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ARTICLE IX.

THE TAXATION PROBLEM IN CHICAGO.

BY EDWARD W. BEMIS.

THE writer once heard President Andrews, of Brown University, remark, that of all the reforms tending to increase the beneficial influence of government, the most important would be that of taxation. Whatever may be thought of our methods of raising national revenues, all are agreed that local taxation, by which is meant taxation by states, counties, cities, townships, etc., is in a perfect chaos. Light seems to be breaking, to some extent, in Pennsylvania, and among those who have made a study of the writings of Professors Ely and Seligman on the subject. Nearly all of our States, however, still adhere to the system which worked very well in the early part of the century, but under the changed conditions of the present is rapidly breaking down. In accordance with this system, which once, also, largely prevailed in Europe, nearly all local taxation is raised by a supposedly equal rate of tax on all property, whether land, buildings, horses, cattle, etc., which can be seen by every one, or on stocks, bonds, notes, money, furniture and goods, which can easily be concealed, or whose value it is difficult to estimate. With the growth of wealth, the importance of these latter forms of personal property increases. The opportunity for evasion of taxes, and consequently for an enormous inequality of public burdens between individuals and various social classes, rapidly increases. Cities, possessing a larger proportion of intangible property than the country districts,

escape their proportion of state taxation. Likewise the wealthy conceal a larger proportion of their possessions than do the middle classes. The poor may pay no taxes directly; but, through increased rents and other expenses of living, they too are unequally burdened.

If to this common evil of American local taxation there is added almost equal inequality in the assessment of real estate, as is conspicuously true in Illinois, universal demoralization prevails. Ideas of justice and fair play are obscured, and business men of ordinary and even extraordinary character vie with one another in so corrupting the assessor as to secure ridiculously low and unequal valuations.

When the various townships now forming Chicago were united to it, they retained their local assessors; so that there are now over half a dozen different taxation districts which assess property independently of each other. The assessment must be made in May and June, which is too short a time for any careful study of valuations. To be an assessor for two years establishes one's financial credit ever afterward. The assessor's subordinates in the different sections of the city are appointed under the spoils system. There is no permanent board of review, and very little time is given to the county commissioners to readjust values. Under this system it is quite common for an assessor to be bribed directly to make an unjustly low assessment, or for him to make an unduly high assessment, in order to reduce it for a consideration. Even more common is it for a cheap grade of lawyers and hangers-on of the assessors' offices to approach a heavy taxpayer, and offer to get the assessment reduced, in return for a certain percentage of the taxes thereby saved to the individual.

During the present summer, Mr. Z. Swift Holbrook, of the BIBLIOTHECA SACRA, has organized the Taxpayers' Defense League, in order to bring an organized and legitimate

pressure upon assessing bodies, so as to reduce those assessments that were higher than the average. That the public, however, might not be deprived of any revenue, the League attempts to ascertain many properties that are assessed too low, and get their assessment raised, either through appealing to their fear of public condemnation, if too low assessments are published, or through giving information privately to the county commissioners, which would induce them to investigate the justice of a higher assessment upon practically exempt property. It should be here explained that the competition of each district of the State and city to keep down its proportion of State taxes has led to a continued reduction in the ratio of assessment to true value, until to-day real estate is assessed in the heart of Chicago for only about one-tenth of its market value.

In order to secure the necessary public revenue, the rate of taxation has been raised, from time to time, until the aggregate of the taxes for all local purposes amounts to about ten per cent of the assessed value in the business districts of Chicago, and about one per cent of the true value.

Although the law requires the assessment to be at the "fair cash value," there are no penalties for violation, and every one is under enormous temptation to avoid a truthful return of his property, lest the taxes be more than the income which could be obtained from it.

A man, to be sure, may make a truthful return of his property, and still insist upon its assessment at even one-tenth of its value, if he can show that surrounding properties are assessed on about the same basis, but it takes so much money to fight such a contention through the courts, that unless aided by a strong organization such as Mr. Holbrook has created, few have hitherto cared to undertake it.

A few instances given freely at random from the material in Mr. Holbrook's office, on condition that no names would be used, will furnish some remarkable evidences of the iniquitous and demoralizing results of an unreformed tax system.

The following shows the assessments upon the Chicago banks as compiled by the League from data in its possession:—

NAME.	CAPITAL.	SURPLUS & PROFITS.	TAXED.	PER CT.
First.....	\$3,000,000	\$2,152,274	\$770,400	14.9
Fort Dearborn.....	500,000	106,528	87,900	14.5
America.....	1,000,000	231,359	175,000	14.2
Northwestern.....	1,000,000	518,073	215,000	14.1
Republic.....	1,000,000	128,254	160,000	14.1
Commercial.....	1,000,000	1,155,957	300,000	13.9
Hide and Leather...	300,000	74,701	50,000	13.3
Union.....	2,000,000	235,204	270,000	12.0
Corn Exchange.....	1,000,000	1,144,095	145,000	12.7
Continental.....	2,000,000	485,047	300,000	12.0
Globe.....	1,000,000	78,528	130,000	12.0
Chicago.....	500,000	600,688	130,000	11.8
Merchants'.....	1,000,000	1,604,882	300,000	11.5
Bankers'.....	1,000,000	124,407	120,000	10.6
Home.....	250,000	185,273	40,500	10.7
Metropolitan.....	2,000,000	1,106,450	325,000	10.4
Royal.....	500,000	176,870	67,700	10.0
Illinois Trust & Sav- ings.....	2,000,000	2,581,353	458,000	10.0
State Bank of Chica- go.....	500,000	246,495	60,000	9.5
American Exchange	1,000,000	236,760	115,000	9.3
Drovers'.....	250,000	137,661	31,248	8.3
Western State Bank.	300,000	5,037	10,000	8.3
Chicago City.....	200,000	43,341	6,000	8.1
Live Stock.....	750,000	1,083,602	150,000	8.0
Bank of Commerce..	500,000	38,828	40,000	7.4
Northern Trust Co..	1,000,000	682,257	120,000	7.1
American Trust....	1,000,000	102,660	75,000	6.8
Garden City.....	500,000	94,957	40,000	6.7
Commercial Loan & Trust.....	500,000	101,314	40,000	6.6
Merchants Loan & Trust.....	2,000,000	1,439,667	200,000	5.8
Hibernian.....	222,000	346,944	30,000	5.3
First (Englewood)..	100,000	14,630	5,000	4.3
International.....	500,000	254,928	30,000	4.0
Lincoln.....	200,000	13,825	8,000	3.7
Foreman Bros.' Bank- ing Co.....	500,000	522,012	35,000	3.4
Union Trust Co....	500,000	982,431	50,000	3.4

NAME.	CAPITAL.	SURPLUS & PROFITS.	TAXED.	PER CT.
Milwaukee Avenue State.....	250,000	103,781	10,000	2.8
Homestead Loan & Trust.....	447,000	48,647	Not assessed	....
Prairie State Bank..	200,000	63,771	25,000	9.5
Bank of Nova Scotia .....	.....	.....	40,000	.....
West Side Bank....	50,000	2,763	Not assessed	....
Bank of Montreal..	.....	.....	200,000	....

A jewelry firm rated by Bradstreets at over half a million dollars, is assessed for \$12,500. A famous trust rated at over a million dollars is not assessed at all on its personal property, while one of the greatest corporations in the world is assessed at only \$60,000. A gentleman rated by Bradstreets at over half a million dollars, and who has a library worth \$40,000, and horses, carriages, and furniture worth over \$20,000, besides a private yacht and other evidences of wealth, is assessed at \$200, while a poor woman comes with tears in her eyes to the Taxpayers' Defense League, and says that, though hardly able to have any carpets upon her floors, her assessment had been raised from \$200 to \$1000. Would it be much wonder if she became an anarchist?

One of the largest makers of sweat-shop clothing in the country, though rated at over a million dollars, is not assessed on a single cent of personal property. One of the largest manufacturers of billiard goods and office furniture, with a capital stock of \$1,500,000 besides a surplus, is assessed only \$3000 on personal property at the store, and \$2500 on property at the factory. A famous dock company is not reached at all by the assessor. In all this, be it remembered that reference is made only to personal property; but this, in the case of most large corporations, or wealthy men, must include fully half of the property. Government bonds, to be sure, are exempt, except in the case of national banks, where the bonds secure the circulation, and a man may deduct from his accounts and bills receivable any accounts and bills payable, but there remains the

large excess of credits over debts, together with many bank deposits, goods in stock, bonds other than Government, furniture, jewelry, horses, carriages, etc. Yet we have a great Chicago corporation which early in August went into a great trust on a capitalization of \$6,500,000, but which has been assessed this year on personal property at only \$80,000. In view of the high rate of tax and the average assessment on other business property, it may be assumed that the property should now be assessed at much over one-tenth of its value, but here we have properties assessed at less than one-thirtieth of their value, and some, indeed, not assessed at all. Mr. Holbrook has discovered, for example, that one of the largest wheat-brokers of the country, rated by Bradstreets as worth millions of dollars, is assessed at his office for \$2500, and nothing on personal property at his home. The assessor, for some reason best known to himself, likewise failed to find a dollar of personal property in the possession of one of the largest packing-houses in the world, while one of the mammoth harvesting companies, known to every one, escapes with \$47,100. One of the largest grocery firms on the continent was assessed this year for \$50,000, while another no larger was assessed for \$750,000. Agents from the assessor's office agreed to reduce it to about \$50,000 if they could have a \$5000 commission. The firm refused to bribe, and all their efforts in a legitimate way could bring the assessment down only to \$95,000, or twice the assessment of the rival firm. Another dealer in the same line, rated at over \$1,000,000, was assessed at \$10,000; a very wealthy banker and coal merchant, who is able to spend \$13,000 for a rare Bible, and thousands of dollars for art, is assessed at his office at \$400 of personal property, while the assessor finds nothing whatever at his home.

Mr. Holbrook is filing a petition to the county commissioners as this is written, stating that when the president

of one of the largest gas companies died recently, over \$2,000,000 of personal property passed through the Probate Court, but the assessor was able to find the magnificent sum of \$750; while the son who inherits the bulk of the property is thought by the present assessor to be worth assessing for \$500, and so appears on the list, although his stable and horses alone are worth over \$25,000.

One of the largest and most profitable of the department stores, making fully \$1,000,000 a year of profit, and carrying probably \$2,000,000 of stock, is assessed at \$45,000. Another equally large department store is assessed for \$48,000, and a third for \$25,000, although this third store is rated at over \$500,000.

It has already been noticed how considerate the assessor has been persuaded to be towards our great trusts. Another evidence may be mentioned, that of one of the wealthiest oil trusts—apart from the Standard. The company in question does not appear in the books of the assessor at all—whether it was because the latter himself struck oil, or not, is not in evidence.

A certain banker, rated by Bradstreets among the millionaires, is assessed at \$1200, or less than one per cent of his personal property; while a poor woman, Mrs. McGuire, is assessed on her real estate at twenty-three per cent of its value. The question naturally arises, How long will there be any respect for government or law if these things are allowed to continue?

A fruit house, worth over a million dollars, the largest of its kind in the city, is assessed on its personal property at only \$500, while a man too busy and poor to leave his work in order to make complaint, was assessed on his cottage at \$700, as his wife, in deepest distress, told the League already described. One of the most famous makers of bicycles in the country is assessed at \$3000, and another, not so famous, is assessed at five times as much. A large

brewing company, rated at over a half million dollars, is assessed at only \$1500, while a candy manufacturer, well known throughout the land, is assessed for \$400. A millionaire corporation of brokers, known wherever bonds are bought and sold, was not discovered by the assessor at all, although the year before, this public official had found no difficulty in finding them in their elegant offices. When this firm was informed by the League that its personal property was not assessed, they first denied and then defended this oversight; but, rather than allow an investigation, authorized Mr. Holbrook to convey to the proper authorities their willingness to be assessed for \$25,000.

As one runs over the list of this assessed and personal property, attention is drawn to fully a dozen other cases of complete oversight, by the assessor, in the case of persons and corporations rated at from \$400,000 upward. Here is, for example, a large firm handling leaf tobacco, another dealing in stocks, grains, and provisions, another a large manufacturer of sausages, a famous banking firm, a well-known manufacturer of flour, another large banking firm, an important maker of clothing, a large maker of electric supplies, and a large private banker,—all of whom are found by the assessor to be so very poor that he is unable to discover a cent of personal property in their possession.

Here, too, is a great coal dealer, rated at over \$400,000, in whose possession the assessor finds only \$250. A prominent hotel, whose bar fixtures alone cost over \$35,000, is assessed at only \$1200. The largest iron jobbers in the city, rated at over \$1,000,000, have had such a hypnotic influence on the assessor (their iron, perhaps, having entered his soul) that he can discover only \$200 of their personal property. A large dealer in furniture and other household supplies, rated at over \$500,000, is assessed at \$8000, while a manufacturer and dealer in school supplies, whose manager lately told of \$40,000 of bills receivable, to say noth-

ing of other personal property, and who is rated at over \$500,000, gets off with an assessment of \$1600. An enormous publishing company, rated at over \$1,000,000, has been still more persuasive with the assessor, so that only \$150 of personal property was discovered, and a dealer in drugs, rated at between \$500,000 and \$1,000,000, is assessed at ten times as much, or \$1500, although that is not one-half of one per cent of the true value of his property, and not one-twentieth of what his assessment should be, to conform to the usual rate. It is very noticeable that the names of prominent church-members and "pillars" are found in this infamous list the same as are others. Creed, evidently, does not here coin itself into conduct.

Four prominent banks, including the First National, have retained the Taxpayers' Defense League, on finding that their assessment was over fourteen per cent of their combined capital, surplus, and undivided profits, while many prominent banks were assessed below seven per cent, four being assessed under four per cent, and two others not at all. A year ago, one of the largest banks in the city mysteriously failed to appear in the assessments of personal property.

The advocates of the single tax will assert that in all this there is reason for the entire abolition of personal property taxes, which are so slightly reached in the case of the wealthy, and will point to the fact that from 1873 to 1893 the assessment of personal property in the State, as a whole, declined from \$287,292,809 to \$140,318,403, or 49.42 per cent, while the assessment on real estate declined from \$899,615,952 to \$614,239,040, or 31.72 per cent. In Cook County, which includes Chicago, the decline in assessments of real estate was from \$228,399,663 to \$210,048,322, or 8.91 per cent, while the decline in personal property was from \$55,076,340 to \$39,879,887, or 27.59 per cent, so that personal property in Cook County reached by the assessor

declined from 19.45 per cent of the total assessment in 1873, to 15.96 per cent in 1893, although it is commonly believed by good judges that personal property is fully equal in value to real estate in our large cities.

Without here attempting to review the pros and cons of the abolition of all the direct taxes upon personal property, which of course may be done without substituting therefor a single tax on land values, since buildings, income, inheritance, and licenses furnish great possibilities of revenue, it may be here noticed that even in the assessment of real estate in Illinois, as well as of personal property, there are enormous inequalities and wholesale charges of corruption.

A commission of prominent real estate experts, appointed by Mayor Swift, made a report published in the *Chicago Economist*, April 25, 1896, relative to all the real estate in the business district, bounded on the east by the Lake, on the north and west by the Chicago River, and on the south by Twelfth Street. Exclusive of railroad property and land exempt from taxation, the value of the land was found to be \$337,342,880, and the assessment 7.33 per cent of this. The value of the improvements was returned at \$101,104,300, and the assessment at 15.77 per cent of this. The average assessment on both land and buildings was 9.28 per cent of the true value, although this assessment was afterward raised by the State Board of Equalization for 1895 to 11.1 per cent of this true value.

A careful study of this report of Mayor Swift's Commission has been made in the report of the Illinois Bureau of Labor Statistics, which the new administration of Governor Tanner is very singularly holding back from publication. This analysis shows that the ratio of assessment to estimated true value, even of real estate in the business district, ranges all the way from 2.37 per cent to 20.1 per cent. The reported rate of assessment in the case of the fifty highest assessed properties of an average value of \$185,969,

was, on the average, 14.39 per cent of this, while the fifty other properties, averaging \$219,438 in estimated value, were assessed 3.68 per cent of that amount. A piece of real estate belonging to the Secretary of the Treasury, Lyman J. Gage, is assessed this year twenty-seven per cent of its real value, while the assessment of both the real estate and personal property of the gas plants and street-car companies of Chicago is less than four per cent of the market value of their securities. A man of very moderate means has to pay \$183 on four vacant lots, while on twenty-one equally valuable adjoining lots on the same street a wealthy citizen pays \$181.

The rate of assessment of 839 pieces of residence and business property, in the residence sections of Chicago, of an average value of \$10,310, was 13.09 per cent of the true value, in 1891-92-93-94, according to the report for 1894 of the Illinois Bureau of Labor Statistics, as revised by the writer subsequently, at the request of the Bureau, for its next report. This figure of 13.09 per cent, as compared with the average of the business districts of 9.34 per cent, indicates that even were individuals in the business section assessed with perfect fairness as compared with their neighbors, the assessment would still be about one-fourth less than it should be, in comparison with other parts of the city, while there is much evidence tending to prove that assessment in the rest of the State averages fully one-third of the true value of real estate.

Some efforts are being made in Chicago to secure enough of reform to have greater equality of assessment between adjoining pieces of property, but even this very moderate reform could not secure the approval of the last legislature, and the Governor has been quoted, in an interview, as opposed to any special session, so that there is no remedy in sight in that direction for nearly two years.

The State Constitution limits the debts and taxes of

state and local bodies to a certain percentage of the assessed valuation. If the law should provide effective penalties for any assessment under the cash valuation, it is feared that incompetent and corrupt legislative bodies and city councils would greatly increase both taxes and debt, and the people are too much absorbed in money-making to take the pains to secure better government. If the limitation of taxation and indebtedness were lowered to correspond with a full cash assessment of property, the country districts would be unable to carry on their departments of government, because there is so much greater difference between actual and assessed values in the country and in the city. The city thus escapes its share of state and county taxes, an evil which is hard to remedy without entirely separating the sources of state and local revenue. If the State should get all its revenue from income and inheritance and corporation taxes, leaving to local bodies real estate and licenses, there would be no object in one town assessing at a lower rate than its neighbor, unless to keep down its own indebtedness and local taxes in accordance with constitutional limitation, and in proportion to its own inability to govern itself.

Aside from the general desire of all property interests in Chicago to have low assessments, it is generally believed in the city that the majority of influential, wealthy property owners are indifferent or opposed to any reform that will eliminate their opportunity, through intimidation or corrupt control of the assessor, to secure lower rates of assessment than their poorer rivals, and thus save to themselves thousands and hundreds of thousands of dollars yearly that should go to the public. It is very common for these men to claim that intimidation and bribery of the assessor are very distasteful, but necessary in order to avoid unequal burdens as compared with their neighbors. Even the assessor himself tempts to crime, making the State thus

a partner in the vilest iniquity. For example, the head of the Chicago branch of the Bank of Montreal is quoted in the daily press as saying that a lawyer claiming to come from the assessor offered to get its assessments largely reduced in return for a \$4000 fee, and when the bank refused the offer, this go-between offered \$500 to the bank's lawyers to secure their indorsement of the proposition. When, however, the influential people of Chicago, who thus complain, and who are accustomed to secure by purchase or otherwise from legislatures and city councils nearly everything they desire, are appealed to, for the gift of money or influence to help along even the most moderate reforms in either taxation or the granting of franchises, scarcely any response is made. There is more immediate hope from such movements as the 'Taxpayers' League above referred to, which is coming in touch with a large number of unjustly treated taxpayers. This may lead to an organization and agitation sufficient to change matters somewhat, and so relieve the state, county, and city from that direct incitement to bribery and that unjust evasion of public burdens which the present system of taxation induces.

No attempt has been made here to discuss the lines of further reform that must follow. Something will be accomplished if the reader can see how outrageously bad, how naturally destructive to all respect for existing property rights and of law and order, must be the present tax system of Chicago, and in a large degree, it may be added, of almost all our large cities.



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