

MAINE STATE LEGISLATURE

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Legislative Record

OF THE

Eighty-Third Legislature

OF THE

STATE OF MAINE

1927

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Mr. CHASE of Cape Elizabeth: Mr. Speaker, under the right of personal privilege I ask leave of the House to address it at this time on certain matters relating to the railroad excise tax, and various messages and speeches thereon. It is my contention that two messages of the executive—

Mr. WING of Auburn: Mr. Speaker, I rise to a point of order.

The SPEAKER: The gentleman will state his point of order.

Mr. WING: Mr. Speaker, what is the question before the House that the gentleman is speaking to?

The SPEAKER: The gentleman is rising to a question of personal privilege and is stating what the question is that he wishes to speak on.

Mr. WING: Mr. Speaker, the question he speaks upon and the question of personal privilege are two different things.

Mr. CHASE: Mr. Speaker, I am endeavoring to point out that the matter of personal privilege is involved in my request, and am trying to make such statements as shall assure the House that they should give me the privilege.

Mr. WING: Mr. Speaker, I think the gentleman should present his motion so that the House may have something to act upon.

The SPEAKER: The Chair will state that the gentleman from Cape Elizabeth, Mr. Chase, apparently is rising to a question of personal privilege and is endeavoring to acquaint the House with the matter upon which he rises. The gentleman should not put any argument into his remarks but may state why he wishes to rise to a question of personal privilege.

Mr. CHASE: Mr. Speaker, I have no particular desire to continue if it is already clear to the members. It is my contention that the matter of personal privilege is involved in this matter. I will say no more at present without permission of the House.

The SPEAKER: The gentleman from Cape Elizabeth, Mr. Chase, asks the House to give its consent that he address it on a matter of personal privilege.

Mr. WING: Mr. Speaker, does the Chair rule that it requires unanimous consent for a member to speak on a question of personal privilege?

The SPEAKER: The Chair rules that it requires a majority vote. As many as are in favor of extending to the gentleman from Cape Elizabeth, Mr. Chase, the privilege to address the House on a matter of personal privilege will say aye; those opposed no.

A viva voce vote being taken, the privilege of addressing the House on the matter of personal privilege was extended to Mr. Chase.

Mr. CHASE: Mr. Speaker, for the convenience of the reporter I will submit to him a copy of the remarks I shall make. And in making these remarks, which involve figures, it will save time and be in the interest of clearness to use the round figures, but the dollars and cents are included in the copy submitted unless there is objection, in which case I will read the dollars and cents.

On March 24 the governor of Maine addressed to this Legislature a veto message, stating certain reasons for withholding his approval of the act relating to the excise tax on railroads. In speaking on this subject I questioned the soundness of the governor's reasoning and called attention to certain figures which appeared unsound as a basis for the argument advanced by the governor. The fairness and accuracy of my statements have since been challenged in a message from the governor dated March 31.

I have delayed some time in commenting on this matter again, for my own inclination ran strongly toward ignoring the special message, even though the intimation was apparent that my original speech had contained important errors. But in deference to the wishes of my friends I have made a further analysis of the figures involved, which is submitted.

On page 3 of the governor's veto message there appears the following statement:

"The revenues of the State for the past four years from this railroad tax have been as follows:

| | |
|----------|-------------|
| 1923.... | \$2,305,000 |
| 1924.... | 2,385,000 |
| 1925.... | 1,911,000 |
| 1926.... | 1,914,000" |

These figures are repeated in the special message of March 31; and they are the basis of the governor's contention that receipts from railroad taxes have been reduced greatly since 1924. In my remarks on the veto message I questioned the propriety of using these figures; and I suggested that it would be more accurate to use the State assessors' figures which show the amounts of taxes assessed against the railroads in recent years. (State Assessors' Report 1925-26, Pages 44, 214, and 215.) I assumed in my argument that the taxes collected would be equal to the assessments over a period of years.

Now I gather from the Governor's special message that he thinks it is debatable whether the correct figures to use are the assessors' figures of assessments based upon railroad gross earnings during calendar years (this being the basis for taxation under the new gross-net railroad excise tax bill which the Governor vetoed), or the figures which showed the actual revenues of the State from railroad taxes during fiscal years which run from July 1 to June 30. But if I was in error in assuming that the assessment figures were the proper ones to use, and that the collections from this source would be equal to the assessments, then I erred in distinguishing company, as I will show you later.

When it appeared that the accuracy of my remarks on the railroad excise tax bill and veto message thereon were questioned I went over my speech as reported in the record, with some care. I never had an opportunity to avail myself of the privilege usually accorded members of revising and correcting minor errors in the record, because this speech was not printed in the newspapers and because the record was made up over the week-end when I was absent. I desire to say now, that except for minor errors which may be mine and which may be the reporters, there is no important statement in my speech that is inaccurate, and that the reasoning and the conclusions are essentially sound, and I would not change any of them.

When I had determined to my own satisfaction that I had not deceived the House and that I had been right in my contention, I thought it might be a good idea to find out whether the Governor might not be right too, since his arguments were based upon a different set of figures. So I started out with this (showing pink slip) and came back three hours later with this (showing handful.) I had gained in tonnage but had lost in knowledge; for I had been unable to gain the knowledge which I sought, and came back knowing less than when I started. But I found out this, that the Governor's figures on Page 3 of the veto message showed that collections from railroad taxes in the fiscal years 1923, 1924, 1925 and 1926 were \$630,619.87 more than the total of excise taxes assessed against steam and electric railroads for the years 1923, 1924, 1925,

and 1926; and that the total of the Governor's figures for revenues from "this railroad tax" was \$1,098,449 more than the total assessment against steam railroads for the years 1923, 1924, 1925 and 1926.

Then I was torn between my desire to prove that the Governor was right and my fear that such proof might demonstrate that the railroads had paid the State in taxes several hundred thousand dollars more than had been assessed against them, and that the State might have to refund such excess to the railroads.

While in this dilemma there came to my assistance the gentleman from Skowhegan, Mr. Page, who is adept at figures; and we went at it together, trying to find out the source of the figures quoted by the Governor on Page 3 of his veto message.

The Governor says on Page 3, "The revenues of the State for the past four years from this railroad tax have been as follows:" One might readily infer that the reference applies to the excise tax on steam railroads which is all that is involved in the bill then under consideration. However, it appears that all of the quoted figures include excise taxes collected from electric railroads which are not involved in the bill at all and which have been assessed in amounts ranging from \$138,088 in 1922 to \$100,478 in 1926. To compare one figure which includes electric railroad taxes with an estimate of future revenue which does not include electric railroad taxes leads, obviously, to an inaccurate conclusion.

Now why does the amount collected in the fiscal year 1923 exceed the total assessment for 1923 on all railroads by more than \$250,000? Because the Bangor & Aroostook Railroad paid \$704,863 in excise taxes during the fiscal year 1923, although the tax assessed against it for 1923 was only \$405,132; and because the Grand Trunk paid \$157,117 as compared to the 1923 assessment of \$101,069; and because the Canadian Pacific paid nothing in that fiscal year, although its assessment for 1923 was \$158,958, and because the collections in the fiscal year 1923 include about \$23,000 back taxes extending back over six years.

Why does the amount collected in the fiscal year 1924 exceed the assessment for 1924 by more than

\$350,000? Because the Boston & Maine, assessed for 1924 at \$330,355, actually paid \$579,495; and because the Canadian Pacific, assessed at \$163,714 for 1924, actually paid \$244,384; and because the collections for the fiscal year 1924 include about \$28,000 in back taxes extending back over eight years.

Now the figures quoted by the Governor for the amounts collected from excise taxes on steam and electric railroads for the fiscal years 1923 and 1924, check exactly with the report of the State Treasurer for the two years ending June 30, 1924 (See Page 33); and they also check with the figures given in the Report of the Budget Committee presented to the 82nd Legislature (See Page 7). Governor Baxter was a member of that Budget Committee and Governor-elect Ralph O. Brewster was not a member. And that Budget Committee in its statement of actual income from railroad excise taxes used the figures contained in the State Treasurer's report.

In analyzing the figures given by the Governor in his veto message as the amounts collected in excise taxes from railroads during the fiscal years 1925 and 1926, namely \$1,911,000 in 1925, and \$1,914,000 in 1926, we arrive at a startling and significant departure from former methods, and a departure especially startling as coming from one who now seems to contend that past collections, and not assessments, are the proper basis for calculations of the effect upon the future revenues of the state from railroad excise taxes under the gross-net plan. For we find that the budget committee for the 83rd Legislature—of which Governor Brewster was chairman—adopted the method of using assessments, and not collections, in calculating the future income of the state from railroad excise taxes. (See Page 9 of 1927 Budget Report). On Page 9 of this report under the heading "Actual Income July 1, 1924 to June 30, 1925" and opposite the words "Railroad Companies" there appears the figure \$1,911,014.62; and in the next column under the heading "Actual Income July 1, 1925 to June 30, 1926" appears the item \$1,904,615.52. As a matter of fact, these items were not actual income at all, but are exactly the amounts assessed against steam and electric railroads

for 1925 and for 1926, as will be found on Pages 44 and Pages 214 and 215 of the 1925-1926 report of the State Assessors. I assume that the Governor's figure of \$1,914,000, which in his special message he says was taken from the Budget Committee report, should be \$1,904,000, and that the variation of \$10,000 is due to a misprint.

The figures which appear in the Governor's messages, and which appear in the report of the Budget Committee of which Governor Brewster was chairman, as representing the actual income of the state from railroad taxes during the fiscal years 1925 and 1926 are wrong, according to the report of the State Treasurer for the two years ending June 30, 1926. The actual receipts from the tax on railroad companies for the fiscal year ending June 30, 1925, according to the State Treasurer's report, were \$1,846,884.68, and not \$1,911,014.62 as the Governor says and quotes from the Budget Committee report; and the actual receipts from the same source, according to the same Treasurer's report, for the fiscal year ending June 30, 1926 were \$1,626,083.27, and not \$1,904,615.52 as stated in the report of the Budget Committee and as quoted by the Governor.

According to the reports of the State Treasurer the total receipts from the railroad taxes for the four fiscal years ending June 30, 1926 were \$8,163,953.92; and when the Governor, quoting from the Report of the Budget Committee of which he was chairman, gave figures for receipts which total \$8,515,000 for the same period, he was about \$350,000 from being right.

Mr. Speaker, it may be debatable whether collections or assessments are the proper figures to use in such calculations. It must be debatable, since the Governor uses both methods. It may be debatable whether it is correct to include the taxes paid by electric railroads in a figure used for comparison with an estimate which does not include electric railroads. It may be debatable whether it is correct to compare an estimate for the year 1928 with figures for 1923 and 1924 which include receipts from taxes assessed in 1917. But I think no one would contend that it is correct

to assemble a combination of assessment figures and collection figures in such a manner as to make an error of \$350,000 and to submit such a compilation to this legislature for its enlightenment.

On motion by Mr. Piper of Jackman, it was ordered that 1,000 copies of the statement just made by the gentleman from Cape Elizabeth, Mr. Chase, be printed.

The SPEAKER: The Chair lays before the House the first unfinished business, an act to amend the charter of the Union Mutual Life Insurance Company, S. P. 564, tabled by Mr. Wing of Auburn, April 1, pending reference to a committee; and the Chair recognizes the gentleman from Auburn, Mr. Wing.

(At this point Mr. Bartlett of Bangor assumed the Chair.)

Mr. WING of Auburn: Mr. Speaker, this is an act to amend the charter of the Union Mutual Life Insurance Company which is one of the largest monied corporations in the State and supposed to be administered by a very distinguished board of directors. In the dying days of the Legislature this corporation comes, and as I understand it states and says that they did not know that the Legislature was in session, and having now recovered from their state of somnolence they want their charter amended so that they can permit themselves to do a health and accident business. They say that the reason they did not come in the early part of this Legislature was that they did not know we were here and that the Legislature was in session; so they present this bill to the Senate, the Senate received it under suspension of the rules and it is passed to be engrossed without reference to any committee.

I do not know what to do. I do not wish to embarrass the Union Mutual Life Insurance Company, but it strikes me as being very remarkable that this company comes to the Legislature in this way and seeks to have its charter amended. I do not know whether it is right that they should do it or not, and I yield the floor to the gentleman from Cape Elizabeth, Mr. Chase,

so that we can be heard on the business part of the program.

The SPEAKER pro tem: Does the gentleman from Auburn (Mr. Wing) yield the floor to the gentleman from Cape Elizabeth, Mr. Chase?

Mr. WING of Auburn: I do, Mr. Speaker.

Mr. CHASE of Cape Elizabeth: Mr. Speaker, I did not know that the gentleman from Auburn, Mr. Wing, was going to yield to me and I am not prepared to speak on this matter at all; but as I understand it from information which came to me from Portland, this company, which is the only large life insurance company in the State, wishes now to enter into competition with other companies writing combination insurance—wishes to have its charter amended so that it will be in position to compete with the companies which send their agents in from the outside. The Union Mutual Life Insurance Company is a substantial institution with a creditable history, and it is trying to compete with the other companies, and it asks that its charter may be amended so that it may be permitted to write forms of insurance which it is not now permitted to write.

I was very much surprised that the gentleman from Auburn (Mr. Wing) should yield to me, but that is the story as I understand it, and I trust that the bill will receive consideration as to whether it should be referred to a committee or not. It makes no difference to me, but I hope that the bill will be received and considered.

Mr. HALE of Portland: Mr. Speaker, may I inquire whether a motion for a reference to a committee has been made and is now pending as indicated on the calendar?

The SPEAKER pro tem: The Chair will inform the gentleman from Portland (Mr. Hale) that there is no pending motion before this House.

Mr. HALE: Mr. Speaker, what is the parliamentary status of the bill? The bill has not been printed as I understand.

The SPEAKER pro tem: The Chair will state that there is no motion before the House.

Mr. HALE: Mr. Speaker, I move that the bill lie on the table and be printed and specially assigned for tomorrow morning if it is probable