

RIGHT

THE TUESDAY NOVEMBER 8, 1906.

IMPROVED TAXATION SYSTEM MANAGES AN ASSESSMENT SYSTEM RECOMMENDED BY TAXATION COMMITTEE.

(Continued from Page 1)

As pointed out by Dr. Ely, widows and orphans—persons in a dependent situation—are taxed practically to the last cent, while wealthy individuals escape by paying on a comparatively small portion of their holdings. Your commission have been deeply impressed with the impracticability of equitably assessing the value of such property, but they find that it is impossible to distribute even in a changed form, so great an amount of taxation without too seriously disturbing the conditions of the other taxable factors. They recognize that upon what is termed "invisible" personal property, namely, money and securities for money, taxation must be light if imposed at all. This class of property is extremely easy to transfer and does not receive any benefit from civic services. Ordinary taxation frequently and undue taxation certainly, causes its change into other forms or its removal from the place where taxation is imposed. It has been found impossible to provide any mode of taxation by which such property would inevitably be reached and your commission could therefore only seek to find some more equitable way of assessing it than has hitherto prevailed. Stocks of merchandise are not easily concealable or removable and they undoubtedly receive benefit from the protective services of a city and it was therefore felt that they could be dealt with upon a different basis. Your commission have attempted to meet the difficulties by reducing the tax on personal property to one-half of its actual value where it consists of stocks in trade or movable machinery or personal property upon their income multiplied by five. This will obviate many hardships which have been occasioned by taxing property of this description and will yet be sufficient to prevent any undue disturbance of the conditions of taxation. Your commission believe that these changes with regard to personal property will produce greater equality among persons assessed than was possible under the old system. Instances have frequently occurred where persons carrying on the same kind of business with about the same stock were assessed for very different amounts. Under the proposed system some inequalities will probably remain, but the fact that stocks will be valued at only one-half their value while reducing the assessable amount at the same time lessens by one-half any error of the kind indicated. In the other great class of personal property the value of which is ascertained by reference to its income, it is not to be expected that any mode of assessment will reach all that should be assessed under that description. There will, however, be less temptation to conceal taxable property of this sort, while only about one-fourth of its value is taken in taxes as against nearly two-thirds which is sometimes appropriated under the present act.

In Ontario a system of assessment measured by the value of real estate occupied for business purposes has been substituted for the personal property assessment hitherto made upon persons in business. Owing to the relatively small proportion which assessed personal property bore to real estate and income Ontario was able to wholly replace the personal property tax by a business assessment. As before pointed out Saint John will be unable to do so and therefore your commission recommend a business assessment in addition to the modified tax upon personal property. This business assessment depends upon the value of the real estate occupied as an arbitrary factor by which the personal property employed in the business is calculated. This factor is chosen for much less arbitrary than would at first sight appear to be the case. It has been found in Ontario that the ratio between a given class of business and the quantity and value of the land occupied by it is fairly constant and that your commissioners have found that the returns received by them fairly approximate the conditions in Ontario. We believe that this system will be much preferable to the existing method which has resulted in a very great disparity between persons engaged in the same kind of business. It has also been found that residential assessment which is intended to replace the uncertain and unsatisfactory assessment of household furniture hitherto obtaining.

INCOME.

In dealing with income your commission have been impressed by carefully prepared statistics from the chamberlain's office, which show that after a lapse of two years from the date of an assessment, while less than two per cent of the taxes on real estate remain unpaid, less than one and one-half per cent on personal property, yet over thirty per cent of income and poll taxes remain uncollected. Nearly one-third of the default in income is represented by the taxes unpaid upon income of three hundred dollars and under.

Your commission are convinced that this state of affairs results very largely from absolute inability to pay the taxes levied. They therefore recommend that no income of three hundred dollars and under be taxed at all, and they provide a graduated scale of exemption for incomes from three hundred dollars up to nine hundred dollars, which it is felt will sufficiently relieve the tax payer of a small income without too greatly lessening the revenue to be derived from incomes as a class. The elimination from taxation of those less able to pay must result in quicker collection and greater certainty of receiving the amount of the warrant during the year for which the assessment is levied.

While recommending these substantial exemptions, your commission have been careful by a corresponding exemption of small rentals from the assessment to avoid any possibility of reimposing under a different name the taxes which are now borne by the class intended to be exempted.

REAL ESTATE.

The position of real estate will remain practically unaltered. Your commission are satisfied from the returns which they have received that a large portion of the real estate within the city is not correctly valued for assessment. Tested by the rental value, or, in other words, its income, while it is in some cases disproportionately high, yet real estate as a class is generally speaking, returned at an insufficient valuation. This, however, is due to imperfect administration and not to incorrect principle, and is a matter which can easily be remedied. The draft act contains provisions by which the assessors may ascertain the actual income of all real estate, thus enabling them to more correctly gauge its value. The provision requiring them to value separately the land and the buildings will also be of material assistance in obtaining an accurate valuation of this species of property.

ANTICIPATED RESULT.

After a careful application of the proposed system of taxation to the tabulated information obtained by your commission, they are able to say that they believe the following table expresses the results which may be expected from the working of the act:

ESTIMATE AS PER NEW PLAN.

Real estate, assessed at present valuation.....	\$14,000,000
Merchandise, stocks, at 50 per cent of value.....	2,850,000
Wholesale business, 100 per cent value of real estate.....	2,275,000
Retail business, 50 per cent value of real estate.....	1,275,000
Residential assessment, 25 per cent of real estate.....	1,900,000
Income, from personal estate and personal earnings.....	2,125,000
	\$25,825,000

\$25,825,000 at present rate, 1.50..... \$400,675

Poll taxes, 10,000 at \$2.00..... 20,000

Insurance companies..... 8,000

Public utility companies..... 12,000

\$546,675

The total taxes levied in 1905 amounted to \$547,267.71 at a rate of \$1.50. This included taxes on small incomes which are exempted and of which it is estimated about \$15,000 will be uncollectible leaving less than \$532,000 available for civic purposes. The taxes levied on the new basis of assessment should be collected with a very small margin in and the rate might therefore be reduced.

THE ACT IN DETAIL.

The second section deals with definitions which have been drawn as broadly as possible to bring the idea of the commission to make sure that the assessment will be made fairly. It should be included under some description and those things which ought not to be taxed should be excluded from the exemption clauses.

The third section simply states the basis of taxation. The present poll tax is retained and the position of Stanley Ward under present legislation is preserved.

Section 4 deals with business assessment. Special provisions with reference to telegraph, telephone companies and railways in clause (a) are designed to fix their business assessment by reference to the premises used by them for office buildings, as their real estate would include poles, wires, conduits, and other things which are not taxable stock. If business assessments were chargeable upon these items the rate of taxation would be increased and it has been found necessary to deal with street railways upon a special basis, as the rate included in section 4 relating to income. Express companies have been included in clause (a) as being assessed by the value of their real estate occupied by them and the premises occupied by them are generally so assessed in addition to the modified tax upon personal property. This business assessment depends upon the value of the real estate occupied as an arbitrary factor by which the personal property employed in the business is calculated. This factor is chosen for much less arbitrary than would at first sight appear to be the case. It has been found in Ontario that the ratio between a given class of business and the quantity and value of the land occupied by it is fairly constant and that your commissioners have found that the returns received by them fairly approximate the conditions in Ontario. We believe that this system will be much preferable to the existing method which has resulted in a very great disparity between persons engaged in the same kind of business. It has also been found that residential assessment which is intended to replace the uncertain and unsatisfactory assessment of household furniture hitherto obtaining.

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In clause (b) it has been thought desirable to include the land and the premises occupied by them are generally so assessed in addition to the modified tax upon personal property. This business assessment depends upon the value of the real estate occupied as an arbitrary factor by which the personal property employed in the business is calculated. This factor is chosen for much less arbitrary than would at first sight appear to be the case. It has been found in Ontario that the ratio between a given class of business and the quantity and value of the land occupied by it is fairly constant and that your commissioners have found that the returns received by them fairly approximate the conditions in Ontario. We believe that this system will be much preferable to the existing method which has resulted in a very great disparity between persons engaged in the same kind of business. It has also been found that residential assessment which is intended to replace the uncertain and unsatisfactory assessment of household furniture hitherto obtaining.

Sub-section (5) exempts income derived from real estate, excepting, however, "personal earnings," which is an expression which is not sufficiently defined. By this means a person carrying on business remains liable to pay taxes upon an income estimated at what it would cost to replace his services to the business. Where a business is carried on by an incorporated company salaries are paid to the managers and are assessable as income. The object of this sub-section is to place a person who carries on his own unincorporated business on the same footing as one who receives a salary from an incorporated company. Upon examination we believe this will be found to be fair and equitable.

Section 5 deals with residential assessment, which as before stated is intended to take the place of household furniture now assessed as personal property.

Section 6 deals with income, sub-section (3) provides for a fixed assessment upon the income of public service corporations who pay on their real estate as well but are not assessed for business assessment.

Section 7 preserves the present mode of assessing banks but abolishes the specific tax now imposed and doubles the rate of taxation upon loan deposits. This will produce about the same amount of revenue and will not result in quicker collection and greater certainty of receiving the amount of the warrant during the year for which the assessment is levied.

The fourth sub-section provides for a special tax upon a "banker," which is a term applied in section two, so as to include a number of persons who have not hitherto been assessed in fair proportion to those with whom they have come in competition.

Section nine preserves the present mode of assessing insurance companies but increases the amount of their contribution. These companies have been dealt with by a special tax on account of the extreme difficulty of finding a

Small Incomes to be Exempted---Personal Property Taxation to be Placed on a New Basis---Board of Revision to Take the Place of the Appeals Committee---Assessors to be Appointed, one by the Mayor, one by Common Council, and one by Council of Board of Trade.

basis by which they can be assessed in proportion to their business, which in most cases extends beyond the limits of the city and would require a separation of receipts attributable to the city business, which would be practically impossible to obtain. The section does away with the anomalous system at present existing by which one insurance company having its head office in St. John pays more taxes than all the other companies put together.

Section ten is a reproduction of the present legislation defining a resident for the purpose of taxation. To it has been added a provision for apportioning the taxation on personal property of estates where some, but not all, of the persons in whom the property is vested are residents of the city.

Section eleven is mainly a re-enactment and consolidation of the present exemption provisions with such modifications as have been rendered necessary by the change in the mode of assessment.

The existing exemption of church property has been altered so as to limit it to buildings used exclusively as places of worship and their sites with the grounds surrounding the edifice upon which no other building is erected.

Particular attention is also directed to sub-section seven, by which all machinery used for manufacturing purposes, whether fixed or movable, is absolutely exempted. It is hoped by this means to do away with the exemption of machinery which has been a source of complaint to manufacturers upon an equal basis. Public service corporations are excluded from the benefit of this exemption for obvious reasons.

In sub-section nine are to be found the provisions for exemption of small incomes.

Section twelve provides that notwithstanding such exemption a person deemed to be possessed of the franchise may be voluntarily assessed in order to obtain it.

Sections thirteen to nineteen are devoted to the business assessment, dealing mainly with the form of assessment but notwithstanding the sub-sections which are intended to be a consolidation of existing legislation.

Sections 21, 22 and 23 relate to matters of detail and are taken from the present act.

Section 24 to 31 deal with the constitution and powers of the assessors of taxes. It is proposed to change the mode of appointment of the board. We recommend that there shall be three assessors as at present, one of whom the chairman, shall be appointed by the common council, one by the mayor and a third by the council of the St. John Board of Trade. It is hoped by this means to insure the representation of all important interests. The time of appointment has been changed from January to the month of December with a view of having the organization of the board ready for the assessment year for which the assessment is to be made.

To the board so constituted is given the duty of appointing assessors, and a third by the council of the St. John Board of Trade. It is hoped by this means to insure the representation of all important interests. The time of appointment has been changed from January to the month of December with a view of having the organization of the board ready for the assessment year for which the assessment is to be made.

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Common Council and one by the council of the Board of Trade. Decisions of this body on matters of fact are to be final and on questions of law an extremely simple and speedy mode is provided for determination by the supreme court of the questions involved.

The same board is empowered by section fifty-two to exercise the charitable relief, which at present is a somewhat burdensome duty, upon the members of the Common Council.

Sections 53 to 61, both inclusive, deal with the collection of taxes. Your commission recommend that the present system of allowing discount upon taxes paid on or before a certain date shall be abolished. They have substituted a method of payment by instalments, and at a fixed date to take proceedings against all real estate in respect of which taxes or water rates are in arrears for a specified period. Instead of the present cumbersome and expensive process of a protest by short but sufficient public advertisement is substituted. The system is with very slight amendments that in use in the City of Montreal where it apparently produces excellent results. Many of the provisions of the present act are reproduced in the present law. The remaining sections deal with subjects which do not require special comment.

Respectfully submitted,

W. B. STAVERT,
T. H. ESTABROOKS.

Saint John, N. B., 6th November, 1904.

I certify that the foregoing report, by J. H. McROBBIE.

THE NEW ACT.

Following are those sections of the new act which contain changes from the old and which are not fully summarized in the foregoing report:

BUSINESS ASSESSMENT.

Section 4. Irrespective of any assessment of land under this act, every person occupying or using land in the city of Saint John for the purpose of any business mentioned or described in this section shall be assessed for a sum to be called "Business Assessment" to be computed by reference to the assessed value of the land so occupied or used by him as follows:

- (a) Every person carrying on the business of a hotel, tavern, restaurant, public house, electric light company, gas company, railway company or other than a street railway company, telegraph company, telephone company or power company for a sum equal to two hundred per cent of the said assessed value.
- (b) In the case of a telegraph or telephone company the land shall not be deemed to include poles, wires, conduits or instruments outside of the office building of such company. In the case of a railway company other than a street railway company the land shall not be deemed to include the right of way or the station houses, freight sheds or rolling stock of the same.
- (c) Every person carrying on the business of a wholesale merchant, warehouseman or of a boarding stable or a livery or the letting of vehicles or other property to hire, an insurance company, a trust company, a land company, a loan company, a bank or banker, a mercantile agency or any financial business, and every person carrying on a financial or commercial business as agent only for a sum equal to one hundred per cent of the said assessed value.
- (d) Every person practicing or carrying on business as a barrister, solicitor, notary public, conveyancer, physician, surgeon, oculist, dentist, medical electrician, osteopath, dentist, veterinarian, civil or mining consulting engineer or architect for a sum equal to one hundred per cent of the said assessed value.

Provided that where any person belonging to any class mentioned in this clause occupies or uses land partly for the purpose of his business and partly as a residence, fifty per cent of the assessed value of the land occupied or used by him shall, for the purpose of the business assessment be taken as not less than the amount of his income during the year ending on the 31st day of December then last past.

INCOME TAXES.

- (1) Subject to the exemptions provided for in sections 4 and 11 of this act, the following persons shall be assessed and taxed in respect of income:
 - (a) Every person not liable to business assessment under section 4, and every person carrying on business as assessed and taxed in respect of income in respect of which he is assessable under that section and in respect of all his personal earnings.
 - (b) Every person liable to business assessment under clause (c) of sub-section 1 of section 4 of the present act, in respect of the income derived by him from his business, profession or calling to the extent which is not derived from the business assessment.
 - (c) When such income is a salary or other fixed income, the assessed value of the land occupied or used by him shall, for the purpose of the business assessment be taken as not less than the amount of his income during the year ending on the 31st day of December then last past.

TAX FOR STREET RAILWAY.

- (1) Street railways, gas companies, electric light companies and power companies shall, in lieu of the business assessment now levied on them, pay a tax of five dollars for every one hundred dollars of their gross income.
- (2) Every agent, trustee or person who collects or receives or is in any way in the possession or control of income for or on behalf of a person who is resident out of the City of Saint John shall be assessed in respect of such income.

2. No person shall be assessed in respect of the same premises under more than one of the clauses of sub-section 1, and where any person carries on more than one of the kinds of business mentioned in that sub-section on the same premises, he shall be assessed by reference to the assessed value of the whole of the premises under which is included the kind of business which is the chief or preponderating business of those so carried on by him in or upon such premises.

Where the amount of the assessment of any person assessable under this section would under the foregoing provisions be less than five hundred dollars he shall be assessed for the sum of five hundred dollars, except that in the case of a person assessed under clause (c) of sub-section 1 of section 4 of the present act, the amount of such assessment would be less than two hundred and fifty dollars.

Where any person mentioned in sub-section 1 occupies or uses land partly for the purpose of his business and partly for the purpose of his residence he shall be assessed under the foregoing provisions in respect of the business of his business only; but this provision shall not apply to persons assessed under clause (c) of sub-section 1 of section 4 of the present act, nor shall the residential assessment of the residence and the business of each may be used to ascertain the proportion in which the assessed value of the land so occupied or used by him as follows:

- (a) Every person assessed for business assessment shall be liable for the payment of the tax thereon, and the assessed value of the land so occupied or used by him as follows:
- (b) Every person assessed for business assessment shall be liable for the payment of the tax thereon, and the assessed value of the land so occupied or used by him as follows:

RESIDENTIAL ASSESSMENT.

(1) Irrespective of any assessment of land under this Act, every person occupying or using land in the city of Saint John for the purpose of any business mentioned or described in this section shall be assessed for a sum to be called "Residential Assessment," to be computed by reference to the assessed value of the land so occupied or used by him as follows:

- (a) In the case of land partly or wholly occupied by the owner if the fair rental of the part or whole so occupied by the owner amounts to one hundred dollars per year or upwards, for a sum equal to twenty-five per cent of the said assessed value.
- (b) In the case of land partly or wholly occupied by some person other than the owner, either the rent actually reserved or the fair rental of the whole or part so occupied by a person other than the owner, amounts to one hundred dollars per year or upwards, for a sum equal to twenty-five per cent of the said assessed value.
- (c) In cases falling within clause (b) of sub-section 1 of section 4 of the present act, the assessed value of the property notwithstanding that part of the property may be used for business purposes.

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 - (a) Every person not liable to business assessment under section 4, and every person carrying on business as assessed and taxed in respect of income in respect of which he is assessable under that section and in respect of all his personal earnings.
 - (b) Every person liable to business assessment under clause (c) of sub-section 1 of section 4 of the present act, in respect of the income derived by him from his business, profession or calling to the extent which is not derived from the business assessment.
 - (c) When such income is a salary or other fixed income, the assessed value of the land occupied or used by him shall, for the purpose of the business assessment be taken as not less than the amount of his income during the year ending on the 31st day of December then last past.

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BANK TAXATION.

(8) A bank shall be assessed in respect of real estate, business and residential assessment in the same manner as individuals. In addition to the same and in lieu of all other assessment in respect of such bank it shall be rated and assessed in the manner hereinafter set forth on the average volume of business done in the City of Saint John, that is to say: On the average of all loans and investments (including overdrafts, accounts, notes and bills discounted, current accounts, call loans, loan accounts, past due bills, savings bank accounts and any advances of any kind or description) and on their average of all deposits (including current accounts and savings bank balances, special deposits and any other balances or accounts due to or by such bank always excepting in the case of a branch bank the balances shown as due to or by the head office), and the present manager or accountant of such bank shall, during the month of April in each year, file with the assessors of the said city a true statement in writing under oath in the form B in the schedule to this act, showing the average of the business done and deposits for the preceding calendar year, and the said bank shall be assessed for the said year on the basis of such statement.

(9) The said average amounts of loans and deposits mentioned in the foregoing sub-sections shall be ascertained in manner following, that is to say: The amount of such loans and deposits respectively standing on the books of said bank on the last day of March for the last preceding year shall be set out in such statement and shall be added together and the result divided by twelve.

(10) The said average amount of loans and deposits shall be taxed at the rate of one-sixth of one per cent, and said rate shall be paid by the said bank.

4. A banker shall be assessed in respect of real estate, business and residential assessment in the same manner as an individual and in lieu of all other assessments shall pay a tax of two hundred dollars.

INSURANCE COMPANIES.

9. Insurance companies shall be assessed in respect of real estate, business and residential assessment in the same manner as individuals. In addition the same and in lieu of all other assessments in respect of such insurance business they shall be rated and assessed in the manner hereinafter set forth, that is to say:

- (a) Every insurance company transacting the business of fire insurance shall pay a tax of two hundred dollars.
- (b) Every insurance company transacting the business of life insurance shall pay a tax of fifty dollars.

A RESIDENT DEFINED.

(10) For the purpose of assessment any person having his home or domicile or carrying on business or having any office or place of business or any occupation, employment or profession within the City of Saint John shall be deemed to be a resident of the city and shall be assessed as such.

(11) In the case of land partly or wholly occupied by the owner if the fair rental of the part or whole so occupied by the owner amounts to one hundred dollars per year or upwards, for a sum equal to twenty-five per cent of the said assessed value.

(12) In the case of land partly or wholly occupied by some person other than the owner, either the rent actually reserved or the fair rental of the whole or part so occupied by a person other than the owner, amounts to one hundred dollars per year or upwards, for a sum equal to twenty-five per cent of the said assessed value.

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 - (c) When such income is a salary or other fixed income, the assessed value of the land occupied or used by him shall, for the purpose of the business assessment be taken as not less than the amount of his income during the year ending on the 31st day of December then last past.

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