TAXING A BENEFICENCE.

The taxation of life insurance premiums is becoming an increasing burden yearly. It may be conceded that life insurance, notwithstanding its purely beneficent character, should bear the cost of its own proper supervision; but in nearly all states the premium tax exacted is many fold the cost of conducting the insurance department.

The temptation to levy exorbitant taxes upon life insurance funds is great. The companies are supposed to be rich corporations, "able to pay"; the money is there, and it is easily collected; neither the legislators who levy the tax, nor the policyholders who pay it, realize that the burden falls exclusively upon the latter.

The funds of a mutual life insurance company are derived wholly from the premiums paid by policyholders, says the Mutual Life of New York's report to policyholders. There is no capital stock; nothing has been contributed by stockholders; and nothing is returned to stockholders as profits of the business, for there are no stockholders. Now the exact cost of life insurance cannot be accurately determined in advance, though it may be approximately computed; but if the rate adopted should later prove to be too low, the result would be insolvency. It is therefore essential that the premium be fixed at a figure somewhat greater than the probable future cost; but every cent. that can be saved from the premiums paid by the policyholder, by reason of earning a higher rate of interest or incurring a lower mortality rate than had been anticipated, as well as all that may be saved through economical management, is later refunded to the insured in the form of a so-called "dividend." In short, mutual life insurance is not a money-making institution at all, but merely a safe and certain method of enabling the breadwinner to provide, even after death, for those dependent upon him, or enabling him to provide, incidentally, for the comfort of his own old age. The State would scorn to halt the wage earner, homeward bound with his pay-envelope in his pocket, and demand that he turn over a part of its contents to the public treasury leaving only the balance for the present needs of his family; but it does not hesitate to demand a part of every life insurance premium which the laborer or other citizen pays for the purpose of providing for the future needs of those he loves, when his earning power, by reason of death or disability, shall have ceased.

ILLUSTRATION OF COST TO POLICYHOLDERS.

Of the premiums paid by the policyholders of the Mutual Life in 1913, no less than $695,151.92 was taken directly by the several states in the form of a premium tax. Additional taxes exacted of the Company by Federal and State Governments brought the total outgo for this purpose to $1,254,754.65. Had it not been for this compulsory expenditure, the refunds to policyholders of amounts saved—the so-called "dividends"—would have been correspondingly increased, and the cost of life insurance in the year would have been proportionately diminished. In other words, the $1,254,754.65 paid in taxes added just so much to the cost of protection to policyholders.

It may be asked: Why should not the funds of life insurance companies be taxed? It was Daniel Webster who first gave the answer which precludes controversy,—because the life insurance premium is itself a tax, voluntarily paid by the policyholder to the end that those dependent upon him may not become a public charge after his death; wherefore the premium tax is in reality a tax upon a tax.

Recent steps taken by the legislatures of no less than thirteen states, and now under consideration in other states, constitute a conclusive argument against all taxation of life insurance funds, save perhaps to an extent sufficient to provide for the cost of a proper supervision of the business. The reference is to the law which provides pensions for dependent widows. That law would not be needed, if all men carried insurance,—at least if it were carried on the continuous instalment plan. Those, who are in this manner providing for their own future widows, are now taxed, with the rest of the community, to provide for the widows of those who were less provident than they.

But that is not the worst. These men, who pay life insurance premiums to the end that their own widows ond orphan children may never become public pensioners upon the charity of the State, are taxed on every premium they put up, in addition to the tax which they pay, in common with the rest of the community, to provide pensions for the widows of those who had paid no premiums. In taxing life insurance, the State simply puts forth its hand and demands a part of every deposit which the provident man makes toward providing for the widows and orphans of the future.

WHAT THE POLICYHOLDER MAY DO.

In taxing life insurance, Federal and State governments have had no thought of laying unjust burdens upon beneficence. Legislators as law makers have not been actuated by malice to any extent, though doubtless some were blinded by prejudice and many or most by lack of knowledge of the true nature of life insurance. Because of this lack of information on the part of both taxers and the taxed, there is a noticeable tendency in many states to augment rather than to reduce this burden on the provident. It was because the true nature of the life insurance dividend, as a refund of savings effected instead of a profit on money invested, was not clearly understood by our representatives in Congress, that it was at first proposed to tax life insurance dividends as income; and it was because of the educational campaign conducted by policyholders and company officials, that this unintentional injustice was finally averted.

The policyholders of this Company and of all companies may do much for the cause of life insurance, and for themselves as insurants, by urging upon their representatives in the State Legislature and in Congress the early modification of the laws in those States in which taxation is excessive, and in opposing the prospective increase of the burden in other States. Accordingly, it is not unlikely that this Company may have occasion in the future to seek the aid and assistance of policyholders in this behalf.

Mr. Henry E. Rawlings, managing director of the Guaranteed Company of North America, has been elected vice-president also in succession to the late Mr. William Wainwright.