxing districts no effort is made to collect this tax, although Section 43 authorizes the collector to levy upon the goods and chattels of a delinquent who neglects to pay his poll tax, and in case no goods or chattels can be found

to take the body of the delinquent, and unless the tax is at once paid with costs to deliver the same to the sheriff or jailer of the county, to be kept in close and safe custody until payment be made on the amount due on said taxes with costs.

This drastic remedy is seldom resorted to. But occasionally a poor man is put in jail for non-payment of the tax and penalties. Such sentence amounts to life imprisonment, unless charitable persons come to the rescue, for the delinquent can never earn anything while in jail, and yet he must stay there until the tax is paid, and the penalties grow larger every day.

There seems to be a general impression throughout the State that the poll tax is a voting tax, although this is not the case. Even the assessors in a number of districts report that they only assess the poll tax upon those registered as voters. The confusion possibly arises from the use of the word "poll", and from the fact that in Pennsylvania the poll tax is a voting tax.

In New Jersey the poll tax is a tax on the "poll" or head, and is imposed upon all males above the age of 21 (with exceptions above noted), whether or not they are voters or citizens.

Head taxes, or capitation taxes, are deservedly unpopular since they fall upon every person alike, without regard to his financial status. They were the earliest form of tribute levied upon conquered peoples, and they have been resented in all countries and at all times.

In England the poll tax was tried and found wanting. McDowell in his "History of Taxes and Taxation" says: "Unfair and unpopular, it eventually was dropped as unsuited to England. The poll tax of 1698 was the last, and henceforth this form of tax passed, together with the hearth money, into the list of taxes tried and never again to be imposed in England."

In Maryland, poll taxes have always been prohibited by the constitution as being "grievous and oppressive". They were prohibited in Oregon in 1910 by a constitutional amendment; and while most of this amendment was repealed in 1912, the prohibition of a poll tax was retained. Ohio, in September, 1912, adopted a constitutional amendment prohibiting poll taxes, and in a number of States, while not prohibited by the constitution, they have never been imposed by the Legislature.

The persistence of the poll tax is due perhaps to the idea that every man should contribute something to the government, and the feeling that the poll tax reaches some who otherwise would not contribute. This argument overlooks the fact that everybody contributes to the government through paying rent or buying goods, for taxes are included in rents and prices.

It has been suggested that the poll tax be made a voting tax. We express no opinion as to the merits of this suggestion, but call attention to the fact that in Pennsylvania and Massachusetts the plan of making the payment of a poll tax a prerequisite for the privilege of voting has been tried with unsatisfactory results, as the tax was paid in large part by political candidates.

17. MAXIMUM TAX RATE LAW SHOULD BE MODIFIED.

There is considerable complaint that the maximum tax rate law is an undue interference with local affairs and that it hampers local finances. On the other hand, there is a demand for some check upon the expenditures that can be made by local governing bodies. It would seem that if assessments are made accurately and at full valuation, the present maximum tax rates are high enough to allow an ample margin for all usual expenditures. There may, however, be exceptional cases where a taxing district needs certain public improvements for which the people are willing to pay.

We suggest that the "Hillery law" be amended so that if any local governing body believes that larger expenditures are necessary than can be met by the legal tax rate, it may submit the question at the next general election, and if a higher rate is approved by the people, then it can lawfully be levied. This will prevent a governing body from wasting funds against the will of the people; but will allow the people to authorize such expenditures as they believe desirable.

By the change proposed in recommendation 10 (to hear and determine appeals before the tax rate is finally fixed), it will not be necessary to certify the tax rates to the collectors until some time in November. It will, therefore, not be necessary to go to

the expense of a special election, but the question of a higher rate can be determined at the regular election by printing the proposition on the ballots.

18. FURTHER CONSIDERATION OF ADMINISTRATIVE QUESTIONS DESIRABLE.

There are a number of administrative questions that were brought to the attention of the Commission, but which for lack of time we were unable to investigate. Among these are: methods of collection, a simpler and more certain plan of collecting arrears, liens for personal property taxes, exempt property, etc.

We believe that the jurisdiction of the State Board of Equalization should be extended so as to include a supervision of these various matters, and especially of ordinary annual collection of taxes. The work of assessment and taxation is not finally completed until the money levied is paid over by the taxpayer, and is at the disposal of the governing body charged with the expenditure of public moneys. The tax system continues up to that point.

There is in many cases as much confusion and uncertainty over the collection of taxes as in assessments. Property owners find it difficult, and sometimes impossible, to obtain tax bills until the arrears are reported to the county treasurer, when penalties have accrued. In very few cases is any notice given on a current tax bill of arrears, and there is no thorough and responsible plan of searching for arrears.

The collection of taxes should be systematized and simplified so that the owner or prospective buyer of any parcel of property can easily and cheaply ascertain whether there are any arrears against it.

CHAPTER V.

Revision of the Fundamental Basis of Taxation Should be Considered.

That there is widespread dissatisfaction with the present system of taxation was apparent at our public hearings. Complaint was repeatedly made that the present personal property tax was paid chiefly by the farmer and the small home owner, while the wealthy escaped with a merely nominal assessment; that the enforcement of present laws would drive manufacturing from the State; that the undervaluation of valuable business properties and tracts held for speculative purposes was placing an undue burden upon small homes; that the assessment of buildings upon full value placed a penalty upon the man who improved his property and favored the man who lets his property run down; and that the burden of taxation is constantly increasing.

The changes in administration proposed by the Commission will remedy some of the evils due to the inequalities of assessment, especially between the owners of different parcels or classes of real estate. This of itself will be a considerable advance. The average property owner is sometimes more concerned with an accurate assessment under present laws than with the possible advantage of any change in the law, for if he is assessed at full value while other owners are paying on a fifty per cent. valuation, he pays twice his just share of the property tax. And this may cost him more as an individual than he could gain in other directions by changes in the tax laws. But after the real estate assessments are placed upon an equitable basis, much more will need to be done before the burden of taxation will be justly distributed.

Property is the basis of taxation in New Jersey, and all kinds of property, except those specifically exempted by law, are required to be assessed at their selling value and to be subject to the same rate of taxation. This plan of taxation fails to distinguish between differences in property, and it fails also to

reach privilege or franchise values which are not embraced in a physical valuation of tangible property. However well it may have worked in early days it has broken down here as everywhere under modern industrial conditions. To assess and tax every kind of property, real and personal, by the same rule and at the same rate, is not an equitable method of measuring contributions to the public revenue. Such a plan leaves out of account the relative value of benefits received or privileges enjoyed from government by different kinds of property.

The gross discriminations in the assessment of personal property throughout the State are notorious. Nor is New Jersey alone in this experience. Every State tax commission that has reported during the last forty years has pointed out similar conditions in its own State, and with one or two exceptions, they have all agreed that these inequalities are inevitable so long as attempts are made to assess and tax all personal property in the same way and at full local rates. It is useless to hope for thorough and impartial personal property assessments while the present law remains unchanged. No community can be expected to commit industrial suicide voluntarily.

The New Jersey law for the taxation of tangible personal property is more severe than the laws of neighboring States. Pennsylvania does not tax such tangible personal property as the machinery or stock on hand of manufacturers, merchandise or household furniture. While New York taxes these items, all debts may be offset and household furniture is exempted up to the value of \$1,000. Household furniture is generally recognized in most States as an unproductive property and some exemption is given, whereas in New Jersey there is no legal exemption at all.

To enforce the personal property tax against manufacturers would not only place them at a disadvantage with their competitors in adjoining States, but would drive many of them out of the State. This is one reason why the assessment of manufacturing plants is so much a matter of bargain between the owners and the municipalities. In order to show a reasonable personal property assessment and yet retain the factory, the

real estate is often undervalued in order that the total tax will not be higher than in other States. This may be good business policy but it opens the door to discrimination and fraud. If the present law is too severe it should be changed. To leave the degree of enforcement to the discretion of assessing officials is to invite favoritism and inequalities. An accurate assessment of real estate of manufacturing plants on the same basis as other property, with an exemption for stocks and machinery, would probably yield as much revenue as at present, with the great advantage of simplicity and certainty.

In order to deal fairly with manufacturers in the same line of business, the practice in some tax districts is to adopt an arbitrary standard, and grade the personal property assessment according to the number of machines, or the tons of output. This is no doubt fairly equitable, but it is not a compliance with the law.

Merchants can only offset debts owing to residents and, if the law were rigidly enforced, they would have to reduce greatly their stocks of merchandise on hand bought (as much has to be bought under modern conditions) in other States. No serious attempt is made to assess merchants on the full value of their goods, or to ascertain their deposits and credits. But so long as the law remains unchanged, merchants will be liable to heavy assessments, and this suspended power of the assessors is a menace.

Bank deposits are supposed to be taxed at the full local rate even though they draw no interest. To enforce this law would mean that there would be no deposits on May 20th, and the banks would have to call in their loans. That money and credits escape almost entirely was freely admitted throughout the State.

In general, the personal property assessments are entirely arbitrary. Manufacturers and merchants are divided into classes, according to the outward indications of their business prosperity. Individuals are assessed usually according to the kind of house they live in. This method results usually in a rough justice and perhaps works out with a greater degree of fairness than more inquisitorial methods. But it is susceptible of grave abuse, and not infrequently results in great inequalities. And every business

man is in danger of an assessment which would be legal and enforceable, but be so much higher than that on his competitors as to be ruinous.

One class of personal property, however, is assessed fairly well; live stock, machinery and similar visible property on farms. Some assessors count each horse and cow, and occasionally even the chickens. The rural districts have by far the highest proportion of personal property assessments to real estate. (The figures of personal property assessments in cities are misleading as they include public service corporation property.) Most farmers own their farms, and they would not pay any more local taxes than now if their personal property was exempt and the rate on their farm was higher. But they would save the county and State school tax which they are now paying on their personal property, and which is out of all proportion to the tax paid by city personalty.

The argument is advanced, and does not seem unreasonable, that if personal property were entirely exempt, the values of real estate would be increased more than enough to compensate for the small increase in taxes; in other words, that rents and consequently values would go up because the householder or merchant would be able and willing to pay more when relieved of the annoyance and possible oppression of the personal assessment. If it is true, as claimed, that all taxes are finally shifted to, and paid by, the renter and the consumer, then the local exemption of personalty would simplify the tax problem without doing anyone an injustice.

It must be remembered that much "personal property" is not real wealth but only a certificate of ownership, and when the property itself is taxed, to put another tax on the certificate is really double taxation.

If public opinion is not ready to support the entire exemption of tangible personal property from local taxation, consideration should be given to specific taxes such as have been adopted in other States for various classes of personal property; to taxes on earnings or gross receipts, and to the business taxes which are used in Canada as a substitute for personal property taxation. These latter substitutes have the great advantage of falling with

certainty, without opportunity for evasion, and they can be applied by mathematical rules that leave no discretion to the assessing officer. The Ontario tax according to value of premises occupied, the tax in the Northwestern provinces on square feet occupied (both graded according to the kind of business), or the tax on rental paid, are all superior to the haphazard personal property assessment of business enterprises.

The inequalities in real estate taxation are not so glaring as in the case of personal property, and much may be done to correct them by proper assessment methods. Yet even here the present law and constitutional requirements are susceptible of improvement. For the strict enforcement of existing law would tend to increase the burden upon well improved property as compared with poorly improved property. Two business buildings may produce exactly the same income and one may be a handsome structure, which is an ornament to the neighborhood, and which will be assessed, because of its extra cost, at a much higher valuation than the other building that may be unattractive and even dilapidated.

Much of the present undervaluation that so frequently results in grave inequalities has its origin in the feeling that some "leeway" should be allowed the property owner. Unfortunately, the usual result of allowing everyone leeway according to the discretion of the assessor, is that the greatest allowance is made to those least in need of it.

Complaints are heard that the expenditure of a few dollars for paint, or keeping a lawn in attractive condition, result in a substantial increase in the assessment. A strict interpretation of the law requires perhaps that the assessor take note of every improvement in a dwelling—bay window, porch, a new coat of paint, and even the installation of a bath tub. But often he is misled, by a superficial view, into a large overestimate of the value really added by these embellishments.

The adoption of standards or units of valuation per square foot for buildings of different classes, as has been done in the city of New York, will, to some extent, overcome the tendency to put a penalty on paint and well-kept lawns. But there will still

remain considerable discrimination between various classes of property. The suggestion has been made that income would be a fairer basis of assessment for buildings than construction cost. This idea is worth consideration.

The assessment of public utility corporations on the basis of the value of tangible property has the same unfortunate results as the present assessment of buildings. The corporation which improves its property, erects costly ornamental poles instead of ugly ones, beautifies its stations or cars, will pay a higher tax than a similar corporation enjoying equal privileges and perhaps a larger income which does not put any more into its property than it can help.

On the other hand, the mere physical valuation furnishes no measure at all of the worth of the privileges which the corporation enjoys. Two companies may expend exactly the same amount on equipment but, if one can serve a larger population than the other, it will earn more through its right to use the highways in that locality, and, consequently, it should pay more. The franchise tax on gross earnings is an attempt to reach this intangible value, but it does not fall equally and the amount of revenue seems to be small in comparison to the privileges enjoyed. The assessment of these corporations on every item of their tangible property involves an enormous amount of detail, troublesome and expensive to the taxing authorities and to the corporations, and never really satisfactory. Several States have adopted plans of valuing or taxing such corporations as "going concerns"; by taking as a basis the value of stocks and bonds, or capitalizing their earnings to arrive at an assessment; or taxing the earnings directly. These methods and the results in revenue ought to be investigated and compared with the system in this State.

Consideration should be given to an inheritance tax on direct heirs, with liberal exemptions for small bequests, and with the rates increasing on larger bequests, both on direct and collateral. New Jersey is receiving a small revenue from inheritance taxes in comparison with many other States, and this important source of revenue should no longer be overlooked. The present inher-

ance tax law should be modified, however, to avoid double taxation, as recently has been done in New York and Massachusetts.

Whatever the arguments that may be advanced in favor of an income tax, it is clear from the experience of other States, and particularly in view of the geographical location of New Jersey, that a general State income tax would be hard to enforce here. People of means could readily transfer their nominal residence to New York or Pennsylvania. Nevertheless, an income basis could be used for assessing certain classes of property that would work more equitably than present methods, and a general income tax could hardly be evaded more than the present personal tax while it would fall much more equitably. However, it will probably not be long until the Federal government imposes an income tax, and intangible personal property will in this way be contributing to the treasury of the nation.

A revision of the inheritance tax law would add materially to the State revenue. The tax on banks and trust companies suggested in this report will increase the local revenues from this source.

A thorough revision of the corporation taxes, and the valuation of franchises of other public utilities in the same way that railroad franchises are valued, would add considerably to the public revenue, State or local. And a little research might discover various other privileges of an intangible kind bringing large incomes to their owners and contributing little or nothing to the public treasury.

These changes would probably more than offset any loss due to an exemption of personal property from local assessment. But if they did not, some fair business tax could be devised to replace the personal property tax. It would then be possible, if deemed advisable, to give some relief to improvements either by subjecting them to a specific tax at a uniform rate or, as in some Canadian provinces, by assessing buildings at fifty per cent. of their full value. An accurate assessment of valuable lands and city lots and especially of tracts held for speculative purposes, would bring in a large additional revenue from property receiving all the benefits of local expenditures and now contributing less than its fair share.

And this, together with an adequate assessment of public utility property, would bring considerable relief to the farmer and small home owner. These classes suffer the most, however, from the present methods of taxing personal property and improvements, and would consequently benefit the most by a thorough revision of the laws relating to those two classes of property.

The various suggestions made in this chapter are in accordance with modern thought on this subject and we feel that they will in general, if not in each detail, meet with the approval of all who give proper consideration to this question. We believe it is only a matter of time until changes along the lines above indicated will be adopted, and that the sooner steps in that direction are taken the better it will be for the prosperity of the State and of its citizens.

However, pending a revision of the basis of taxation, we believe that the improvements we suggest in the present system will do much towards removing inequalities in tax burdens. The establishment of good methods of assessment properly administered will clear the way for further advances. Under the present chaos it is almost impossible to know the precise effect of existing laws. With improved administration we will see exactly both merits and defects of the present system.

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SUPPLEMENTAL REPORT ON ASSESSMENT OF RAILROAD AND OTHER PUBLIC UTILITY PROPERTY.

The legislative policy which has long prevailed in this State, of subjecting railroad and canal property to one scheme of taxation, and property not so used to another scheme of taxation, seems to me to be a wise one, which should not be departed from except for reasons of the strongest and most conclusive character. Soon after the Railroad Tax Act of 1884 was passed, the Court of Errors and Appeals, in upholding the constitutionality of that statute, declared that railroad property is peculiar property, which cannot in justice to the owner be valued in the same way as other property of a like nature, and the Court held that the Legislature was bound to provide a proper method of valuing it justly, for the purposes of taxation. "Such method must be a peculiar one. The machinery provided for the purposes by the act—a State Board of Assessors—is appropriate and such as is necessary, in view of the peculiar character of the property."

The method devised by the Legislature for dealing with this class of property, as modified and improved from time to time, has worked well in practice and has the inestimable advantage of judicial sanction. Either to reverse this well-established legislative policy or to provide different machinery from that now in use for carrying the policy into effect, would seem to me to be an experiment not warranted by existing conditions.

I am, however, strongly of the opinion that the assessments of railroad property should be subject to review by the Board of Equalization. The Tax Commission of 1904, which made an able and exhaustive investigation of railroad taxation, recommended that a reviewing tribunal be created with jurisdiction over all kinds of property, real and personal and corporate. In the act creating the Board of Equalization provision was apparently made to carry out this recommendation. Section 5 of that act provides that where complaint shall be made to said Board on or before the first day of April, following the assessment of property of any kind, whether belonging to individuals, corporations, railroads or canals, said Board shall have power to

review and correct the action of the local assessors or other taxing officers, and of all Boards of Tax Review, by reducing or increasing such assessments. The Supreme Court held, however, that this section did not give jurisdiction to the Board of Equalization to review the action of the State Board of Assessors respecting the taxation of franchises and property used for railroad and canal purposes. This decision was affirmed in the Court of Errors.

This power of review should be lodged by plain and unmistakable language in the Board of Equalization.

I would have the State Board of Assessors assess public utility property with the aid of data furnished by the Public Utilities Commission and the valuations certified to the local assessor. Such assessments should be reviewable by the Board of Equalization.

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