

Governor Cooper's Annual Message to the General Assembly.

Gentlemen of the General Assembly:

In my last message I said:

"The economic depression which exists throughout the country and the world at this time, real and apparent, can not be looked upon lightly. We have now recovered sufficiently from the shock of war to be able to determine approximately the conditions with which we have to deal. Legislative programs and governmental activities, as well as business, must be adjusted to meet changed conditions. Questions which under ordinary circumstances would be of only secondary importance are now demanding primary consideration. If we deal with the situation in a wise and statesmanlike manner, a great deal can be done to strengthen the morale of the people and to stabilize the unsettled economic conditions. This is no time for pessimism—it is no time for wavering of faith or hesitation. We must meet the issues which confront us with courage and confidence. There is universal dissatisfaction throughout the state with the present levy on real and personal property. This dissatisfaction is well founded, but I believe that we do not always direct our criticism to the real trouble. The per capita cost of government in this state is not high, in comparison with other states. The difficulty is that the tax is not distributed according to tax paying ability."

The past year has been one of the most trying since the Reconstruction period following the Confederate war. It is not necessary to discuss the many causes which have contributed to our present condition. The fact is our whole economic system is in a state of chaos. This condition is not confined to South Carolina or to any particular section of our country. There has been no improvement in the financial depression during the year. On November 1, 1921, there was uncollected, from taxes of 1920, practically \$1,250,000. Some change in our tax system is imperative and that change must be made during this session of the general assembly, unless we propose to make a backward step. In my previous message I urged upon you the adoption of measures which, in my opinion, would have given substantial relief. The readjustment which began more than a year ago was not fully appreciated and few of us suspected it would result in lowering our standard of living to such an extent that the most of the actual requirements of a decent and progressive life would be difficult to pay.

Burden on Agriculture

Under our antiquated system of taxation the cost of a relatively inexpensive government and its institutions so vital to the life of the people falls heaviest as a rule on those who are least able to pay; namely, the agricultural element and the owners of tangible property. Our method of collecting revenue was never a well devised system, but at this time its inequalities and iniquities are especially emphasized. We have adhered too long to a system which requires those who need the benefits of government most to bear too great a burden of taxation. South Carolina is predominantly an agricultural state. All other business is dependent upon the production of our soil. When the farmer is prosperous, business is good; there is no fear of bank failures and the ghastly spectre of bankruptcy is not seen in the land. But when our farms fail to yield a profit the merchant is unable to dispose of his goods or collect his accounts, the deposits in our banks decrease and insolvency knocks at the door of us all.

Any tax system which is not based on the principle of ability to pay is fundamentally wrong and is certain to be a continuous source of irritation and injustice. If conditions were different I would present to you several important recommendations. There are many measures I would like to see enacted, but every other question should be subordinated to the one paramount issue of revenue and taxation. We must determine whether or not this state will take her place among her sister states of this union by adopting a modern system of collecting revenue to pay the necessary cost of government. The adoption of such a system, based upon the principle of ability to pay, will assure the continuity of our social and economic progress. Without its adoption the arrest of our development is inevitable. I have in mind as our ultimate objective the total abolition of the property tax as a source of government and the substitution of a tax on incomes, inheritances, petroleum products, occupations, professions, privileged licenses, luxuries and hydro-electric power. The revision of our law relating to licenses for domestic and foreign corporations with the view of increasing revenue

from this source, is earnestly urged.

Income Tax.

I wish to elaborate somewhat on the subject of a tax on incomes. I have found, somewhat to my surprise, that there is probably more opposition to this particular tax than any others recommended. The income tax is not only satisfactory in yielding revenue but it is collected directly from the person whom it is intended to tax. Its yield is certain and is based upon tax paying ability. It must be borne in mind that the objection to the present property tax as being unjust and oppressive can never apply to a tax of incomes. A property tax falls upon owners of tangible property and becomes a crushing burden when paid by a farmer who has placed his faith, his labor and money in a crop which fails to yield a profit or upon a merchant when he is unable to dispose of his merchandise at a profit. It becomes exorbitant when it asks for payment upon property which has been a loss. The property tax asks a contribution of a man who has worked for a year and been awarded with a deficit—debts instead of profits.

On the other hand, the income tax asks nothing of a man who has no income; it exacts nothing of him with a small income. It requires nothing of anyone unless his or her net income above all legitimate expenses is adequate to support the taxpayer in ordinary comfort. There is no duplication of burden or injustice in such a scheme. The income tax is levied on ability to pay from profits and not from principal, and it can not oppress the taxpayer as he is now frequently oppressed by the general property tax. The administration of an income tax law should not be more difficult in South Carolina than it is in other states, where it has been found practicable and satisfactory. I am sure the federal government will cooperate with the state in supplying certain data which will remove many of the administrative difficulties. I trust and most earnestly urge that you will enact at this session the income tax bill now on the house calendar, or substitute for it a bill based upon the federal law. It has been conservatively estimated that a moderate tax on incomes will raise in this state from \$1,000,000 to \$2,000,000 per annum.

Inheritance Tax.

A tax on gifts and inheritances is an important part of any well considered tax system. Its yield and administration has been so entirely satisfactory that every state in the union, with the exception of about four or five, has adopted it as a source of state revenue. The validity of such a tax is unquestioned. The wisdom of it, it seems to me, does not admit of argument. The advisability of a tax on inheritance is well expressed in an opinion of H. R. Seager when he says:

"The law properly protects the owner of property in its full enjoyment during his lifetime. When he dies, however, the disposition of the property which he preferred to retain as his own to the very end, assumes large social significance. The imposition of an inheritance tax is simply the assertion by the state of a right to share in property left at death under the conditions set forth in the tax law. If the share taken by the state is moderate, there is every reason to think that the heirs will accept it as a matter of course and think gratefully of the part that is left to themselves rather than grudgingly of the part which they do not receive. There thus appears good ground for the claim that moderate inheritance taxes, increasing from 1 per cent on inheritances from a certain amount left to direct heirs even to as much as 20 per cent of very big estates passing to collateral heirs or strangers, do not impose a burden that is consciously felt by anyone."

The inheritance tax bill passed by the house of representatives at its last session, and now on the senate calendar, will yield large returns at a very small cost, and I earnestly recommend its passage. It is estimated that this bill will raise anywhere from \$200,000 to \$500,000 per annum. It is very probable that had this bill become a law last year the state would have received from this source during the year 1921 approximately \$500,000, and yet, again it may be observed, as in the case of a tax on incomes, the levy is placed always where there is tax paying ability.

Tax on Petroleum Products.

A large number of the states have placed a tax, ranging from one to two cents per gallon, on gasoline and other petroleum products, and it has been found generally that this tax yields large returns. In practically every county of the state there is a special levy on property for construction and maintenance of highways, and it is, therefore, not unfair that the state should impose a small tax upon petroleum products, for as

a matter of fact, the owners of motor vehicles receive the greatest benefit and pleasure from these improved highways. The tax on petroleum products should go to the general fund of the state, and be used as a means of reducing the present levy upon property. It is not important that a special tax be expended for a special purpose, but it is important that we have a tax system which will yield sufficient revenue to carry on all of the activities of the state. The so-called gasoline tax bill now on the calendar of the senate will yield at least \$500,000 per year, and I recommend its immediate passage.

Occupation and Privilege Licenses.

South Carolina receives a smaller percentage of its revenue from occupation and privilege licenses than any other Southern state. I do not think it is necessary to go into a detailed exposition of the principle and operation of this form of revenue. It has been tried with satisfactory results in a great many states. It seems to me that it can be easily justified. Many persons, engaged in professions and certain occupations operate with out invested capital, but are protected in the practice of their privileged professions or occupations by the laws of the state, and it is not unreasonable that a moderate fee be paid the state for this privilege and protection. A bill will be submitted on the subject, and I urge its adoption.

An examination of the laws now in force in the states of Georgia and Virginia, and other states, will aid you materially in arriving at a satisfactory conclusion on this matter. It is estimated that from this source we may be expected approximately \$200,000 per annum. While the amount is somewhat small, it will nevertheless cause many persons who are practically escaping taxation to pay a reasonable share of the expenses of the government. Whatever the amount received from this source may be it will certainly aid us in our effort to relieve the heavy burden now resting upon visible property.

Tax on Luxuries.

A well considered measure imposing a tax on luxuries, it seems to me, should appeal to every fair minded person. One is not compelled to attend the movies, or to indulge his appetite for soft drinks. It is possible for a person to enjoy reasonable health and at the same time abstain from the use of tobacco. A person who can afford to pay ten cents for a cigar, 25 cents to attend the movies, and six or seven cents for a glass of coca-cola, will not be materially inconvenienced if a small tax is imposed by the state on these amusements and non essentials. I do not mean, of course, to confine the luxury tax to tobacco and soft drinks and moving pictures. These are only mentioned for purposes of illustration. The law should include all forms of amusements and luxuries. It is certainly fair to tax a luxury, and by so doing you reduce the tax on the necessities of life. The luxury is usually enjoyed by those who can afford it, or by those who are determined to indulge their appetites and desires to the detriment of their own well being. In either case the argument in favor of this form of taxation applies with equal force.

Hydro-electric Power.

I would not for a moment recommend the passage of any measure calculated to discourage the development of our water powers. Nature has wonderfully blessed South Carolina in this respect. I commend the wisdom and foresight of those who are devoting their talents and means to the development of our natural resources. But since nature has provided the chief assets of these developments, a small rate per kilowatt hour on the hydro-electric power can certainly be justified and yield considerable revenue. The main argument in the support of other special taxes applies here. Electric current is used in industry to light our homes and offices, because it is cheaper or preferable to the use of other power or method. Its use is made possible by reason of the water in the stream, which is the property of the state. Surely this state may properly impose a small tax for the use of its own property for commercial purposes. It may be argued that the state would receive no revenue from this source, except for the capital invested in these developments. This objection would apply to any special or other tax.

Constitutional Amendment.

I wish to again urge the passage of the proposed amendment to our state constitution, which is necessary before you may properly classify property for the purposes of taxation. This matter is so thoroughly discussed in the report submitted one year ago on revenue and taxation, that it is unnecessary to add anything further here.

I have recommended the passage of these measures in order to raise suf-

Let US Print Your Office Stationery

Look about your office and see what you need in office stationery. We are better equipped than ever to supply your printing needs. We have received new type faces and carry a well selected assortment of paper of all kinds.

WE CAN PRINT ON SHORT NOTICE

TYPEWRITER HEADS
LETTER HEADS
NOTE HEADS
BILL HEADS
STATEMENTS
ENVELOPES
CARDS
CIRCULARS
CIRCULAR LETTERS
MINUTES
[CATALOGUES
BRIEFS

We guarantee satisfaction on every job of printing we do. Your money back if you are not satisfied.

Mail us your orders or call in person and see the stock we carry and the kind of work we do.

OUR PRICES ON ALL WORK ARE
REASONABLE

ADVERTISER JOB OFFICE