The American Revenuer

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Evidence is that cancel on this stamp on a bond issued to William K. Vanderbilt, Jr. in 1917 was backdated to 1915. More, inside, page 2.

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New York Mortgage Endorsement, Secured Debts and Investments Taxes, 1911–20

2. Secured Debts Tax, 1911–16

by Michael Mahler, ARA

Summary of Part 2

In the early years of the twentieth century, an annual property tax was levied in New York, not only on real property (i.e., real estate) but also on personal property, both tangible and intangible, including mortgages and mortgage bonds. As mortgages of the day typically yielded about 4% per year, and the tax was roughly 2%, it was considered confiscatory and was widely evaded. In an attempt to salvage at least some tax revenue from mortgages, the state in 1905 exempted them from property tax provided an annual mortgage tax of 0.5% was paid. In 1906 the tax was changed from an annual one to a one-time recording tax at the same rate, 0.5%. In 1910 the use of adhesive stamps to indicate payment of the tax on mortgage bonds was authorized, and these Mortgage Endorsement stamps came into use early in 1911. They were used only on bonds secured by mortgage of property wholly or partly within the state.

Encouraged by the success of this tax, the state widened its net. The Secured Debts tax, effective September 1, 1911, offered residents the same inducement—permanent exemption from property taxes contingent upon a one-time payment of 0.5%—for all bonds, excepting of course those already subject to the Mortgage tax, and mandated creation of Secured Debt stamps to pay it. Effective May 1, 1915, the tax was increased to 0.75%, which now secured exemption from all other taxes for only five years. This rate was in effect only until October 31, 1915. It was revived between April 21, 1916, and December 31, 1916, at the essentially equivalent rate of 75¢ per $100, at which time stamps in four new denominations were created to facilitate payment. The accompanying census lists eighty-nine different bonds taxed at the 0.5% rate, thirty at the 1915 0.75% rate, twenty-four at the 1916 75¢ per $100 rate, and stamped certificates of the Comptroller's Office attesting to tax payment at the 1911 and 1916 rates.

The tax was a qualified success, bringing in about $1 million per year despite the fact that only about 10% of eligible bonds were stamped.

(Continued from First Quarter 2011)

1915 Amendments; Rate Increase to 0.75%; Interstate Mortgages

Effective April 1, 1915, the Secured Debts tax was suspended until May 1, pending anticipated amendments. By April 30, these changes had been ironed out and passed. The tax rate was increased to 0.75%, which now secured exemption from other taxes for five years only; previously the exemption had been permanent. Moreover, this new rate was to be in effect only six months, from May 1 until October 31, 1915. Finally, a new class of taxed debts was added (emphasis mine):

> Such proportion of a bond, note or debt, including a bond, note or printed obligation forming part of a similar series of bonds, notes, or obligations, secured by mortgage or deed of trust recorded in the state of New York of *property or properties situated partly within and partly without the state of New York* as the value of that part of the mortgaged property or properties situated without the state of New York shall bear to the value of the entire mortgaged property or properties.

The legislature appears to have been doing a bit of housekeeping here. Mortgages of property partly within and partly without the state, and bonds secured by such mortgages, were already subject to the Mortgage tax, based on "the relative value of the mortgaged property within the state as compared to the total value of the mortgaged property," as determined by the State Board of Tax Commissioners.[1] Logically speaking, it made sense for such bonds to also be subject in part to the Secured Debts tax, based on the relative value of the mortgaged property lying outside the state. The original Secured Debts act of 1911, though, had overlooked this relatively fine point; now this oversight was being corrected. It was further provided that, as with the Mortgage tax, the taxable proportion of such bonds would be determined by the State Tax Commission.

1. Section 260, Consolidated Laws of 1909.

The number of secured debts included in this class must have been rather small, probably all bonds of interstate railroads. One wonders whether it included enough roads, and enough bonds, to justify the legislative effort, or whether the amendment was merely a matter of consistency. More will be said of this provision in Parts 3 and 4 of this series.

Table IV lists the thirty-one recorded bonds taxed at the 0.75% rate of 1915, and Figures 35–42 illustrate selected examples. An expanded version of this article includes a census of seventy individual examples of these bonds (HTTP://WWW.REVENUER.ORG/ARTICLES.HTML). These totals stands in stark contrast to those for the 1911–5 0.5% rate, for which eighty-nine bonds and over 700 examples have been tallied. Most of this discrepancy is accounted for by the fact that the 0.5% rate was in effect for forty-four months and the 0.75% rate for only six; moreover, the application of the original rate for nearly four years presumably reduced appreciably the pool of bonds available to be stamped at the new one.

As with the earlier 0.5% rate, most bonds taxed at the 0.75% rate were for $1,000; of the thirty different bonds listed in Table IV, nineteen are for $1,000, two for $500, five $5,000, three $10,000 and one $50,000. The workhorse $1,000 bonds were now taxed at $7.50; all recorded examples bear $5 and $2.50 stamps (Figures 35 and 36).

Figure 34. "TAX EXEMPT FOR FIVE YEARS" cancels introduced in 1915, with incorporated initials "WBL" underscored (left), used in New York City, and not underscored (right), used in Albany.

Two new cancels

New cancellers stating "TAX EXEMPT FOR FIVE YEARS" were now put into use, with this wording forming the upper rim of a 20 mm circle, enclosing a three-line date (Figure 34). Secured Debt stamps have a bottom panel inscribed "AGT. FOR COMPT." To save the time and trouble of initialing this panel, the new cancellers incorporated at bottom the script initials "WBL". As pointed out by Pruess (1969), these cancels are known in two types: one has "WBL" underscored by a flourish of the "L"; the other lacks this underscoring. The latter is very much the rarer; to date it has been

Figure 35. City of Providence $1,000 Sewer Loan of 1914 with Secured Debt $5 & $2.50 affixed October 1915.

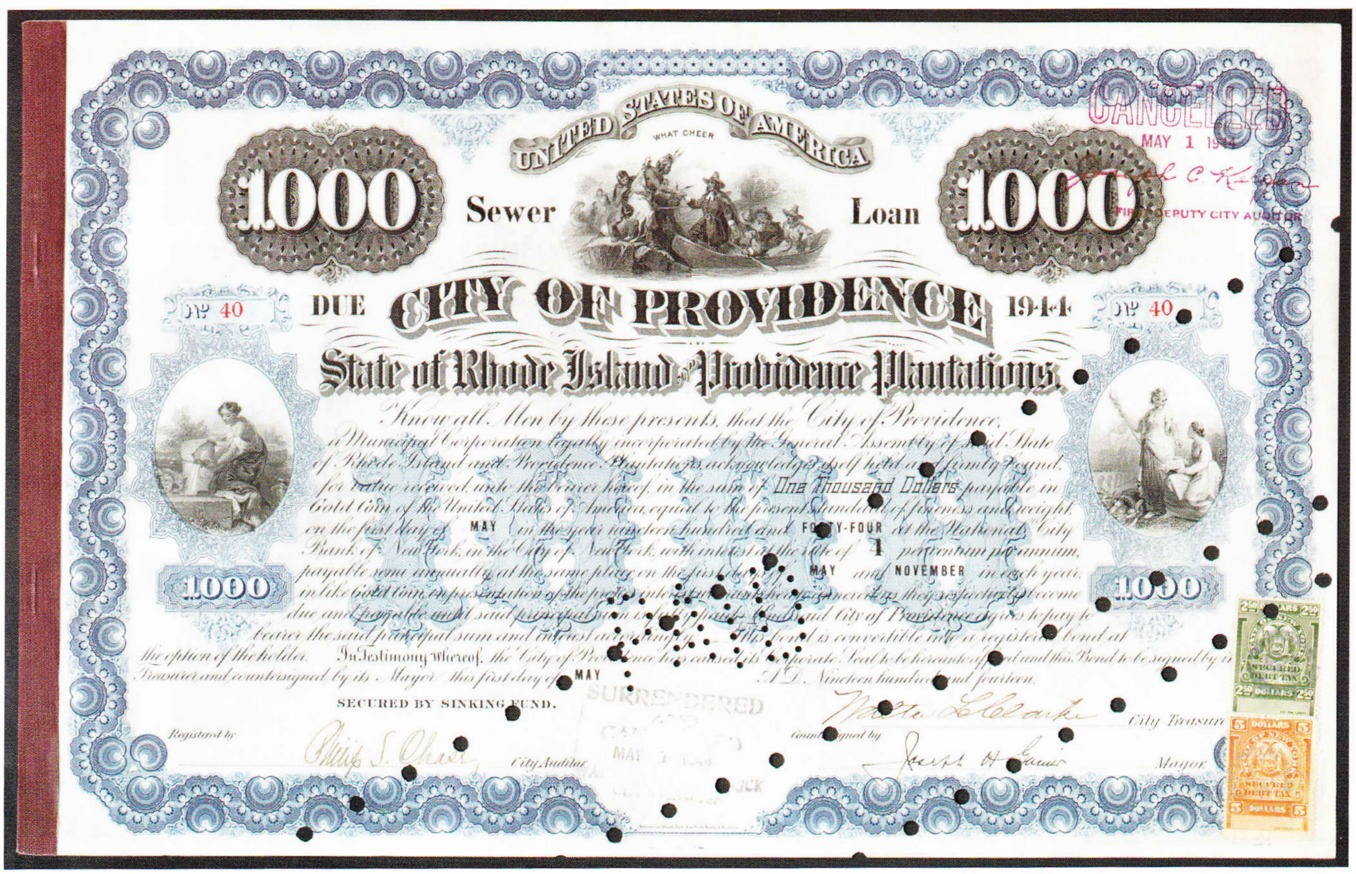


Figure 36. Lehigh Valley Terminal Railway Co. 1891 $1,000 bond with Secured Debt $5 & $2.50 affixed September 1915, Albany cancels.

recorded on just three different 1915 bonds, and a total of seven examples. In due course it will be demonstrated that it was used exclusively at the Controller's Office in Albany, and that "WBL" was W. B. LeRoy, the chief clerk there. The more common 20 mm cancel, with "WBL" underscored, was used exclusively at the Deputy Comptroller's office in New York City.

The agent's initials had been a security device, inscribed before the stamps were used; recall that Edward W. Buckley had initialed 55,000 stamps the day before the Secured Debts tax took effect on September 1, 1911 (Mahler, 2011). As long as the initials were not easily imitated—as was the case with Buckley's huge and distinctive "EWB"—this made some sense. Eventually, though, the task of initialing the stamps appears to have fallen to a succession of clerks and its value as a security device became minimal; a cursory survey counts at least fifteen different sets of initials. It was eliminated entirely by the new cancelers.

According to Pruess, "Stamps are commonly found with additional manuscript initials." On bonds stamped at the new 1915 rate, with stamps canceled by the new "TAX EXEMPT FOR FIVE YEARS" handstamps, additional manuscript initials are actually rather scarce. With just a single exception they have been seen only on denominations $10 and above, and on roughly only half of those. The exception is an initialed $5 used together with an uninitialed $2.50 on a $1,000 bond of the Northern Pacific Rail Road Co. (certificate M83010). The likely explanation for this is that quantities of stamps were initialed well before they were canceled, and that some were still on hand after the transition to the new cancels, and only gradually used up. This is discussed more fully in the Appendix.

Initialed in 1911, used in 1915!

Figure 38 shows a New York Central Railroad Co. $5,000 debenture of 1915 with Secured Debt $25, $10 & $2.50 affixed July 1, 1915, the earliest recorded example of the 1915 rate, which had taken effect May 1. Remarkably, this is also earliest recorded usage of the Secured Debt $10, for which there had been little need during the 1911–15 period; this stamp had been initialed "EWB" by Edward W. Buckley on or about August 31, 1911, then languished unused for nearly four years!

Secured Debts Tax on unsecured debts

The bonds shown in Figures 38, 40 and 42 are remarkable for more than just the stamps they bear. The New York Central debentures were unsecured debts; Black's law dictionary defines a debenture as "a debt secured only by the debtor's earning power, not by a lien on any specific asset." It was nevertheless subject to the Secured Debts tax, which despite its name applied to certain unsecured debts as well (Mahler, 2011).

Mortgage on steamboats!

The 1902 $500 bond of the Iron Steamboat Company of New Jersey shown in Figure 37 was secured by a mortgage of a most unusual type: not of real property, but "upon the steamboats of said Company, and all other property used in connection therewith."

1916: Secured Debts Tax temporarily renewed, refined

The revised Secured Debts tax was designed to stay in effect only six months, May through October 1915, but effective April 21, 1916, it was renewed, again for only a matter of months, until December 31, 1916. The tax rate was now simplified, from 0.75% to 75¢ per $100 or principal fraction thereof, which again secured exemption for five years from all other taxes (with the usual exceptions). This refinement was potentially of philatelic significance; as all tax amounts were now multiples of 75¢, there was no longer a need for 1¢ stamps, and little need for several others, including the 5¢. Table V lists the twenty-six recorded bonds taxed at the 75¢ per $100 rate of 1916, and Figures 44–51 illustrate selected examples. The detailed census lists seventy-two individual examples of these twenty-six bonds.

A new cancel

At the New York City office a new cancel was introduced, essentially identical to that used in 1915, with initials "WBL" underscored, but now larger, 23 mm as opposed to 20 mm (Figure 43; Pruess's Type IIB). The 20 mm cancel with initials not underscored, used exclusively at the Comptroller's office in Albany, continued in use in 1916 (Figure 51).

Four new stamps

It will be recalled that following passage of the original Secured Debts Act of July 28, 1911, Secured Debt stamps had been issued in ten denominations—1¢, 5¢, 50¢, $1, $2.50, $5, $10, $25, $50 and $100. After the rate increase from 0.5% to 0.75% enacted in 1915, the desirability of stamps in new de-

Figure 37. Iron Steamboat Co. of New Jersey 1902 $500 bond with Secured Debt $2.50, $1 & 5¢ strip of five affixed September 29–30, 1915.

Figure 38. New York Central Railroad Co. $5,000 debenture of 1915 with Secured Debt $25, $10 & $2.50 affixed July 1, 1915, the earliest recorded example of the 1915 rate. This is also earliest recorded usage of the Secured Debt $10, for which there had been little need during the 1911–15 period; this stamp had been initialed "EWB" in August 1911!

nominations had become apparent. $1,000 bonds, which accounted for the lion's share of all those issued, were now taxed at $7.50. All recorded $1,000 bonds taxed at the 0.75% rate of 1915 bear $5 and $2.50 stamps (Figures 35, 36); a $7.50 stamp would obviously have saved considerable time and trouble here. Similarly the two recorded $500 bonds from the 1915 period have their $3.75 tax paid by seven stamps: $2.50, $1, and 5¢ strip of five (Figure 37); a $3.75 stamp would have filled the bill precisely.

The Act of April 21, 1916, directed the comptroller to produce stamps "in such form, and of such denominations and in such quantities as he may from time to time prescribe," and "to make, enter into and execute...such contract or contracts for dies, plates and printing necessary for the manufacture of the stamps..." This language was identical to that of the original Act of July 28, 1911, but had been conspicuously absent from that of April 30, 1915. It seems safe to assume that it was necessitated now by the need for new contracts, dies, plates, and stamps; merely printing more in the original ten denominations would presumably have been authorized by the 1911 Act. In any case, beginning in 1916 Secured Debt stamps appeared in four new denominations: 25¢, 75¢, $3.75 and $7.50. Figure 44 shows a $500 bond with tax paid November 1916 by a $3.75 stamp, the sole recorded such usage. The $7.50 came into relatively frequent use, both singly on $1,000 bonds (Figure 45) and in combination with the $25 and $5 to pay the $37.50 tax on $5,000 bonds (Figure 46). Remarkably, pairs of the 25¢ were also used to pay the $37.50 tax, in combination with the $25, $10 and $1 (x 2) (Figures 47, 48). Presumably the 50¢ would have been used if available, but evidently it was not. Indeed, no bonds bearing the 50¢ have been recorded, and it is rare even off document. As for the 75¢, no usages during 1916 have been recorded; the only recorded examples on intact bonds were used in 1917 to pay the Investments tax (see Parts 3 and 4 of this series).

The earliest recorded use of any of the new denomination stamps is June 22, 1916—the 25¢ pair affixed to the Baltimore and Ohio Railroad Co. bond shown in Figure 47. The earliest recorded usage of the $7.50 is June 26, 1916, on the Chicago and Erie bond shown in Figure 45.

Figure 39. New York Central and Hudson River Railroad Co. $5,000 debenture of 1904 with Secured Debt $25, $10 & $2.50 affixed September 1915.

Change in perforation

All recorded examples of these four new denominations on bonds are perforated 11 x 12. In this they differ from the original ten values, which all appear to have been perforated 12 only.

Flies in the ointment

Figure 52 shows a $5,000 bond of the New York Central Railroad Co. with $37.50 tax paid by $25, $7.50 and $5 stamps with cancels clearly dated September 28, 1915, and a Lake Shore and Michigan Southern Railway Co. $5,000 bond (serial number 2000) bears the same three stamps with cancels dated a day later; they appear to disprove the hypothesis that the four new Secured Debt denominations—or at least the $7.50—were issued in 1916. A similar conclusion with respect to the 25¢ follows from two Baltimore and Ohio Railroad Co. Prior Lien $5,000 3% registered gold bonds of 1898 stamped with $25, $10, $1 (x 2) and 25¢ (x 2) with cancels dated October 23, 1915 (Figure 55). However, as detailed in the Appendix, numerous factors show that these cancels were backdated.

Combinations with U.S. stamps

Table IV lists three bonds bearing both U.S. documentary revenues and Secured Debt stamps. One is so extraordinary that, as reported by the *New York Times* of September 7, 1911, it had already been singled out for special mention by the New York City tax bureau when the first examples were presented to be stamped:

> Some of the securities offered have given Edward W. Buckley, Chief Clerk of the bureau, a lot of trouble in deciding whether or not they come under the law. Included in this class were $102,000 par value of the first mortgage bonds of the New York & Erie Railroad. These are part of an issue of $2,482,000 4 per cent. bonds put out in 1847, when the road was first projected, and are first mortgage bonds.
>
> Originally running as 7 per cent. currency bonds to 1867, they were extended to May, 1897, and then re-extended for fifty years at 4 per cent. They are described on the face of the old bond as "payable to the people of New York," and are a prior lien over all the existing liens against the assets and real, personal, or mixed property of the

Figure 40. New York Central Railroad Co. $5,000 debenture of 1915 with Secured Debt $5 (x7) & $2.50 affixed September 29, 1915.

road or its franchises or immunities existing or accruing subsequent to the original lien. Further, these bonds, which bear the signature of Christopher Morgan as Secretary of State, are guaranteed by the State and are made payable on their face through the Controller of the State of New York, then Millard Fillmore.

The Chief Clerk could not find that the mortgage underlying the bonds had ever been registered so he accepted the tax and stamped them exempt.

A few of these bonds have survived. One offered in an R. M. Smythe auction of July 24, 2004, was stamped first with a U.S. $1 Lease documentary revenue of Civil War era (1862–1872) with fancy "scroll" handstamp cancel dated June 17, 1867, then some forty years later in 1916 with a Secured Debt $7.50. It is signed on the reverse by Fillmore, the thirteenth President of the U.S., and was estimated to bring $1,000–1,500. A 2001 Smythe sale offered a similar lot estimated at $1,500-2,500. The U.S. stamp paid a tax of 50¢ per $500 on mortgages or their bonds, in effect August 1, 1864, until September 30, 1872.

Figure 49 shows a New Mexico Railway and Coal Co. $1,000 bond of 1901 bearing U.S. 50¢ "Battleship" documentary revenue of the Spanish-American War era (1898–1902) affixed October 1, 1901, and Secured Debt $7.50 added on September 21, 1916. The U.S. 50¢ stamp paid a tax of 5¢ per $100 on bonds, in effect July 1, 1898, until June 30, 1902.

Figure 50 shows a St. Francois County Railroad Co. $1,000 bond of 1915 bearing U.S. 1914 50¢ documentary revenue affixed July 1, 1915, the issue date of the bond, with Secured Debt $7.50 added September 29, 1916. The U.S. 50¢ stamp again paid a tax of 5¢ per $100 on bonds, in effect December 1, 1914, until September 9, 1916. St. Francois County was in Missouri.

Stamped comptroller's certificates; the Albany cancel

If a bond could not be brought or sent in to be stamped, a certificate could be obtained from the Comptroller's office stating that the tax had been paid, with the stamp(s) affixed to the certificate. Figure 51 shows one of the three recorded examples, attesting to payment of $37.50 for five $1,000

Figure 41. *Lake Shore and Michigan Southern Railroad Co. $10,000 bond of 1903 with Secured Debt $50 & $25 affixed September 1915.*

bonds, with $25, $10, and $2.50 stamps affixed. It is signed as Agent for Comptroller by W. B. LeRoy, confirming that the initials incorporated in the Type II cancels are indeed "WBL".

This certificate has two curious aspects. A penciled notation at bottom reads, "5 - 7.50 Stamps affixed to above described bonds under date of Dec 30/1916 [dated] February 26, 1917." Why the double stamping? A notation on the bonds that the tax had been paid would seem to have been sufficient; affixing another $37.50 in stamps may have been more convenient, but certainly must have complicated the bookkeeping. Possibly it was considered that such a notation would have prevented delivery of the bonds. In the similar case of endorsement upon bonds that the Mortgage tax had been paid, just such considerations had led to the decision to put the endorsement in the form of a stamp (Mahler, 2010).

A more fundamental puzzle arises from the payment date, specified as January 3, 1917. By the Act of April 21, 1916, the Secured Debt tax had expired December 31, 1916. The Comptroller's office was evidently reluctant to let the expiration of a tax stand in the way of its collection: the cancels here have been backdated to December 30, 1916, and as evidenced by the penciled notation, the payment was somehow construed to have been made "under date of December 30, 1916." The legality of this would seem to have been another matter.

The cancels here are Pruess's Type IIC, "TAX EXEMPT FOR FIVE YEARS" with initials "WBL" not underscored. This cancel is usually cleanly struck, the letters with a fine, almost spidery appearance. In contrast, on Types IIA and B, with initials underscored, the letters are thicker and often blurry, bespeaking heavy use. The accompanying detailed census includes 54 individual bonds or small clusters with Type IIA or B cancels, comprising a total of 115 bonds. Type IIC appears on just four individual bonds or small clusters, comprising nine examples, plus the Comptroller's certificate under discussion, comprising 8.0% of the total. If we consider the tax collected on the Type IIC bonds and certificate, their contribution was much smaller. The 115 Type IIA/B bonds are for $500 (x 10), $1,000 (x 57), $5,000 (x 38), $10,000 (x 5) and $50,000 (x 5), total $552,000. The nine Type

Figure 42. New York Central Railroad Co. $50,000 debenture of 1915 with Secured Debt $100 (x 3), $50 & $25 affixed September 1915, to William K. Vanderbilt.

IIC bonds are all for $1,000 and the certificate for $5,000, total $14,000, providing just 2.5% of the total revenue. The sample seems large enough for this figure to be considered reliable.

This 2.5% contribution is virtually identical to the percentage of tax collected in Albany for the entire first year of the Secured Debts tax: $1,412,568 was collected, of which $33,080 was from Albany and all the rest from New York City. The tax could be paid only at the offices of the State Controller in Albany or the Deputy Controller in New York. The Albany fraction? 2.3%! This is the only year for which I found separate totals for the two sites, but it seems safe to assume that the breakdown was much the same going forward.

Figure 43. Left, "TAX EXEMPT FOR FIVE YEARS" 23 mm cancel introduced in 1916; the outer frame shown here is mostly or entirely missing on most strikes. Right, 20 mm cancel of 1915 that it replaced.

The Comptroller's certificate establishes that the Type IIC cancel was used in Albany. The data just presented suggest strongly that it was the only cancel used there, and that it was used nowhere else.

Tax wars

The scattershot manner with which the Secured Debts tax was applied after 1915 begs for explanation. Beginning April 1, 1915, it was suspended for one month; reinstated for six months; dormant for nearly six months; revived for some eight months; dormant again for five months; before being replaced by the Investments tax effective June 1, 1917 (Mahler, 2012). These fitful stops and starts make perfect sense when seen as compromise measures, intermediate steps toward an annual tax, which after three years of legislative battles was finally enacted as the Investments tax. Table VI summarizes the process.

A shot across the bow

The *New York Times* of April 26, 1914, summarized a recently published analysis by a Harvard economist severely critical of the Secured Debts tax, and specifically of the permanent exemption from other taxes it provided. With hindsight, this opinion can be seen as a harbinger.

SECURED DEBT TAX UNSOUND
Charles J. Bullock Advises New York to Cancel Its Provisions.

New York's secured debt tax, which has been in operation less than three years, comes in for severe criticism in a discussion of New York's taxation problem which is contributed to the Real Estate Magazine by Charles J. Bullock, Professor of Economics at Harvard. The exemption from further taxation granted to bonds on which a payment of one-half of 1 per cent. has been made has already begun to lose its popularity with local authorities.

Prof. Bullock suggests as an honorable way out of the obligation into which the State has entered by accepting the small exemption payment, the termination of the period of freedom from taxation at the end of five years.

The obvious present need in New York is the development of the State Tax Commission into a body clothed with ample power and resources to control in an effective manner the administration of the tax laws of the State of New York," Prof. Bullock says. "The second obvious need is the correction of the defects of some of the special taxes. The most marked are undoubtedly the provisions of the secured-debt tax, enacted in 1911. This law seems to have originated with men who for many years had been sincere advocates of the total exemption of personal property from taxation. If it is viewed as a total-exemption measure, the law can be understood. If securities ought to be totally exempt, a tax of any amount whatever cannot be condemned as inadequate, but upon any other theory the secured-debt law is one of the most unjustifiable measures over placed upon a statute book. It cannot be seriously maintained that a tax of one-half of 1 per cent. is an adequate tax on a bond running for 50 or 100 years. It is in fact, so low as to be practically equivalent to total exemption.

Opinions appear to differ concerning the net financial results of the secured debt tax, and I venture to express no opinion upon the subject. But this tax is so framed that the less revenue the State derives from it the better off the people of New York will be in the long run. Travelers tell us of savages who in order to gather cocoanuts, cut down the trees upon which the nuts grow; and

Figure 44. Baltimore and Ohio Railroad Co. $500 bond of 1915 with Secured Debt $3.75 affixed November 1916, the sole recorded example of this usage.

Figure 45. Chicago & Erie Railroad Co. 1890 $1,000 bond with Secured Debt $7.50 affixed September 1916. Debt $7.50 affixed June 1916, North Holland 2.50g handstamp applied earlier.

the Legislature of New York, when it enacted the secured debt tax, followed the same principle of economy. Every $5 of revenue secured in 1914 exempts a thousand-dollar bond from taxation as long as this law remains upon the statute book, and, therefore, dries up the sources of revenue in subsequent years. It is elementary in the science of taxation that the worst possible tax is one that dries up future sources of revenue and the secured debt tax of New York appears to come clearly within this category.

Whether this law constitutes a contract between the State and those who register securities may be an open question; but if it does constitute such a contract, the need of amending it so as to limit future exemptions to a reasonable period of years is all the greater. It may be that for a few years, while the securities now outstanding are being converted into non-taxables, the revenue from the law will be satisfactory; but in the course of time it is bound to diminish, and it will ultimately fall to the amount paid upon new flotations. The revenue now derived from the law is not the important consideration. The important thing is that if the securities ought to be taxed at all, this tax is vicious in principle, since it is levied in such a manner as to dry up the future sources of revenue, and is fairly comparable to the method adopted by the savages in harvesting cocoanuts.

Taxpayers stopped in their tracks

The opening salvo in the subsequent tax wars was fired on April 1, 1915. Savvy bond dealers and bondholders had by then divined that the permanent exemption from property tax conferred by the Secured Debts tax would almost certainly be eliminated in the coming weeks, and rushed to take advantage of it while it lasted. The legislature and governor, acting in concert, stopped this rush in its tracks. An emergency bill was pushed through whose only provision was to stop collection of the Secured Debts tax until May 1. As reported in the *New York Times* of April 2, 1915:

WHITMAN ENDS RUSH FOR TAX EXEMPTION
Signs Bill Under Which Holders of Secured Debts No Longer Can Avoid Levy.
ANNUAL IMPOST EXPECTED
Investors Clamor at Office Here of State Controller to Take Advantage of Old Law.

ALBANY, April 1.—Gov. Whitman today

Figure 46. *Baltimore and Ohio Railroad Co. $5,000 bond of 1915 with Secured Debt $25, $7.50 & $5 affixed December 1916.*

signed the bill amending the secured debt tax law. The new law makes ineffective until May 1 that provision of the secured debt tax law which permits bondholders to procure future exemption.

The measure was passed under emergency message from the Governor. It was designed to forestall an expected rush of security holders to obtain exemption, as it is the intention of the administration leaders to repeal the present secured debt tax law and enact another which will require the payment of an annual tax.

Before news came from Albany at 4:15 o'clock yesterday afternoon that Gov. Whitman had signed the bill amending the secured debt tax law, there was a rush of bond dealers and other owners of funded securities to the local office of the State Controller to procure the exemption provided in the original law. Under the terms of the law the payment of one-half of 1 per cent. of the par value of bonds not otherwise exempted from State taxation made them free of future levy. As it was believed in financial quarters that a new law probably will be passed before May 1 providing for an annual taxation of perhaps two-fifths of 1 per cent., security holders were anxious to meet requirements of the old statute before it was too late.

Before noon a long line of clerks extended along the corridors of the floor in the Woolworth Building, where the Controller's offices are situated. Many held large bundles of bonds and a number of good-sized boxes full of securities were brought in under guard. Deputy State Controller William Boardman announced when the first comers appeared that the receipt of the tax would be accepted until telephoned notification came from Albany that the bill had been signed. When the message arrived there were still several dozen bearers of bonds to be waited upon. They were turned away.

The bonds presented aggregated about $10,000,000 in face value and the tax collected amounted to $25,000.[2]

0.2% annual levy proposed

Two days later the Times described the battleground. On the one side, the New York Tax Reform Association, sponsors of the original Secured Debts tax and now its defenders. On the other, the forces

2. These figures are not consistent: the tax on $10 million would have been $50,000.

Figure 47. Baltimore and Ohio Railroad Co. $5,000 bond of 1898 with Secured Debt $25, $10, $1 (x 2) & 25¢ pair affixed June 1916.

aligned with the Whitman administration, their goal expressed in the Talmage bill, which proposed an annual tax of 2 mills per dollar (0.2%). The Association issued statement in favor of the status quo, excerpted below:

> The larger part of the revenue from the secured debt tax law is, naturally, derived from New York City. Conditions in New York City are so different from those in the States which have adopted a low annual tax rate in place of the old personal property tax that no proper comparisons can be made. New York is the financial centre of the Western Continent and its great market for securities, whereas the bulk of the securities taxed in these other States are permanent investments of residents.
>
> The present secured debt tax falls upon the bond itself, and not upon the owner as such. If he subsequently sells the bond and buys another one which is unstamped, he must pay another tax and stamp the new bond, and frequently the bond which he has sold goes to another State. Thus there is a continual revenue due to the changing of investments.
>
> An annual tax, on the contrary, would fall upon the owner according to the total amount of bonds which he had in his possession on assessment day.
>
> The advantage of the present law therefore, is that, owing to the comparatively light rate of the tax, investors do not hesitate to stamp bonds which may, and frequently do, soon pass into other states; whereas, an annual lax would be entirely a personal one.

The ill-fated Mills bill

The 0.2% annual tax proposed in the Talmage bill was precisely what would eventually be enacted in 1917. By April 9, though, the Talmage bill had gone by the boards, replaced by one championed by Senator Mills of New York. Mills' bill proposed a two-part tax: the 0.5% levy would be retained, now providing not permanent exemption from other taxation, but simply registering the investment with the state; and an additional annual tax of 0.15% would guarantee exemption from other taxes. The Times of April 12 gave a detailed account:

O. L. MILLS EXPLAINS
SECURED DEBTS BILL
Senator Tells in Detail What His Bill Provides and

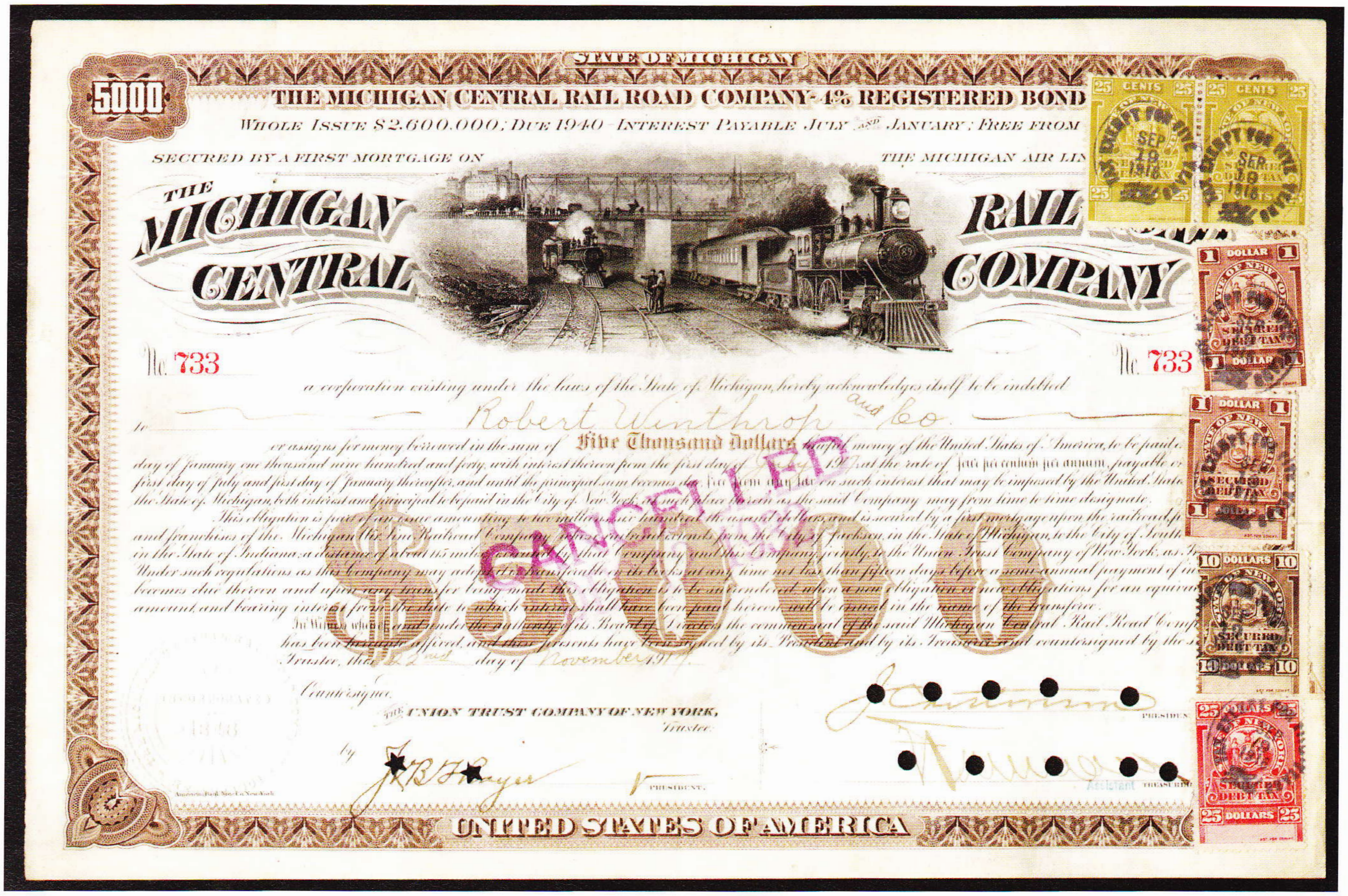


Figure 48. *Michigan Central Rail Road Co. $5,000 bond of 1890 with Secured Debt $25, $10, $1 (x 2) & 25¢ pair affixed September 1916, issued November 1917.*

Will Accomplish.

CONTRACT WITH THE STATE

Tax on Certain Securities of Less Than 2 Mills Relieves Them from Personal Property Tax.

Senator Ogden L. Mills yesterday gave a clear explanation of his Secured Debts bill and what it seeks to accomplish. The Senator said that many misstatements had been made with regard to it and he offered a detailed summary of its provisions and. objects. The bill is entitled "An Act to Amend the Tax Law in Relation to Taxation on Secured Debts." Senator Mills's statement follows:

The bill provides:

1. That the holder, including: a corporation, joint stock company, association, trustee, guardian, or executor of a bond, note, debenture, certificate, or other evidence of indebtedness which is payable one year or more from its date of issue, may pay to the State a registration tax of one half of one per centum, provided, however, that on securities having less than five years to run, the said registration tax shall be two-tenths of a mill on each dollar for each year it has to run.

2. That the holder of any securities so registered, shall pay an annual tax of one and one-half mills on each dollar of the par value of said securities, except that where interest has not been paid, the tax shall be based on the market value of said securities.

3. That the holder of all so-called secured debts, as defined in the bill, which have not been registered as above described, shall pay an annual tax of two cents on each dollar of the par value of the securities.

[4.–6. deal with various exceptions]

7. That secured debts as defined in this article shall be free from all other taxation.

8. That all secured debts registered prior to May 1, 1915, shall continue to be exempt from taxation, not only under this act, but from all taxation in the State as provided in the original secured debts law.

9. That every person, corporation and association subject to this tax shall make an annual verified report to the controller specifying: (a) the aggregate amount of secured debts which have been registered as provided; (b) the aggregate amount of secured debts which have not been registered; (c) such exemptions as are allowed.

10. That for the failure to file a report or for the filing of an inaccurate report, certain penalties shall be imposed.

Lessens Personal Property Tax.

The purpose of this bill is to impose a small annual tax on the holders of a certain class of securities, except on those who have already availed themselves of the exemption furnished by the present secured debt law—and these holders are fully protected. These securities are today subject

Figure 49 New Mexico Railway and Coal Co. 1901 $1,000 bond with U.S. 50¢ Battleship affixed October 1901 and Secured Debt $7.50 added September 1916.

to the personal property tax, the rate of which is very close to two per centum. It is true, of course, that the rate being well-nigh confiscatory, it has been impossible to collect the personal property tax, but it is equally clear that under these circumstances, the imposition of a tax which amounts to less than a sixth of one per centum a year is not in the nature of a great hardship.

The registration feature of the present secured debt law is retained because it was felt that, no matter how low an annual rate were imposed, securities would not appear unless there were some guarantee on the part of the State that the rate of such annual tax would not be raised by future legislation. Under the terms or this bill, by the payment of a registration fee of one-half of 1 per cent. the holder of so-called secured debts enters into a contract with the State under the terms of which he becomes liable for an annual tax of 1½ mills, while the State on its part guarantees him exemption from all other forms of taxation and pledges itself not to raise the rate during the life of the securities so registered. Furthermore, the State acknowledges the exemptions already granted under the secured debt law and again pledges its good faith not to set aside or in any way modify the rights of those availing themselves of the registration privilege.

Direct Taxes Necessary.

The present condition of the State finances necessitates the raising of additional revenue. A large direct tax is in any event inevitable. That the entire burden should be borne by real estate is not only inequitable, but certainly, in so far as New York City is concerned, would be highly dangerous. Under these circumstances, the taxing of holders of certain securities at a very low rate and one which is almost 1 4-5 per centum lower than the rate of taxation to which they are at present liable under the personal property tax seems eminently sound, fair, and proper.

A hearing on Senator Mills's bill will be held in Albany tomorrow when suggestions looking to its improvement will be welcomed by its introducer.

The compromise of 1915

At the April 13 hearing just alluded to, Mills' bill was transformed into a stopgap compromise measure. The 0.5% registration fee was jettisoned; the 0.15% annual fee for exemption from other taxes was retained, but in modified form, as a one-time 0.75% tax providing a five-year exemption; and the new tax would remain in effect only until September 30. Except for an extension of the ending date to October 31, this bill was essentially identical to that eventually enacted on April 30, 1915. The *Times* of

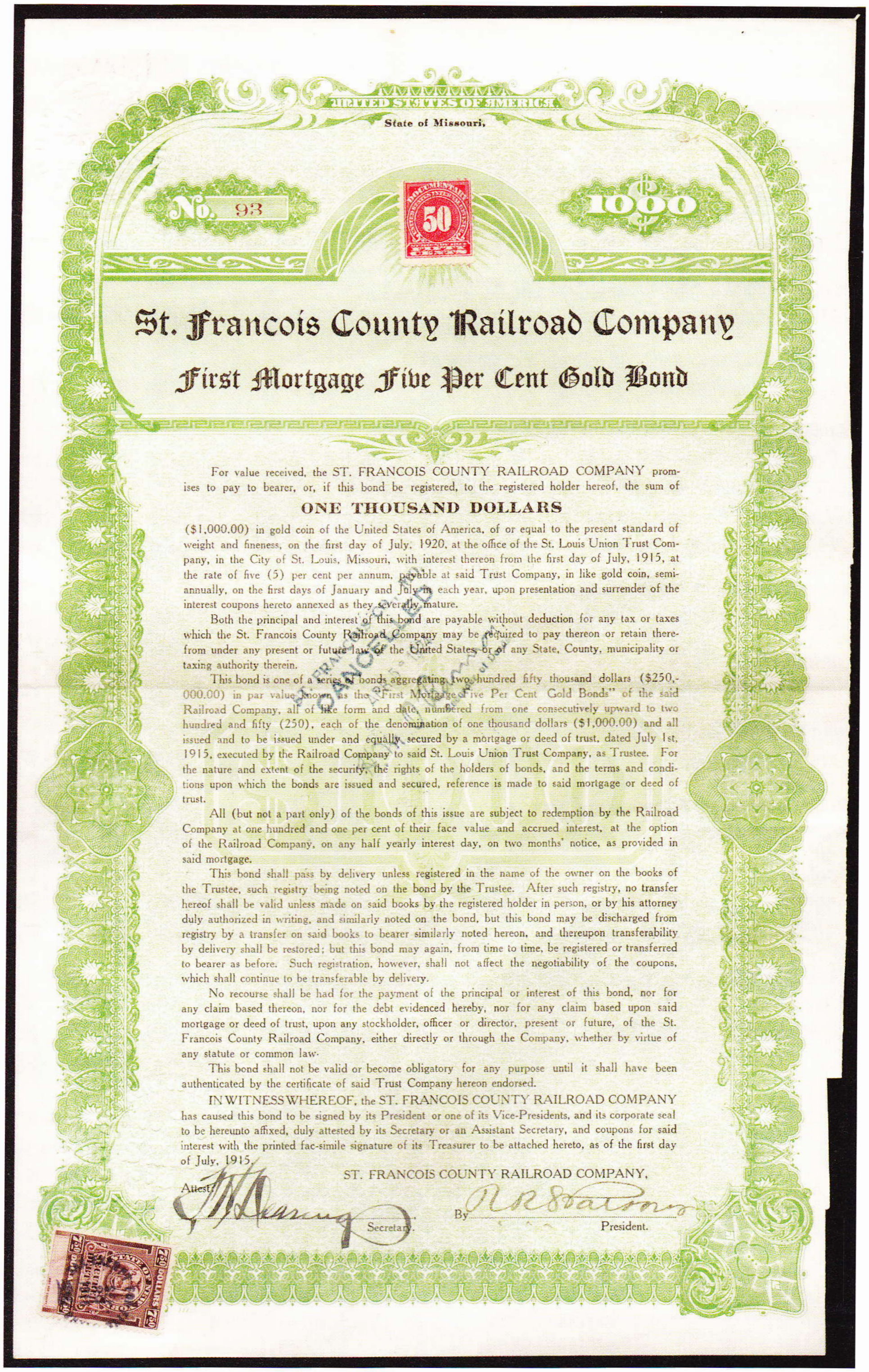
April 15 reported:

NEW SECURED DEBTS BILL IN
Makeshift Plan Follows Lines of Repealed Law.

ALBANY, April 14.—Under the direction of the Senate Committee on Taxation and Retrenchment a new Secured Debts Tax bill was introduced today, which eliminated some of the features of the original measure. The bill was prepared by Senator Mills, sponsor for the original bill, which encountered vigorous opposition at a hearing held yesterday, and by Senate Leader Elon R. Brown. The bill follows the lines of the secured debts law which was on the statute books from 1911, until the repeal law enacted at the present session went into effect. Under the new bill domestic holders of certificates of indebtedness, secured by property in this or other States, may at their option have their securities registered against the payment of a tax of three-fourths of 1 per cent, on the par value, and thereby earn exemption from local taxation for a period of five years. The securities, however, must be registered prior to Oct. 1 of this year.

It was admitted tonight by the legislative leaders that the new bill was a mere makeshift and that in all probability a companion bill would be introduced providing for a legislative inquiry into the taxing system with a view of recommending to the next session of the Legislature a taxation plan which would provide for the growing requirements of the State.

Senator Mills tonight, in discussing the new bill, said: "At the hearing held yesterday, the almost unanimous opinion expressed by those appearing before the committee was that it would be unwise to attempt to enact so far-reaching a tax reform in the short time at our disposal. Under these circumstances we have decided not to press the original bill, but to introduce as a substitute a measure which provides that after May 1 and prior to Oct. 1 of this year, the holder of any secured debt may pay a registration tax of three-quarters of one per cent. All secured debts registered on which this tax has been paid shall be exempt for five years from the date of payment from all taxation. A committee of the Legisla-



United States of America
State of Missouri.
No. 93
1000
St. Francois County Railroad Company
First Mortgage Five Per Cent Gold Bond

For value received, the ST. FRANCOIS COUNTY RAILROAD COMPANY promises to pay to bearer, or, if this bond be registered, to the registered holder hereof, the sum of

ONE THOUSAND DOLLARS

($1,000.00) in gold coin of the United States of America, of or equal to the present standard of weight and fineness, on the first day of July, 1920, at the office of the St. Louis Union Trust Company, in the City of St. Louis, Missouri, with interest thereon from the first day of July, 1915, at the rate of five (5) per cent per annum, payable at said Trust Company, in like gold coin, semi-annually, on the first days of January and July in each year, upon presentation and surrender of the interest coupons hereto annexed as they severally mature.

Both the principal and interest of this bond are payable without deduction for any tax or taxes which the St. Francois County Railroad Company may be required to pay thereon or retain therefrom under any present or future law of the United States, or of any State, County, municipality or taxing authority therein.

This bond is one of a series of bonds aggregating two hundred fifty thousand dollars ($250,000.00) in par value known as the "First Mortgage Five Per Cent Gold Bonds" of the said Railroad Company, all of like form and date, numbered from one consecutively upward to two hundred and fifty (250), each of the denomination of one thousand dollars ($1,000.00) and all issued and to be issued under and equally secured by a mortgage or deed of trust, dated July 1st, 1915, executed by the Railroad Company to said St. Louis Union Trust Company, as Trustee. For the nature and extent of the security, the rights of the holders of bonds, and the terms and conditions upon which the bonds are issued and secured, reference is made to said mortgage or deed of trust.

All (but not a part only) of the bonds of this issue are subject to redemption by the Railroad Company at one hundred and one per cent of their face value and accrued interest, at the option of the Railroad Company, on any half yearly interest day, on two months' notice, as provided in said mortgage.

This bond shall pass by delivery unless registered in the name of the owner on the books of the Trustee, such registry being noted on the bond by the Trustee. After such registry, no transfer hereof shall be valid unless made on said books by the registered holder in person, or by his attorney duly authorized in writing, and similarly noted on the bond, but this bond may be discharged from registry by a transfer on said books to bearer similarly noted hereon, and thereupon transferability by delivery shall be restored; but this bond may again, from time to time, be registered or transferred to bearer as before. Such registration, however, shall not affect the negotiability of the coupons, which shall continue to be transferable by delivery.

No recourse shall be had for the payment of the principal or interest of this bond, nor for any claim based thereon, nor for the debt evidenced hereby, nor for any claim based upon said mortgage or deed of trust, upon any stockholder, officer or director, present or future, of the St. Francois County Railroad Company, either directly or through the Company, whether by virtue of any statute or common law.

This bond shall not be valid or become obligatory for any purpose until it shall have been authenticated by the certificate of said Trust Company hereon endorsed.

IN WITNESS WHEREOF, the ST. FRANCOIS COUNTY RAILROAD COMPANY has caused this bond to be signed by its President or one of its Vice-Presidents, and its corporate seal to be hereunto affixed, duly attested by its Secretary or an Assistant Secretary, and coupons for said interest with the printed fac-simile signature of its Treasurer to be attached hereto, as of the first day of July, 1915.

ST. FRANCOIS COUNTY RAILROAD COMPANY,

Attest: Secretary. By President.

CANCELLED

Figure 50. *St. Francois County Railroad Co. 1915 $1,000 bond, U.S. 1914 50¢ affixed in 1915 and Secured Debt $7.50 in September 1916.*

Table IV

Recorded bonds stamped at Secured Debts 0.75% rate, May–October 1915

Company/Bond	Cox #	Amount	Date (s)	Stamps	Stamps Date(s)
Baltimore and Ohio Railroad Co.					
27-yr Prior Lien 3% Registered Gold Bond of 1898	BAL-662d-B-37	$5,000	1916	$25, $10, $1 (x 2), 25¢ (x 2)	10/1915*
Beech Creek Railroad Co.					
First Mortgage Registered Bond	BEE-333a-B-40	$1,000	1891	$5, $2.50	10/1915
Chicago, Indiana & Southern Railroad Co.					
4% Gold Bond	CHI-288-B-40	$1,000	1906	$5, $2.50	9/1915
Cincinnati, Indianapolis, St. Louis and Chicago Rwy. Co.					
First Consolidated Mortgage Bond	CIN-382-B-41	$1,000	1880	$5, $2.50	9/1915
Cleveland, Cincinnati, Chicago and St. Louis Railway Co.					
First Coll.Trust Mge. 4% Gold Bond, St. Louis Div.	CLE-413-B-10	$1,000	1890	$5, $2.50	9/1915
4% Gold Bond secured by First Mortgage of Cairo, Vincennes & Chicago Railway Co.	CLE-413-B-20	$1,000	1890	$5, $2.50	9/1915
General Mortgage Gold Bond	CLE-413-B-30	$1,000	1893	$5, $2.50	9–10/1915
Cleveland Short Line Railway Co.					
50 Year First Mortgage Gold Bond	CLE-787-B-50	$1,000	1911	$5, $2.50	9/1915
Edgewater Basin Co.					
First Mortgage Gold Bond		$1000	1907	$5, $2.50	1915
Green Mountain Marble Co.					
6% First Mortgage Gold Bond		$500	1910	$2.50, $1, 5¢ (x 5)	9/1915
Iron Steamboat Co. of New Jersey					
4% Second Lien Gold Bond		$500	1902	$2.50, $1, 5¢ (x 5)	9/1915
City of Jersey City					
1905 4% Refunded Assessment Gold Bond		$1,000	1905	$5, $2.50	10/1915
1909 Refunding 4% Gold Bond		$1,000	1909	$5, $2.50	10/1915
Lake Shore and Michigan Southern Railway Co.					
3½% Gold Bond	LAK-627-B-30	$1,000	1897	$5, $2.50	10/1915
3½% Registered Gold Bond	LAK-627-B-36	$5,000	1897	$25, $10, $2.50	9/1915
			1916	$25, $7.50, $5	9/1915*

ture should be appointed to thoroughly investigate and study the subject of taxation, after the adjournment of the Legislature, and be prepared to report its conclusions to the Legislature on Jan. 1, 1916."

When Senator Brown's attention was called tonight to the fact that the new bill provides for a tax one-quarter of one per cent. in excess of what the old law provided, he expressed the opinion that the increase would not prove a hardship to owners of taxable securities.

Securities on which the tax has been paid under the old law are not affected by the provisions of the new bill.

1916 stalemate

With respect to the Secured Debts tax, the 1916 legislative session was essentially a rerun of what had transpired in 1915. Senator Mills again proposed a reform; lawmakers deadlocked over it, and in fact came dangerously close to letting the session slip by without putting any tax at all in place. The *Times* of April 1, 1916, urged action:

THE SECURED DEBT TAX.

As usual, and as is wrong, the important measures of the Legislature are among those latest in being proposed. Among them is Senator Mills's secured debt tax bill. If it is not passed the State will lose the revenue from such a tax at a time when the proceeds promise to be unusually large. On the other hand, the loss to taxpayers from inability to comply with such a law, through failure of its enactment, would be exceptionally great, on account of the unusual efforts to enlarge the personal tax collections last year. If the secured debt tax should fail of enactment thereby the privilege of personal tax payers to offset their debts against their person-

Company/Bond	Cox #	Amount	Date (s)	Stamps	Stamps Date(s)
	LAK-627-B-37	$10,000	1916	$50, $25	9/1915*
25 Year 4% Gold Bond	LAK-627-B-40	$1,000	1903	$5, $2.50	10/1915
25 Year 4% Registered Gold Bond of 1903	LAK-627-B-50	$1,000	1915	$5, $2.50	9/1915
	LAK-627-B-53	$10,000	1915	$50, $25	9/1915
25 Year 4% Registered Gold Bond of 1906	LAK-627-B-61	$5,000	1907	$25, $10, $2.50	9/1915
Lehigh Valley Terminal Railway Co.					
First Mortgage 5% Gold Bond	LEH-852-B-30	$1,000	1891	$5, $2.50	9,10/1915
Michigan Central Rail Road Co.					
First Mge. Regis. Bond on Michigan Air Line RR, 1890	MIC-182b-B-21b	$5,000	1914	$25, $10, $2.50	10/1915
Michigan Central Railroad Co.					
First Mortgage 4% Registered Bond of 1902	MIC-182c-B-40	$1,000	1915	$5, $2.50	10/1915
New York Central Railroad Co.					
6% Registered Gold Debenture of 1915	NEW-530b-B-51	$5,000	1915	$25, $10, $5	7, 9/1915
			1915	$5 (x 7), $2.50	9/1915
			1917	$25, $7.50, $5	9/1915*
	NEW-530b-B-52	$10,000	1917	$50, $25	9/1915*
	NEW-530b-B-53	$50,000	1915	$100 (x 3), $50, $25	9/1915
			1917	$100 (x 3), $50, $25	9/1915*
New York Central and Hudson River Railroad Co.					
4% Gold Debenture of 1904	NEW-533a-B-11	$5,000	1909	$25, $10, $2.50	9/1915
Northern Pacific Railway Co.					
Prior Lien Railway and Land Grant Gold Bond	NOR-790-B-26	$1,000	1896	$5, $2.50	9, 10/1915
City of Providence					
Sewer Loan of 1914		$1,000	1914	$5, $2.50	10/1915
Toledo, Peoria & Western Railway Co.					
First Mortgage 4% Registered Gold Bond	TOL-648a-B-60	$1,000	1887	$5, $2.50	9/1915
Wilkes-Barre & Eastern Railroad Co.					
First Mortgage 5% Registered Gold Bond	WIL-120-B-50	$1,000	1892	$5, $2.50	???

*Stamped in 1916–7, cancels backdated to 1915

al property would be revived. The loss to the State would be the entire tax on the personal property, rather than the loss of the secured debt tax. That is the usual sequel of such attempts as last year's to enlarge the personal property tax collections.

The tax collectors become teachers of methods of evasion, and their scholars become adepts in the art. All who learned to their cost that they must pay the full tax unless they availed themselves of the opportunity of the secured debt tax are keen to learn whether there will be a secured debt law this year or not, and govern themselves accordingly. The fanatics about equality of taxation on all kinds of property may be of the same opinion still, but after last year's fiasco, after the most strenuous efforts ever made to enforce the personal property tax, they must yield to the demonstration that the lowering of the personal tax rate is the most profitable, just, and reasonable procedure.

The unsettled question at present is the status of bonds eligible to the lower rate when in transit between issuers and buyers. In the hands of brokers and other middlemen they are in an uncertain status between being issued and unissued, that is as to being eligible or ineligible, and there is the question who should pay the tax if eligible. When that doubt is removed the bill ought to pass in the interest of both the State and its taxpayers.

The Act of April 21, 1916, appears to have been classic "kick-the-can-down-the-road" legislation, merely renewing the stopgap measure of 1915.[3] After its passage the *Times* weighed in on April 30:

THE SECURED DEBT TAX.

3. As discussed earlier, it did however mandate creation of new stamps in suitable denominations.

Table V

Recorded bonds stamped at Secured Debts 75¢/$100 rate, April 21–December 31, 1916

Company/Bond	Cox #	Amount	Bond Date(s)	Stamp(s)	Stamp(s) Date
Atlantic Coast Line Railroad Co.	ATL-427-B-49a	$5,000	1906	$25, $7.50, $5	1916
Baltimore and Ohio Railroad Co.					
27-yr Prior Lien 3% Registered Gold Bond of 1898	BAL-662d-B-36	$1,000	1909–11	$7.50	9/1916
	BAL-662d-B-37	$5,000	1909–11	$25, $7.50, $5	9/1916
			1918	$25, $7.50, $5	9/19161
	BAL-662d-B-38	$10,000	1911	$50, $25	9/1916
First Mortgage 4% Registered Gold Bond of 1898	BAL-662d-B-51a	$5,000	1915	$25, $10, $1 (x 2), 25¢ (x 2)	6/1916
			1914	$25, $7.50, $5	9/1916
4.5% Registered Gold Bond of 1913	BAL-662d-B-67	$1,000	1916	$7.50	12/1916
Refunding & General 5% Mge. Regis. Bond of 1915	BAL-662d-B-80	($500)	1916	$3.75	11/1916
	BAL-662d-B-82	$5,000	1916	$25, $7.50, $5	12/1916
Chicago and Erie Railroad Co.					
First Mortgage Gold Bond	CHI-177-B-50	$1,000	1890	$7.50	6/1916
Cincinnati, Sandusky and Cleveland Railroad Co.					
Consolidated First Mortgage Bond	CIN-745-B-50	$1,000	1888	$7.50	9/1916
Cleveland, Cincinnati, Chicago and St. Louis Railway Co.					
4% Gold Bond Cincinnati, Wabash & Michigan Railway Division	CLE-413-B-25	$1,000	1891	$7.50	9/1916
Cleveland, Columbus, Cincinnati and Indianapolis Rwy. Co.					
General Mortgage Consolidated 6% Gold Bond	CLE-480-B-60	$1,000	1884	$7.50	9/1916
Cleveland Short Line Railway Co.					
First Mortgage Gold Bond	CLE-787-B-50	$1,000	1911	$7.50	9/1916
Lake Shore and Michigan Southern Railway Co.					
3½% Registered Gold Bond of 1897	LAK-627-B-35	$1,000	1907	$7.50	11/1916
Michigan Central Rail Road Co.					
First Mge. Regis. Bond on Michigan Air Line RR, 1890	MIC-182b-B-21b	$5,000	1917	$25, $10, $1 (x 2), 25¢ (x 2)	9/1916*

The principle of the secured debt tax is so good that its extension for a year is welcome. Yet there are some considerations of an exceptional sort applicable at this time. Never before were there so many reorganizations of railways. Hundreds of millions of secured debts are being put into other forms, and yet the tax applies only to the identical securities to which the stamps are affixed, and is calculated on the face value rather than on the market value.

A tax on a defaulted bond which pays no interest, and which is selling at a nominal value, has some likeness to a tax on a vacant lot. It is no fault of the tax that the lot returns no income. The tax is on the property in both cases. But there is this difference, the owner of the lot has the option to improve it, and make it earn the income its value entitles it to. But the owner of a secured debt has no option, nor any individual status. He must follow the reorganization, and the securities which he stamps may be compulsorily exchanged for others, the tax payment being wasted. The property which is taxed, if it can be called property, is the secured debt itself, not the paper which certifies the ownership of the credit against the debtor. It would seem that the tax paid ought to follow the securities in the reorganization. Yet there are difficulties, so variously are the securities altered in the reorganizations.

The point is good only for a single year, and is mentioned in order that it may be considered when the question of putting the law into permanent form is considered. At present the law is being passed at each session pending the proposal of a permanent revision of the tax laws by the Mills committee. In the present law, as in its predecessor, there is a compulsion to register under the law, for there is no allowance of an offset of debts, as in the case of other property which does not have this option of commuting the tax.

It remained for the 1917 legislature to finally enact an annual tax.

Company/Bond	Cox #	Amount	Bond Date(s)	Stamp(s)	Stamp(s) Date
Michigan Central Railroad Co.					
4% Registered Gold Debenture of 1909	MIC-182c-B-65	$1,000	1911	$7.50	9/1916
	MIC-182c-B-66	$5,000	1911	$25, $7.50, $5	9/1916
New Jersey Junction Rail Road Co.	NEW-227-B-50	$1,000	1886	$5, $2.50	5/1916
New Mexico Railway and Coal Co.					
First and Consolidated Mortgage and Collateral Trust 5% Gold Bond	NEW-309-B-46	$1,000	1901	U.S. R171	1901
				$7.50	9/1916
New York and Erie Rail Road Co.	NEW-591-B-30	$1,000	1847	U.S. R70c	1867
				$7.50	1916
New York Central Railroad Co.					
6% Registered Gold Debenture of 1915	NEW-530b-B-51	$5,000	1915	$25, $7.50, $5	6/1916
			1917	$25, $10, $1 (x 2), 25¢ (x 2)	12/1916
Norfolk and Western Railway Co.					
First Consolidated Mortgage 4% Gold Bond	NOR-080a-B-36	$5,000	1916	$25, $7.50, $5	9/1916
Northern Pacific Railway Co.					
Prior Lien Railway and Land Grant Gold Bond	NOR-790-B-26	$1,000	1896	$7.50	9/1916
St. Francois County Railroad Co.					
First Mortgage 5% Gold Bond	STF-833-B-67	$1,000	1915	U.S. R215	1915
				$7.50	9/1916
United States Steel Corporation					
5% Registered Gold Bond, Series D (orange)		$5,000	1916	$25, $7.50, $5	9/1916
State of New York Comptroller's Office					
Tax on Secured Debt certificate		$5,000	1917	$25, $10, $2.50	12/1916

*Converted from bonds stamped 9/1916, cancels backdated to 9/1916

How successful was the tax?

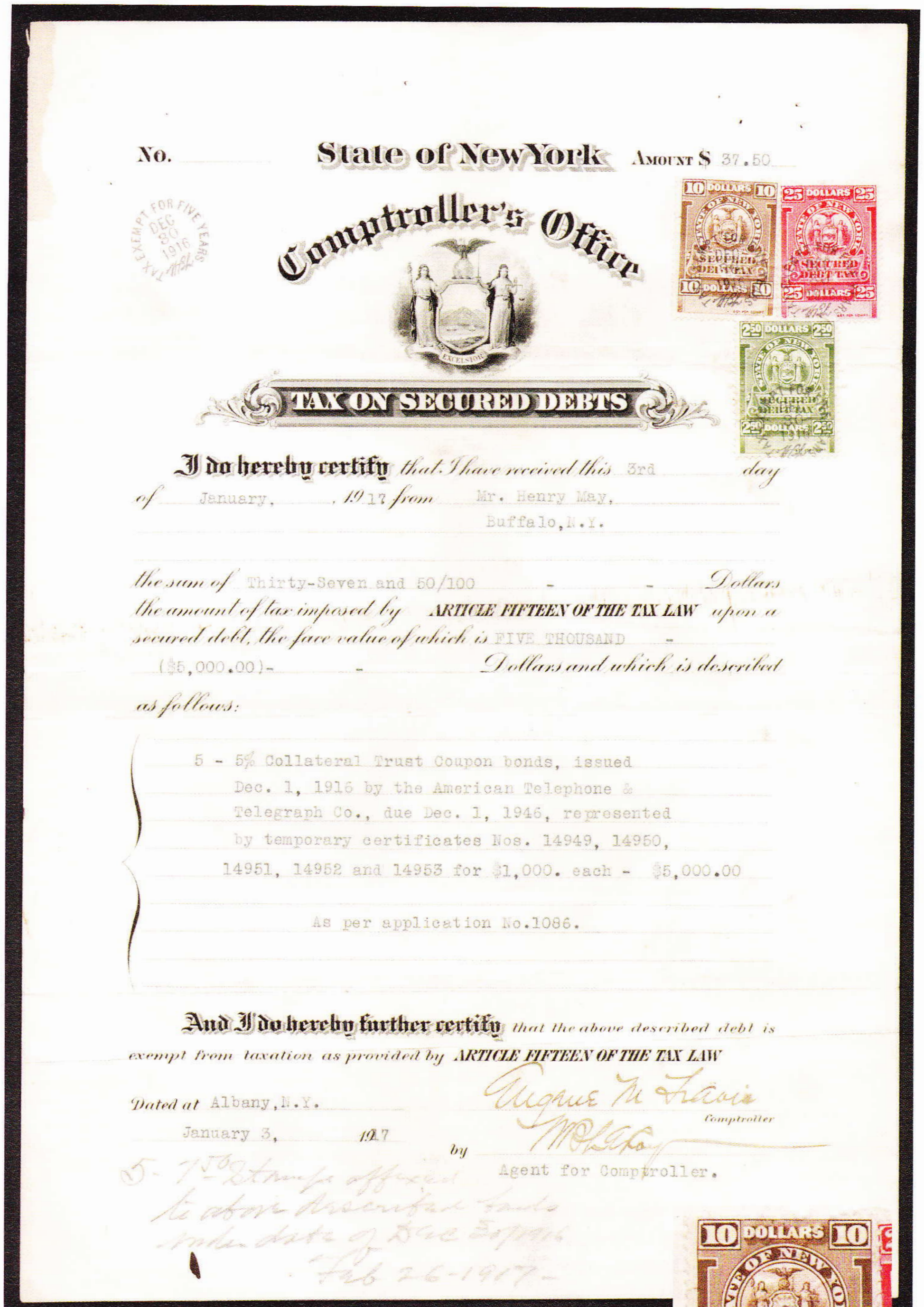
The number of stamped bonds surviving today is directly dependent upon the number stamped to begin with. How successful was the Secured Debts tax? Over its five-year course it raised some $6 million, from which it can be deduced that only about 10% of eligible bonds were stamped. Official expectations had been much higher. The *New York Times* of August 28, 1911, reported an early prediction:

> It was stated when the secured debts law was enacted that it would net the State a revenue the first year of about $2,500,000. This sum, Controller Sohmer thinks, is too low by half. Letters received in his office and conferences with owners and holders of debts affected by this law, he says, would seem to indicate an annual revenue of at least $5,000,000.

The *Times* of September 10, 1911, presented another official view:

> The sponsors for the new law expect that it will take three or four years to get the bonds and other instruments now in this State registered and that if the revenue this year is $10,000,000 it may be $4,000,000 next year, gradually dropping to $1,000,000 a year, which rate they think will be maintained by the registration of new bond issues and bonds newly brought into the State.

These last predictions were based on estimates of the value of eligible bonds—as high as $5 billion by some estimates, representing $25 million in potential revenue—together with the expectation that the majority of these bonds would be stamped. Receipts for the first year, though, were not $10 million, but only $1.4 million. The *Times* of September 13, 1912, in reporting this figure, gave the complementary estimate of bond brokers that only 5–10% of eligible bonds had been stamped. It also furnished a long quote from the President of the New York City Tax Department that put an



No. State of New York Amount $ 37.50

Comptroller's Office

TAX ON SECURED DEBTS

I do hereby certify that I have received this 3rd day of January, 1917 from Mr. Henry May, Buffalo, N.Y.

the sum of Thirty-Seven and 50/100 Dollars the amount of tax imposed by ARTICLE FIFTEEN OF THE TAX LAW upon a secured debt, the face value of which is FIVE THOUSAND ($5,000.00) Dollars and which is described as follows:

5 - 5% Collateral Trust Coupon bonds, issued Dec. 1, 1916 by the American Telephone & Telegraph Co., due Dec. 1, 1946, represented by temporary certificates Nos. 14949, 14950, 14951, 14952 and 14953 for $1,000. each - $5,000.00

As per application No.1086.

And I do hereby further certify that the above described debt is exempt from taxation as provided by ARTICLE FIFTEEN OF THE TAX LAW

Dated at Albany, N.Y. January 3, 1917

Comptroller

by Agent for Comptroller.

5- 7.50 Stamps affixed to above described bonds under date of Dec 30/1916 Feb 26-1917

Figure 51. Comptroller's certificate attesting to payment of $37.50 tax for five $1,000 bonds, with Secured Debt $25, $10 & $2.50 affixed January 3, 1917. As the tax had expired December 31, 1916, the cancels were backdated to December 30.

EXEMPTION RECEIPTS LOW
New Tax Paid on Less Than $300,000,000 Worth of Bonds—Untilled Fields for Assessors.

Receipts under the secured debt tax, in anticipation of the imposition of personal property taxes on Oct. 1, are running ahead of those of last year for September, the rush month, but not to an extent to indicate that anything like the total of bonds owned by residents of the State are being brought in for registration and exemption from general taxation. At the New York City office of the State Controller, where nearly all of the tax collected is paid, the total up to the close of business yesterday was about $51,000. Last year the amount received in the first twelve days of September was about $33,000.

The increase is attributed chiefly to the fact that the existence of the law has become better known to owners of bonds, in some cases by their having to pay during the last year the personal property tax of 1.83 per cent., which they might have avoided by paying the registration tax of one-half of 1 per cent., which exempts the bonds from general taxation for all time.

The new law went into effect on Sept. 1 last year, and the total receipts for the twelve months ended Aug. 31 at the New York office were $1,378,487.52.[4] The taxes from the rest of the State, paid at Albany, were inconsiderable by comparison. The new tax, therefore, was paid on less than $300,000,000 worth of bonds. It is notorious that few holders of bonds pay the personal property tax on them, and it is apparent that the real bulk of bonds owned here did not pay the secured debt tax. There is no means of ascertaining the amount of bonds owned in the State, and expert optimistic face on the situation, and furnished a scenario for greatly increasing receipts via aggressive assessment:

SOUNDS WARNING TO OWNERS OF BONDS
Secured Debt Lists Carefully Prepared for Oct. 1, Says President Purdy.

4. This total cannot have been achieved without the sale of some 1¢ stamps, each of which paid the tax on a mere $2 in secured debt. It is difficult to imagine how such usages occurred, yet a very few used copies of the stamp exist [it is rated "RR" by both Cabot (1940) and Hubbard (1960)], and here is independent evidence that at least a few were sold.

Figure 52. New York Central Railroad Co. $5,000 debenture of 1915 issued May 1917, in trust for William K. Vanderbilt, Jr., with Secured Debt $25, $7.50 & $2.50 affixed, cancels backdated to September 28, 1915.

estimates are varied, running as high as $5,000,000,000. Bankers who deal largely in bonds, speaking from their experience of the securities that pass through their hands, say that the number on which the new tax is paid is between 5 and 10 per cent., and these figures are accepted as approximately correct by the sponsors for the new law.

Revenue from a new source.

The purpose of the law was to obtain revenue from a source that very largely escaped taxation, and for this reason a provision was included that it was believed would induce bondholders generally to resort to the exemption tax. The experience of the Tax Department has been that hardly any individuals were ever found in the possession of bonds who did not show indebtedness sufficient to offset them. The new law provided that no offset of indebtedness could thereafter be made against bonds or secured debts, so that the personal property tax of 1.83 [%] in this city applied, at least theoretically, to bonds owned here. A tax of similar size will apply every year to bonds on which the secured debt tax has not been paid, and it is expected that when bondholders realize that they cannot offset their indebtedness they will take greater advantage of the exemption.

President Purdy of the City Tax Department, who advocated the new law, and Assistant Commissioner Heydecker, who drafted it, while admitting that the great bulk of bonds in this State had not paid the tax, expressed satisfaction yesterday with the amount of revenue derived from it in the first year, in view of the fact that its provisions had not become generally understood. Mr. Purdy criticized the slack enforcement of the personal property tax by assessors upstate, and declared that everything would be done in this city to reach bondholders who did not exempt their bonds.

"The receipts last year," he said, "would have been much greater had the law been thoroughly understood by the assessors in the country towns throughout the State and by those who reside in these country towns. There are numerous towns where a little aggressive work upon the part of the assessors would have resulted in a revenue to the State itself or to the towns so great as entirely preclude the necessity for any tax on anything else but secured debts. There are towns where the tax rate might have been reduced to 2 or 3 mills from 2 or 3 per cent. if the local assessors had exercised that degree of imagination which had to be exercised by those who framed the secured debt tax law.

Figure 53. New York Central Railroad Co. $50,000 debenture of 1915 issued May 1917, in trust for Ann H. Vanderbilt, with Secured Debt $100 (x 3), $50 & $25 affixed, cancels backdated to September 28, 1915.

Great wealth beckons assessors.

Just consider the amount of secured debts which must be held by the residents of the town of Greenburgh, in which is the village of Tarrytown, or the town of Bedford in Westchester County, or the town of Hempstead on Long Island; then, too, there is Tuxedo, famed from ocean to ocean; just suppose the assessors there could think in billions instead of hundreds of thousands, the revenue to those towns for one year would have been beyond their wildest anticipations; then the following year the State of New York would have reaped its profit. Besides these towns, which are the dwelling places and legal residences of those who live most of the year in the City of New York, there are the nice little towns that perform a similar function for the cities of Buffalo, Rochester, Syracuse, Utica, and Albany. It is said that the town of Colonie is especially favored by the wealthy residents of Albany.

All that was necessary for these assessors was to make up a nice list and jot down opposite each name, say, $10,000,000 to start with: then advertise in the local newspaper, not for pay, but because the editor would have jumped at the news as a matter of vital interest to its readers. Why, that list in the local paper would have brought numerous persons to the Board of Assessors to make explanations and learn about the law, and then would have taken them to the office of the Controller of the State with their little $5 a thousand, or $5,000 a million, or $50,000 for ten millions, as the case must be.

It is never too late to mend and enforce the law. If the assessors in every part of the State will start on this path of interest and diversion, which lies fair before them, before the following May comes around, they will be astonished at the result.

Here in the City of New York no occasion has been allowed to escape for sounding a note of warning to those who own secured debt and are within the Jurisdiction of the New York Tax Department. Lists of such persons have been prepared with much care by the department, and any one who owns secured debts need feel no surprise if his name appears upon the annual record when the books open on Oct. 1. If he owns secured debts, now is the time to take advantage of the beneficent law which permits him to pay $5 a thousand and escape a tax equaling one-third to one-half his income.

In view of President Purdy's statement, figures were obtained for some of the townships in which persons of wealth have their legal residences. In the

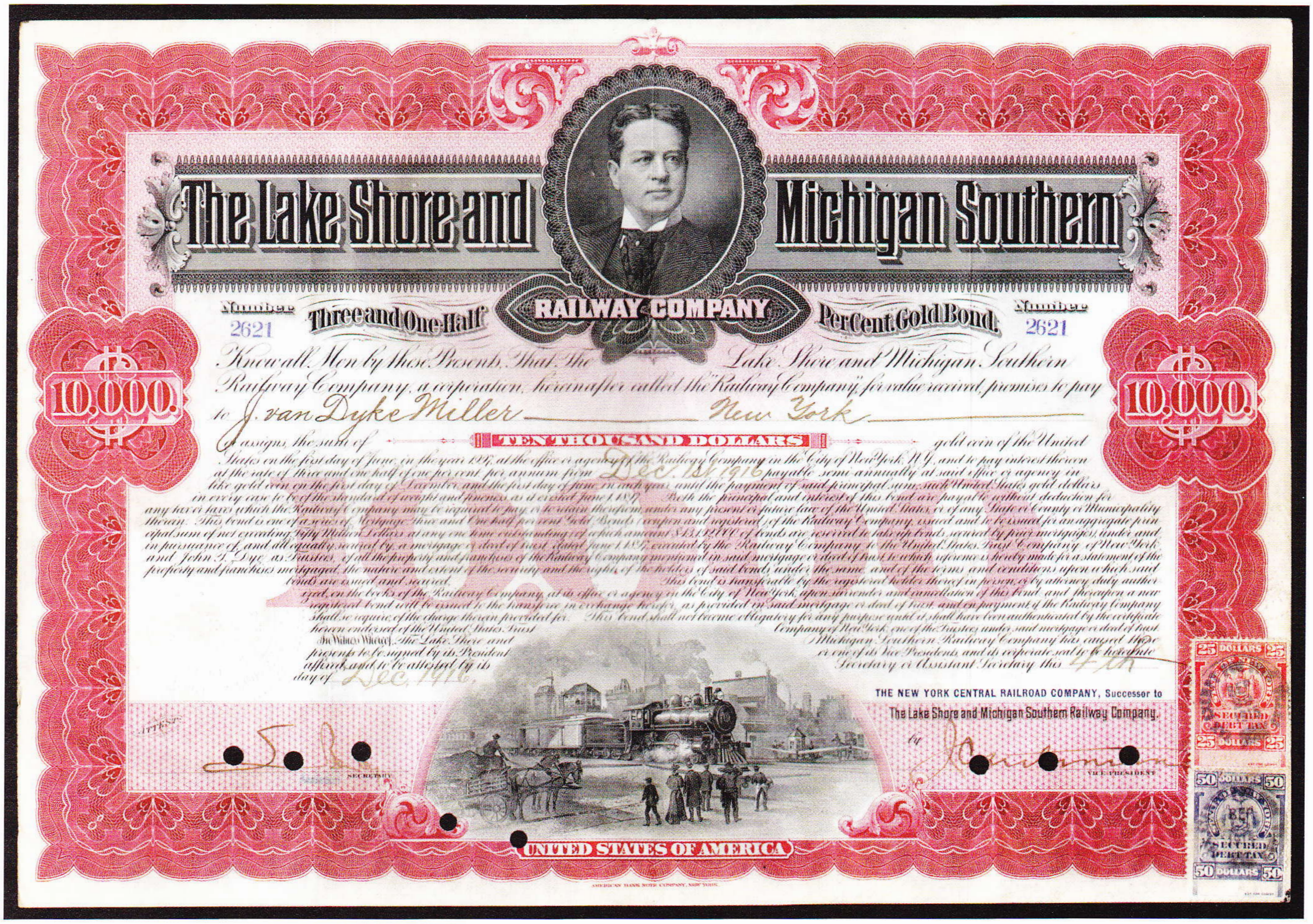


Figure 54. Lake Shore and Michigan Southern Railroad Co. $10,000 bond of 1897, issued December 1916, to J. van Dyke Miller with Secured Debt $50 & $25 affixed, cancels backdated to September 29, 1915.

town of Greenburgh, which includes Dobbs Ferry, Hastings, Irvington, Tarrytown, and Ardsley, and numbers among its residents John D. Rockefeller and many others of large means, the total personal property assessment last year was $3,299,250. That of Hempstead was $1,012,540, North Hempstead $1,495,300, Oyster Bay $664,600. In the township of Tuxedo the total assessment was only $740,000.

This eminently sensible exhortation evidently had little effect. Receipts for the second year of the tax in fact were only $1,167,476, down from a revised figure of $1,411,568 for the initial year.5 The backers of the tax, though, were nothing if not optimistic: they now predicted an eventual annual baseline income of $2 million purely from newly issued bonds, double their original projection. From the *Times* of March 23, 1914,

Sponsors for the law, however, have never expressed disappointment with the revenue, as they believed it would take several years for the public to become familiar with the law and to take full advantage of it. They believe it will eventually yield at least $2,000,000 a year in spite of the fact that there will be fewer and fewer of the bonds outstanding at the time it took effect that have not already been registered. The $2,000,000 is based on an estimated output of an average of $1,000,000,000 of bonds a year in this city, on 40 per cent. of which it is calculated the tax would be paid.

Revenue Increasing This Year.

The first year of the law the revenue amounted to $1,411,568. In 1913 it was $1,167,476. For the present fiscal year, ending on Sept. 30 next, the revenue up to Feb. 1 was $227,835, as against $568,321 during the same period last year. At the office of the State Controller, it was said yesterday, however, that since Feb. 1 the payments had been heavy, and that in the first three weeks of March they were about $400,000 as against $150,000 for the whole of March last year. The amount for the fiscal year to the latter part of last week was said to be greater than for the whole fiscal year of 1913.

Ranking firms to an increasing extent, it is said, are forming the habit of exempting an entire

5. The total of $1,378,487.52 reported earlier was for the office of the Deputy Controller in New York City, at which time it was noted that the amount paid at Albany was "inconsiderable by comparison." The figure of $1,411,568 given here for 1912 quantifies this assessment; evidently only $33,080 was collected at Albany, comprising 2.3% of the total .

Figure 55. Baltimore and Ohio Railroad Co. $5,000 bond of 1898, issued August 8, 1916, with Secured Debt $25, $10, $1 (x 2) and affixed, cancels backdated to October 23, 1915.

bond issue before it is sold, and two or three bond houses make daily payments on all the bonds coming into their possession on which the tax has not already been paid.

This last paragraph dovetails nicely with the observation that a number of surviving bonds were stamped before being sold (Figures 23, 48; see also the detailed online censuses).

Despite this forecast of increased revenue for fiscal 1914, the *Times* of April 4, 1915, in a long quote from the New York Tax Reform Association, reported that it had actually decreased again:

SPONSORS DEFEND SECURED DEBT TAX
Tax Reform Association Holds Decline
in Receipts is Due to Abnormal Conditions
Yield $1,000,000 a Year.

The law has yielded an average of more than $1,000,000 annually since its enactment. While the revenue fell off somewhat last year, the same was true of the other indirect taxes, especially the mortgage and stock transfer tax, which, like the secured debt tax, were affected by the abnormal financial situation and the closing of the Stock Exchange...

There has been little demand for a repeal of the secured debt tax. Persons familiar with tax and revenue problems regard it as an excellent measure in view of New York conditions.

For 1915 and 1916, partial data on receipts from the Secured Debt tax were reported in the Times of December 21, 1916. For July through November 1915, $985,614.94 was taken in; the tax was in effect only from May through October, so only the receipts from May and June are missing here. For July through November 1916, receipts were $603,534.12; the tax was in effect from April 21 until December 31, so the receipts cover five of these eight months.

The data in these last four articles enable an estimate of the percentage of eligible secured debts stamped while the tax was in effect, a period spanning five years and three months, from September 1, 1911, until December 31, 1916. From the informed estimates of $5 billion for the value of bonds held in the State at the onset of the tax, and of $1 billion per year for bonds newly issued or brought in, together with the tax rates of 0.5% for the first three years, then 0.75% for the last two, it follows that the potential tax revenue was roughly $55 million. Based on the realizations of $1.4 million, $1.2 million, and roughly $1 million for the first three years, and roughly $2 million for 1915–6, the total realized can be estimated to be between $5.5 million and $6 million, from which it follows that only about 10% of eligible bonds were stamped.

Puzzles solved

This calculation, together with the fact that only bonds held by New York residents were taxable to begin with, goes a long way toward answering the perplexing questions posed at the beginning of this series. To reprise:

- For a given bond, with a few notable exceptions, relatively few—typically about 5%—bear stamps. Why are stamps found on one bond of a given type, and not another seemingly similar in every respect?
- Moreover, the number of different bonds on which stamps have been seen comprises only a small fraction of the number known to have survived from the same time span. Why are stamps found on one bond and not another?
- And what does any of it have to do with the state of New York?

The answers have by now become self-evident.

Why so few stamped?

It remains to be learned why relatively few bondholders chose to pay the Secured Debts tax. In the absence of direct evidence, a natural speculation suggests itself. To reprise, payment of the Secured Debts tax guaranteed exemption from the general property tax. On its face this seemed an offer too good to refuse: the property tax averaged about 2% per year, while the Secured Debts tax was a one-time payment of 0.5%, or later, 0.75% every five years; even this increased rate amounted to only 0.15% per year, less than a tenth of the property tax rate. The catch was that the property tax was being widely avoided, for reasons it is instructive to review. First, it was so high as to be considered confiscatory: no bondholder wanted to see half his annual yield whisked away at the snap of the taxman's fingers. This provided the psychological motivation for evasion; difficulty of assessment provided the opportunity. Unless in a trust, estate or highly visible holding, ownership of a bond was essentially invisible to the assessor, and bondholders could evade the property tax with impunity.

The same was true, though, of the Secured Debts tax. Why pay any tax, even a relatively small one, if it could safely be avoided? Backers of the tax believed the force of conscience was on their side.

Figure 56. Stamps from three $5,000 bonds: center, Lake Shore bond in question, issued in December 1916 with cancels dated September 29, 1915; left, typical 1915 usage, with 20 mm cancels and initialed $25 and $10; right, typical 1916 usage, with 23 mm cancels and uninitialed $25. The stamps and cancels in question are characteristic of 1916 usage, backdated to 1915!

As reported by the New York Times on August 28, 1911, "It is...believed that there will be no attempt hereafter to evade the tax, as has been the case in the past when such debts were assessed as personal property." And on September 10, 1911, the Times characterized the Secured Debts tax as "An Appeal to Conscience," adding "It is notorious that a very large proportion of the securities held in this State have heretofore escaped taxation under the personal property tax, but they have done so chiefly through the process of 'swearing off,' and it is felt that a good many persons would rather pay a small tax once for all and gain exemption rather than strain their consciences." Judging from the results, these opinions betrayed a spectacularly unrealistic understanding of human nature. Wiser heads might have opined that conscience malfunctions in the face of taxes, or that tax evasion is in fact considered an act of conscience by the masses!

The percentage of bonds stamped becomes even less impressive given that many stamped bonds were in trusts (Figures 18, 23–6, 29, 30, 52–3), estates (Figures 18, 25–6, 30), and/or the highly visible holdings of the super rich (Figures 22, 25–30, 42, 52–3), in plain view of the assessors, so that bondholders were essentially obliged to pay the tax, and in fact were happy to do so. Much the same can be said of registered bonds, for which the owners' names were a matter of record (Figures 18–27, 29, 30, 38–42, 44, 46–8, 52–5).

Backdating for the big boys

Occasionally an anomalous payment of the Secured Debts tax is seen that can only be explained by backdating of the cancels.

Figure 52 shows a New York Central Railroad Co. $5,000 registered debenture of 1915 issued May 7, 1917, in trust for William K. Vanderbilt, Jr., with Secured Debt $25, $7.50 and $2.50 affixed, the cancels dated September 28, 1915. Figures 53 shows a $50,000 debenture of the same series issued the same day, in trust for Ann H. Vanderbilt, bearing Secured Debt $100 (x 3), $50 and $25, with cancels again dated September 28, 1915. Two $10,000 debentures from the same series have also been recorded, this time in trust for Harold S. Vanderbilt, again issued May 7, 1917, with Secured Debt $50 and $25 affixed, the cancels again dated September 28, 1915.

Figure 54 shows a $10,000 Lake Shore and Michigan Southern Railroad Co. registered bond of 1897 issued December 4, 1916, to J. van Dyke Miller with Secured Debt $50 and $25, affixed, with cancels dated September 29, 1915. A matching $5,000 bond to Miller issued the same day bears Secured Debt $25, $7.50 and $5, again cancelled September 29, 1915.

These bonds exhibit four highly anomalous features:

- ostensible usage of the Secured Debt $7.50 in September 1915, a stamp not otherwise known to have been used before June 1916;
- ostensible usage of the 23 mm Type II cancel in September 1915, also not otherwise known to have been used before June 1916;
- use of uninitialed $25, $50 and $100 stamps, not otherwise recorded before September 1916;
- cancel dates predating the issue dates of the bonds.

The evidence establishing these anomalies is gathered in the Appendix. They are neatly and convincingly explained by the hypothesis that the cancels were backdated to September 1915.

Most probably this took place some time after December 31, 1916, when the Secured Debts tax expired, but before June 1, 1917, when the Investments tax took effect. This is consistent with the issue dates of the bonds, in December 1916 and May 1917.

We have already seen from the Comptroller's certificate shown in Figure 52 that the agent in Albany was willing to backdate cancels, in that case from January and February 1917 to December 30, 1916. As in Albany, the Deputy Comptroller's New York office was evidently reluctant to let the expiration of a tax prevent its collection; here though, the cancels were backdated all the way to the final days of September 1915. It cannot be a coincidence that this was just days before the property taxes for 1915 had come due on October 1. If taken at face value—which must certainly have been the intent of the agent(s)—this relieved the bonds from any property tax liability for both 1915 and 1916. Presumably this was done as a favor to the wealthy bondholders.

Table VI

Chronology of Secured Debts/Investments Taxes 1915–20

Tax Rate	Exemption	Tax Period
Secured Debt I 0.5%	Perpetual	September 1, 1911–March 31, 1915
(Suspended)		April 1–30, 1915
Secured Debt IIA 0.75%	Five years	May 1, 1915–October 31, 1915
(Suspended)		November 1, 1915–April 20, 1916
Secured Debt IIB 75¢/$100	Five years	April 21, 1916–December 31, 1916
(Suspended)		January 1, 1917–May 31, 1917
Investments 20¢/$100/year	One to five years	June 1, 1917–May 9, 1920

Appendix: Backdated cancels

Figure 52 shows a New York Central Railroad Co. $5,000 registered debenture of 1915 issued May 7, 1917, in trust for William K. Vanderbilt, Jr., with Secured Debt $25, $7.50 and $2.50 affixed, with Type IIB cancels dated September 28, 1915. Figures 53 shows one of two recorded $50,000 debentures of the same series issued the same day, in trust for Ann H. Vanderbilt, bearing Secured Debt $100 (x 3), $50 and $25, with cancels again dated September 28, 1915 (serial numbers L453, 473).[6]

6. Anne Harriman Sands Rutherford Vanderbilt was the second wife of William K. Vanderbilt. If the ninteen bonds L454–72 were also in trust her, this portion of her trust alone exceeded $1 million. It was good to be a Vanderbilt!

Two $10,000 debentures from the same series have also been recorded (X142, 144), this time in trust for Harold S. Vanderbilt, again issued May 7, 1917, with Secured Debt $50 and $25 affixed, the cancels again dated September 28, 1915.

Figure 54 shows a $10,000 Lake Shore and Michigan Southern Railroad Co. registered bond of 1897 issued December 4, 1916, to J. van Dyke Miller with Secured Debt $50 and $25, affixed, with Type IIB cancels dated September 29, 1915. A matching $5,000 bond to Miller issued the same day bears Secured Debt $25, $7.50 and $5, again canceled September 29, 1915.

Figure 55 shows one of two recorded Baltimore and Ohio Railroad Co. Prior Lien $5,000 3% registered bonds of 1898 (certificate A467-8), issued August 8, 1916, stamped with $25, $10, $1 (x 2) and 25¢ (x 2)[7] with Type IIB cancels dated October 23, 1915.

These bonds challenge the conclusion that the 25¢ and $7.50 were not issued until mid-1916. However a closer look shows the cancels on all these bonds to have been backdated.

These bonds exhibit four anomalous features:

1. Ostensible usage of the Secured Debt $7.50 in September 1915 and 25¢ in October 1915, stamps not otherwise known to have been used before June 1916;
2. Ostensible usage of the 23 mm Type II cancel in September-October 1915, also not otherwise known to have been used before June 1916;
3. Use of uninitialed $25, $50 and $100 stamps, not otherwise recorded before September 1916;
4. Cancel dates predating the issue dates of the bonds.

These anomalies suggest strongly that these cancels were backdated.

1. Usage of 25¢ and $7.50. The September 28-9 cancel dates on the $7.50 are clearly outliers. The others recorded on the $7.50 are:

June 26 and 27, 1916
September 5, 15, 19, 21, 25, 26, 27, 29 and 30, 1916
November 20, 1916
December 7 and 20, 1916
July 18, 1917
September 18, 1917.

Moreover there are forty recorded examples of ninteen different bonds with $5 and $2.50 stamps paying the 1915 $7.50 tax with cancel dates between September 12 and October 30, 1915, and another paying the 1916 tax in that amount on May 16, 1916. It is extremely unlikely that two stamps would have been used had the $7.50 been available.

Cancel dates of September 28 and 29, 1915, on the $7.50, nearly nine months earlier than the next earliest, are thus wildly inconsistent with the other dates.

Similarly, the October 23, 1915, cancel on the 25¢ is some eight months earlier than the next-earliest recorded; the others are dated:

June 22, 1916
September 18 and 19, 1916
December 23, 1916
July 18 and 31, 1917
September 18, 21 and 26, 1917

Moreover the recorded dates of usage of the two other new denominations—75¢, $3.75—are as follows:

75¢	September 18 and 29, 1917
$3.75	November 21, 1916
	July 18 and 31, 1917
	September 21 and 26, 1917

These are similarly inconsistent with usage of the $7.50 on September 28-9, 1915, and the 25¢ on October 23, 1915.

2. 23 mm cancels. Consider next the 23 mm Type II cancels on the bonds in question. All other observed examples, on a total of fifty bonds, are dated 1916, between June 22 and December 23. Moreover all other recorded 1915 cancels, on a total of sixty-one individual bonds, are the 20 mm Type IIA (x 54) or Type IIC (x 7). The 1915 23 mm cancels on the bonds in question thus stand out like the proverbial sore thumbs.

3. Uninitialed stamps. Consider now the $25, $50 and $100 stamps on the bonds in question. With the exception of the $25 stamps on the B&O bonds, they have no agent's manuscript initials, which furnishes an important clue to their date of use. These initials were required in conjunction with the simple Type I datestamps of 1911-15, but rendered superfluous by introduction of the circular "TAX EXEMPT FOR FIVE YEARS" cancels with incorporated initials "WBL" (Type II). Nevertheless they are occasionally seen after the transition to the Type II cancels. The likely explanation for this is that quantities of stamps were initialed well before they were canceled—we know, for example, that Edward W. Buckley, chief of the New York Secured Debts bureau, initialed some 55,000 stamps before the law took effect—and that some were still on hand after the transition to the new cancels, and only gradually used up. Several points of evidence are consistent with this hypothesis. It predicts that stocks on hand of initialed stamps in the less-frequently used denominations would take longer to use up. In fact with one exception, all recorded

7. Certificate A467 bears a 25¢ vertical pair with guideline between, rarely seen on Secured Debt stamps.

initialed stamps with Type II cancels on intact bonds are in denominations $10 and above, which were much less frequently used than the workhorse $5. In fact the sole recorded initialed $5 is not only the earliest of the initialed group (September 13, 1915, on $1,000 bond M83010 of the Northern Pacific Rail Road Co.), it also predates all recorded uninitialed $5 with Type II cancels.

Excepting for the moment the bonds in question, a close look at Type II cancel dates on bonds with stamps of $10 and above proves encouragingly informative: the earliest dates, up until and including September 19, 1916, are all on initialed stamps; the latest, from September 19, 1916, onward, are all on uninitialed stamps (e.g. Figures 38–40, 42–3, 47–50, 53). Arranged in chronological order, with initials where present:

$10	$25	$50	$100
7/1/1915 "EWB"	7/1/1915 "VPY"		
9/11/1915 "EJT"	9/11/1915 "JJF"		
	9/28/1915 "VPY"	9/28/1915 "VPY"	9/28/1915 "JJF"
9/29/1915 "EJT"	9/29/1915 "VPY"		
	9/29/1915 "VPY"	9/29/1915 "VPY"	
9/30/1915 "EJT"	9/30/1915 "VPY"		
10/25/1915 "EJT"	10/25/1915 "VPY"		
6/22/1916 "EJT"	6/22/1916 "VPY"		
	6/27/1916 "VPY"		
	9/19/1916 "JJF"		
	9/27/1916		
	9/30/1916		
	9/30/1916	9/30/1916	
	12/7/1916		
12/22/1916	12/22/1916		
12/30/1916	12/30/1916		

This data, taken from seventeen sets of bonds whose cancel dates are not in question, suggests strongly that the uninitialed stamps of $10 and above were not utilized until the leftover stocks of initialed stamps were exhausted. Note that the initialed stamps include seven usages on September 28–9, 1915, the very same dates the unintialed stamps were supposedly used on the New York Central and Lake Shore bonds in question.

The ostensible usage on the bonds in question of uninitialed $25, $50 and $100 stamps on September 28–9, 1915, is inconsistent with this pattern.

On the B&O bonds bearing $25, $10, $1 (x 2) and 25¢ (x 2) with cancels dated October 23, 1915, the $10 and $25 are in fact initialed, so the above argument does not apply. However the Type IIB cancels alone are strong evidence of backdating. The use of initialed stamps suggests they were affixed some time before September 19, 1916, the cutoff date for use of the initialed $25, probably on or about August 8, 1916, the issue date of the bonds. Why the cancel date of October 23, 1915, was chosen is a puzzle.

4. Cancels Predate Issue. Consider finally that on the bonds in question the cancel dates predate the issue dates. Unlike the three preceding anomalies, this one does not automatically raise a red flag. Other bonds have been recorded which were evidently stamped before issue (e.g. Figures 30, 49, 51), and the *New York Times* of March 23, 1914, reported that:

> Ranking firms to an increasing extent, it is said, are forming the habit of exempting an entire bond issue before it is sold, and two or three bond houses make daily payments on all the bonds coming into their possession on which the tax has not already been paid.

In these other cases, though, there is no obvious evidence of backdating. With the bonds at hand, there is. Moreover the three aspects of these bonds—25¢ and $7.50 stamps, 23 mm cancels, and uninitaled $25, $50 and $100 stamps—that based on all other evidence could not have occurred in 1915, are precisely what would be expected if the stamps were affixed and cancelled shortly after the issue dates (August 8 and December 4, 1916, and May 7, 1917).

Backdating of the cancels neatly explains all four anomalies. We are left with two possibilities:

First, the bonds in question were indeed stamped September 28–9 and October 23, 1915, long before their issue dates, using 25¢ and $7.50 stamps not otherwise seen until June 1916, and uninitialed $25 and $50 stamps not otherwise seen until September 1916, and on the very days initialed $10, $25, $50 and $100 stamps were being used on other bonds, all with 23 mm cancels not otherwise seen until June 1916.

Alternatively, as with all other recorded usages of the 25¢ and $7.50 and of uninitialed high values with Type II cancels, the stamps were affixed in June 1916 or later (presumably shortly after the bonds were issued), with cancels backdated, to just before the October 1 due date for the 1915 property tax, or to October 1915. This hypothesis is by far the more likely.

Figure 56 makes the case visually, via stamps from three $5,000 bonds. In the center are the three on the Lake Shore bond in question, issued in December 1916 with cancels dated September 29, 1915. On the left is a typical 1915 usage, with September 30 date chosen to most closely match that of the cancels in question, with 20 mm cancels and initialed $25 and $10. At right is a typical 1916 usage, with 23 mm cancels and uninitialed $25. The stamps and cancels in question are characteristic of a typical 1916 usage, not a 1915 usage!

Backdating on converted bonds

During the course of this investigation another type of backdated cancel was uncovered, on converted bonds. $5,000 Baltimore and Ohio 3% bonds of 1898 made to a Robert Winthrop & Co. were issued October 31, 1918, but stamped with Secured Debt $25, $7.50 and $5 with cancel dates September 19, 1916, dates that are difficult to reconcile. Moreover the $25 stamps are uninitialed, not otherwise seen this early; taken together these observations suggest the cancels were backdated. A fortuitous observation provides a plausible explanation. Other examples of this bond have been recorded made to a Kate W. Winthrop, issued 1909–11, also bearing Secured Debt $25, $7.50 and $5 with cancel dates September 19, 1916; on these the $25 are initialed as expected. Several $1,000 bonds of the same series to Kate Winthrop have also been recorded, issued on or about the same dates as the $5,000 bonds, each bearing a Secured Debt $7.50, again with cancel date September 19, 1916. All these bonds to Kate Winthrop have a "CANCELLED OCT 31 1918" handstamp, the same day the bonds to Robert Winthrop & Co. were issued! This suggests that the bonds to Kate Winthrop were converted to new ones to Robert Winthrop & Co., and that the latter had stamps and cancels applied to match the rates and dates of the originals.

A similar explanation presumably applies to $5,000 Michigan Central 4% bonds to Robert Winthrop & Co. shown in Figure 48, issued November 22, 1917, but bearing Secured Debt $25, $10, $1(x 2) and 25¢(x 2) with the now-familiar cancel dates September 19, 1916, the $25 uninitialed.

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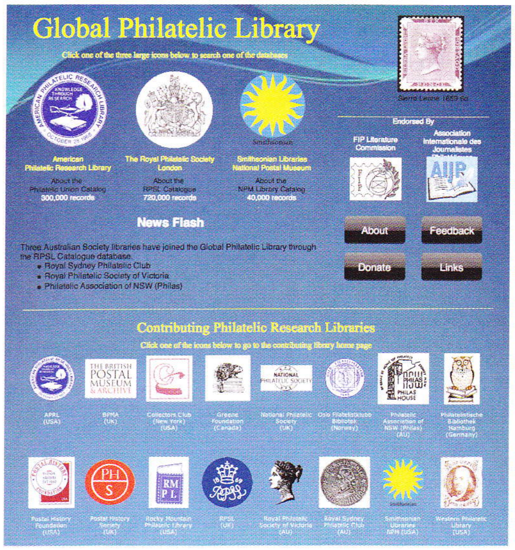
Global Philatelic Library

by Clive Akerman, ARA

The June issue of the *London Philatelist* noted, "The RPSL [Royal Philatelic Society, London] has joined forces with the Smithsonian's National Postal Museum and the American Philatelic Research Library to launch the GLOBALPHILATELICLIBRARY.ORG website, a centralised information gateway to the world's greatest philatelic research." The three named libraries have been joined by others from Australasia, North America and Europe in a joint effort to list all known philatelic publications and where copies may be found. The contents of the website are freely available to all.



Being the modest sort of author who checks out his website mentions only rarely, I tried it out. It works! Go to the website and you will be given the choice of three search engines. I clicked on the RPSL option and got dropped into their "Catalogue" page. On the left there is a two-stage "Search Term" box, so I entered "Argentina" and "Revenues." In the middle is a long list of databases, some of which are "Members only," but I was looking for books, so I ticked "Books & e-Books" and then "Search" at top right. The first outcome was a big blank panel which persisted for some seconds before being replaced by a rather ugly list of books about Argentine Revenues, including all of mine. Result!

The website is both very new and a "work in progress" so it is both a bit rough around the edges and incomplete. The databases are very complex spread-sheets and the book details are augmented by key-words selected by numerous volunteers working in the various libraries. The search algorithm scans the keywords as well as book titles, authors and publishers, so, in my case, a minor work with a non-specific title popped up since someone had added the "Argentina" and "Revenue" keywords. Thus one can get positive surprises—conversely, a book about the postage stamps of some place which has a chapter or appendix about revenues which has not had a "Revenues" keyword added will not appear.

There can be a problem with pseudo-duplication where different libraries have transcribed titles slightly differently; this (and missing keywords) should slowly be addressed if users take the trouble to report anomalies. A recent enhancement concerns accents and diacritics—which sounds fetishist—but does mean that if you ask for "Åland" or "Lübeck" you will also see entries for "Aland" and "Lubeck" (and conversely)—and obviate a degree of frustration!

I have not yet tried the "Feedback" option, but it seems clear that the value of this already very useful resource will increase as users mould it to suit their many and various requirements. It is free—so try it. NB: Almost all of the work on this website and the underlying databases is being done by volunteers working for the benefit of philatelists everywhere, so be patient as well as helpful!

New York Consolidated Card Co., 1918 Mea Culpa

by Ronald E. Lesher, ARA

In my article on the cancellations of the New York Consolidated Card Company, I illustrated what I identified as a 1918 cancellation, Figure 6 in that article. Sharp-eyed reader Bruce Baryla wrote to me that the date is not 1918, but 1913. He is certainly correct and I might add that I should have looked more carefully. Not only had there not been a 1918 date been previously reported, but such a date would been a departure from the company's standing practice of changing its canceling plate in the odd numbered years; 1911, 1913, 1915, 1917 all are present in most collections.

The additional research about the 2¢ (Scott RF3) being supplied by Internal Revenue to the playing card companies and charging them 7¢ is undoubtedly the reason why the card manufacturers included such information as part of their canceling practice. The reason for the 5¢ increase in the retail price of decks of cards was the tax increase and the companies wanted that evidence on the decks. So it would appear that New York Consolidated Card Co. continued to use its black 17 (Scott RF6) overprint with the underlying 1915 or 1917 dated cancels throughout 1918 until they switched to the tall Class A stamp with the year 1919 (found on both RF11 and RF12) incorporated into its cancellation. Whether that was still during the 7¢ rate period will remain a matter of conjecture.

To the editor...

Playing Card collectors convention

Most of us besides being stamp collectors have other hobbies. Many times two hobbies can be combined which is the case for my revenue collecting and playing card collections. I want to share the following information with fellow stamp collectors about the playing card convention that will be taking place in the Cincinnati area in September.

The 52 Plus Joker Annual Convention will be held this year at the Erlanger Holiday Inn, 1717 Airport Exchange Blvd, Erlanger, Kentucky 41018. The convention is open to the public at no cost and free parking on Saturday, September 15, 2012 from 1:00 to 4:00 p.m. The convention is a gathering of playing card collectors and ephemera related enthusiasts. Collectors will have cards on display as well as for sale. You can bring your own cards if you are interested in having them appraised. Just like in the philatelic world, playing card collectors are more than willing to answer questions and talk about their collections. Complete details can be seen at HTTP://WWW.52PLUSJOKER.ORG/DNN/CONVENTIONS/TABID/55/DEFAULT.ASPX.

Kristin Patterson, a stamp collector from San Jose, California, will have a four-frame exhibit entitled *The Story of the U.S States Playing Card Company thru their Tax Stamps* for the public's viewing pleasure. The colorful display exhibit shows the history of the USPC through the use of their tax stamps, playing cards and other related material. The USPC has had factories in the Cincinnati area for over 120 years, so do not miss out on seeing a little bit of local history. Kristin will be present and happy to talk more about her exhibit and collection.

Also on Saturday at 3:00 p.m. there is a presentation entitled "Fancy Conjuring Playing Cards" by Claudio Decourt and Lee Asher. The two gentlemen will explain the rapidly growing area of acquisitions of magic related playing cards. It will be an enchanting and entertaining time.

Lastly, if you are interested in playing cards and would like a chance to win a free tour of the U.S. Playing Card Company facility along with a one-year 52+ Joker membership, three-day entry to the 52+ Convention, three-night stay at show hotel, and a free banquet ticket on Saturday please read more at HTTP://WWW.52PLUSJOKER.ORG/CONTEST/. Deadline is August 5, 2012. Winner must pay for their own travel to Erlanger, Kentucky.

Kristin Patterson, ARA

Literature in review

***Stempelgesetze und Gebühren in Sachsen von 1682 bis 1952** by Steffen Eckert, 466pp, 17 x 24 cm, hard-bound. ISBN 978-3-86268-730-5, published 2012 by Engelsdorfer Verlag, Schongauer Str 25, 04329 Leipzig, Germany; €49.95 from the publisher or (introductory offer €40.00 from the author <eckertsteffen@t-online.de>) plus p&p: €10 (EU) or €17 (rest of the world) [the book weighs about 1.4kg].*

I have been reviewing books for *The Revenue Journal* since 1990 and I cannot recall anything which has considered such a relatively small aspect of revenue philately in such relentless detail! A simplified listing would dismiss the marks on stamped paper in three or four pages and most of the adhesives in a dozen more. Instead, here we have the philatelic material placed into its historical context (including a few biographies and notes on revenue collecting in Germany and Saxony and on stamped paper in general) and a careful explanation of the legislation which started in 1682 with court documents on paper charged 1 groschen—parchment/vellum 2 gr—and then crept like dry rot into every accessible nook and cranny of life. Adhesive stamps first appeared in 1868 and continued in use until they were killed off in 1936 with a short-lived re-appearance after WWII; in addition many municipalities with Saxony issued stamps to receipt local fees.

During the period described the political status of Saxony changed from time to time and the currency changed several times, so that, while things were fairly stable for long periods, there were also periods of turbulence. These are all covered in the main narrative but also in absolute detail in a sort of spreadsheet (which takes nearly sixty pages) with a row for every tax heading and a column for every change of legislation—I have the greatest admiration for the typesetter!

The book is arranged in three parts: sections which cover stamped paper, adhesives, the tax rate table and extracts from relevant legislation for the State of Saxony, including a little essay on the plate-reconstruction of the 1895 issue of adhesives, (c. 300 pp) and then c. 100 pages describing twentieth century Court Fees, Municipals, Police Administration stamps and stamps issued by the Lutheran Church—in each case in the same general format. Finally, around forty pages of odds and ends include a list of the princelings involved with Saxony, references to the literature and then—for collectors not well-versed in German—an outline Summary and the Table of Contents in English plus a German/English dictionary of philatelic terms.

All of the marks and stamps are illustrated in colour and at a high resolution, with a large number of examples on documents or part-documents; a particularly noteworthy aspect of the captions is that many of them describe the nature of the documents and their taxation in great detail—particularly valuable during the financially chaotic period in the 1920s.

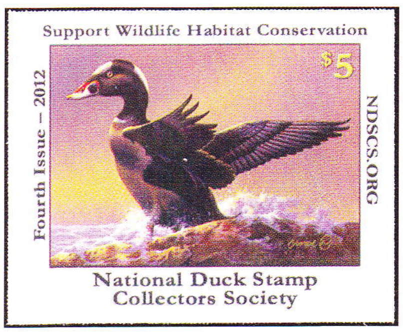
Herr Eckert (and Engelsdorfer Verlag) deserve the highest level of congratulations for a beautifully presented and exhaustive exposition of the revenue history of the Electorate, Kingdom and State of Saxony. It should act as a template to other authors of revenue literature—though it would be difficult to emulate, so maybe it represents a target to which we lesser mortals may aspire.

Despite all this unstinted praise, one might note a few trivial typesetting inconsistencies, some lack of clarity in the layout, maybe a little too much repetition—not that summaries are not useful—and the use of heavy art paper where a high quality lighter paper might have been adequate.

Clearly collectors of Saxony revenues need this book, collectors of the revenues of other German States would find it useful (if only since the writers of tax law tend to follow their neighbours) and other collectors might gain inspiration.

Clive Akerman

National Duck Stamp Collectors Society issues 2012 stamp



by Dave Goyer

The National Duck Stamp Collectors Society, the only stamp society devoted to duck and conservation stamps, is pleased to announce the issuance of their fourth Society stamp. The stamp features a surf scoter, painted by Phillip Crowe of Franklin, Tennessee, who has created over thirty state ducks stamps and has been selected as one of Ducks Unlimited's Seventy-fifth Anniversary All Stars of Wildlife Art. The painting is owned by Bob and Rita Dumaine, who, with the artists permission, donated the use to the Society for its annual stamp issue.

Stamps are issued in sheets of 12, with a $5 face value. Full sheets are available for $50 and a purchase of five sheets or more will receive a 30% discount. Shipping and handling is $2 per order or $5 for a sheet order. Postal insurance is optional and extra. Orders should be sent to: NDSCS Stamp, c/o Dr. Ira Cotton, 9939 Broadmoor Rd., Omaha, NE 68114-4926.

The National Duck Stamp Collectors Society was formed in 1992, founded by Bob Dumaine. The purpose of the NDSCS is to promote and encourage the study of migratory bird hunting and conservation stamps. The Society has a web site filled with duck stamp information: www.NDSCS.ORG. Membership is available for $20 a year and includes a subscription to *Duck Tracks,* the society's award-winning newsletter. Join by using the on line application or write for more information and a sample copy of the newsletter: NDSCS, P.O. Box 43, Harleysville, PA 19438.

Revenue exhibit awards

[Listings compiled by the editor primarily from the World Series of Philately shows as listed on the APS website. If you can provide information about revenue exhibits at regional and local shows, please contact the editor so they may be listed.]

WESTPEX 2012, April 27–29, San Francisco

Revenue Stamped Paper of the Philippines 1860–1899 by John M. Hunt: Vermeil.

The Plymouth Show 2012, April 28-29, Plymouth, Michigan

A Study of the S&H Green Trading Stamps by Roland Essig: Silver, American Association of Philatelic Exhibitors Award of Honor.

Philatelic Show, May 4–6, Boxborough, Massachusetts

Federal Migratory Bird Hunting Stamps by Charles J. Ekstrom III: Gold, United States Stamp Society Statue of Freedom Award.

PIPEX 2012, May 11-13, Portland, Oregon

Waterfowl Hunting Permit Stamps: Federal—State—Tribal by Michael Jaffe: Gold.

ROPEX 2012, May 18–20, Rochester, New York

U.S. Revenue Stamps—First Issue: Using Commerce to Fund the Civil War by John L. Lighthouse: Silver.

NAPEX 2012, June 1-3, McLean, Virginia

A Look at United States Federal and State Tax Stamps and their Purposes by Thomas & Laura Tomaszek: Silver Bronze.

Literature

The American Revenue Association

President's Letter

This issue, only a brief note.

It's not too early to begin thinking about the 2013 ARA meeting next April in Phoenix. Board member Paul Nelson is working diligently to make this one of the best meetings we will have had in a long while. He is encouraging some members to bring great rarities to put on display, foreign revenue societies to send members and exhibits, and all of us who exhibit revenues to put our best ones in the show. As we swing into the last half of 2012, it will be wise of us who plan to exhibit there to keep an eye on the ARIPEX website in order to enter early.

The ARA Board has adopted a new rule pertaining to the Revenue Grand. It is not to be awarded to any given exhibit more than once in a three-year period unless that exhibit also wins the show Grand or Reserve Grand. This doesn't apply to Best Revenue awards at shows where the ARA isn't meeting, just to the once-a-year award of the Revenue Grand.

Since I haven't yet seen the membership renewal rates for 2012 as I write this, there may be more to say on that topic next issue. I hope not.

Bob Hohertz

Secretary's Report

Applications for Membership

In accordance with Article 4, Section 2(c) as amended December 31, 1979, of the ARA By-laws, the following have applied for membership in the ARA. If the Secretary receives no objections to their membership by the last day of the month following publication the applicants will be admitted to membership.

Edmondson, Andrea 7116. 4742 Rimer Road, Concorn, NC 28025.

Hart, Norman H 7115. 1a Clifton St, Victoria 3666, Australia.

Hrabko, Alex 7111. 120 Auramar Dr, Rochester, NY 14609-1820.

Korn, Bryant E 7112. PO Box 6046, San Ramon, CA 94583.

Malcom, E Preston 7107. 2309 Nurrally Shoals Rd, Good Hope, GA 30641.

Mandel, Frank 7108. PO Box 157, New York City, NY 10014-0157.

Phelan, Dale 7110. 25 Saint Andrews Dr, Pinehurst NC 28374.

Poellot, J Michael 7114. 8824 Wine Valley Circle, San Jose, CA 95135.

Shreve, Charles F 7113. 2900 Mckinnon St, Dallas, TX 75201.

Walsh, Miss Odette 7109. 410 St Nicolar, Suite 236, Montreal, PQ H2Y 2P6, Canada.

Deceased

1139 Shur, Robert B.

Resigned

7049 Crawl, James R
5698 Graff, Marty
7030 Oliver, James K
2692 Ratliff, Leif C
4143 Schiff, Jacques C, Jr.

Changes of address

Brennan, David J 5764. 221 Claremont Rd, Bernardsville, NJ 07924.

Johnson, Dr Karl A 3674. 60 Cresta Verde Dr, Rolling Hills Estates, CA 90274.

Katzman, Paul A 4401. 1205 S Wilson Ave, Royal Oak, MI 48067.

Peterson, Larry 5171. 2640 Cambridge Rd #97, Cameron Park, CA 95682.

Reid, Tom 5298. PO Box 92, Lost City, WV 26810-0092.

Scott, Eric J 2896. 8728 Holliday Dr N, Indianapolis, IN 46260.

Warren, Richard D 1996. PO Box 306, Belfast, ME 04915-0306.

Mexico's Revenue Stamps by Michael D. Roberts: Vermeil.

COLOPEX 2012, June 8–10, Columbus, Ohio

The United States Postal Savings System 1911–1967 by Matthew E. Liebson: Gold, American Association of Philatelic Exhibitors Creativity Award and American Revenue Association Award.

Single frame

The Third Federal Issue by Henry Fisher: Vermeil.

Member's Ads

ARA members: send your request for free ad to Editor, The American Revenuer, Rockford, Iowa 50468-0056 USA. Send on a postal card, one ad at a time, limit 50 words plus address, must be about revenues or cinderellas. First come, first served, space available. To help provent errors, ad may be emailed to <revenuer@ omnitelcom.com>.

WANTED: Telegraph stamps. Looking for 1T3a, 2T2a, 2T2b, 2T3a, 2T4a, 3T7b, 3T8b, 3T12a, 3T13a, 3T15a, 4T1b, 4T2a, 4T2b, 4T2c, 13T4a, 15T3a, 15T21a, 15T22a, 15T26a, 15T40a, 15T46a, 15TO7, 16T28a, 16T44a, 16T45a, 16T45b, 16T48a, 16T61a, 16T95a and 16T112a. Jeff Meador at JAMEBKM80@MSN.COM or write me at 1448 E. Comstock Dr., Gilbert, AZ 85296. *2034*

Wanted: Hong Kong Airport Passenger Service or Departure Tax slips. Send scans or descriptions with asking price or my offer to gpagota@aol.com. GT Olson, 6650 Lake Run Drive, Flowery Branch, GA 30542. *2035*

Wanted: Playing Card stamps! I will buy or trade other revenue material for your duplicate RF material. All RF or RU material is wanted. Richard Lesnewski, 1703 W. Sunridge Drive, Tucson AZ 85704. *2036*

Beer stamp album for sale: 125 pages, unpunched, on bright white 67 lb card stock with image of first stamp in most series. Modeled after Priester. $90.00 plus $4.00 postage and insurance, prepaid, to: David Sohn, 1125 Lake Cook Rd, Northbrook, IL 60062. (941) 966-6505 or (847) 564-0692 or email <davidsohn32@comcast.net>. *2037*

Wanted: Canadian cinderellas and labels. No Christmas or Easter please. Gordon Brooks, PO Box 100, Station N.D.G., Montreal, Quebec, Canada H4A 3P4. *2038*

1890s Revenue Stamp book: *Stamp Hunting* by Lewis Robie, salesman for J. Elwood Lee (RS290–294), relates tales of looking for revenue stamps in drugstores. All new, illustrated; commentary by Richard Riley; trade paperback binding, 104 pages—$12.50. From Eric Jackson, Richard Friedberg or Ken Trettin. *2039*

The American Revenuer back issues inventory clearance. There are more boxes than I can handle. Available full year sets only, 75¢ per issue plus shipping, order by mail or email, send no money you will be billed. It may take a while as there are hundreds of boxes to go through. Kenneth Trettin, editor, PO Box 56, Rockford, IA 50468-0056 or <revenuer@omnitelcom.com>. *2040*