

majorities. All property owners are then completely at their mercy, and the property of the whole country may be threatened with confiscation . . . It should also be borne in mind that New York may any day want to levy an income tax as a substitute for the present personal property tax and in order to relieve real estate. There is no doubt as to the power of the State to levy income taxes. It may soon become necessary; and, if honestly and capably administered, such a tax would operate equitably and fairly. If Congress should also have and exercise the same power, the resources of the State in this respect, to provide for her own urgent public improvements, would be necessarily curtailed. And the Federal tax would have precedence . . . Such power, however, should be so limited as not in any degree to impair or to diminish the ability of any State fully and freely to maintain itself, and to discharge those vastly preponderant duties attaching to local jurisdiction, which, in express terms, are reserved from the constitutional delegation to the United States."

The far-sightedness of these statements is now plain to all.

When the 16th Amendment was before Congress in 1909, a Federal income tax return of 2% was in mind. It was suggested that a limit of 10% be placed in the proposed 16th Amendment. This was laughed off on the ground that it was ridiculous to think that the Federal income tax rate ever would be as high as 10%.

How ridiculous was it when we now see the rate as high as 95%?

The latter is a wartime rate, it is true, and no objection is made to high taxes to help pay to win a war. The proposed XXII Amendment permits high rates to win a war. We are talking, however, of rates for post-war and peacetime.

It is plain that if the Federal Government can tax incomes 95% in wartime, it can tax them 95% in peacetime, or at some lower but still excessive rate, with the result that so much of the wealth of the States will be drained into Washington, that Governors and county and city officials will have to go to Washington, like blind beggars with tin cups in their hands, to beg back part of the wealth

created in their own communities, to sustain local government activities.

The empty shell of State and local governments under such circumstances would be preserved, but the life would be gone. This would be the end of "an indestructible union of indestructible states." The republic would have been destroyed by the tax route, with the most far-reaching implications to the survival of free institutions.

To place a peacetime limit upon the power of the Federal Government to tax incomes would not reduce, by a dime, the revenue of the Federal Government over the years. It would increase it by stimulating production and expanding the tax base.

It is an illusion to think that the Federal Government has resources of wealth to spend which are not possessed by the 48 States, the 3,000 counties and the thousands of local governments. Every dollar of wealth not drained into Washington would continue in existence and would be available for taxation by the States to the extent that they found it necessary.

However, when State and local governments levy taxes upon their own citizens, close to the tax-levying authorities, less money is wasted and less money needs to be raised for the support of government. The less money taken in taxes, the more is left in the hands of the people. The temptation to waste is far less. The safeguards against waste and extravagance are far greater.

Furthermore, the proposed limitation of the taxing power of the Federal Government would result in the vast encouragement and expansion of enterprises, new and old, necessary to provide jobs in post-war America.

It is for these and other reasons that this committee, composed exclusively of members of State Legislatures, has been organized, to prevent State and local governments from being destroyed by the vampire of Federal taxing and spending.

*Merle B. Smith*

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STATE LEGISLATORS FOR THE XXII AMENDMENT