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St. Paul.

May 6th, 1908.

Hon. Julius A. Schmahl,
Secretary of State.

Dear Sir:-

As required by Section 25 of the Revised Laws,
as amended, I have the honor to herewith transmit to you the
enclosed statement of the purposes and effects of the respec-
tive amendments proposed to the Constitution of the State
of Minnesota by the Legislature of 1907.

Yours truly,

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Edward T. Young
Attorney General.

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St. Paul, Minn. May 1st, 1908.

Hon. Julius A. Schmahl,
Secretary of State.

Sir:--

As required by Section 25 of the Revised Laws, as amended, I have the honor to furnish you herewith a statement of the purposes and effects of the respective amendments proposed to the Constitution of the State of Minnesota by the Legislature of 1907, and which are to be submitted to the electors of said State at the General Election of 1908.

FIRST PROPOSED AMENDMENT

The first proposed amendment is contained in Chapter 477 of the Laws of 1907. By this amendment it is sought to repeal Sections one (1), two (2), three (3), four (4) and seventeen (17) of Article nine (9) of the Constitution (the latter section being the amendment to said Article nine (9), adopted in 1896), which sections now read as follows:

"Section 1. All taxes to be raised in this state shall be as nearly equal as may be, and all property on which taxes are to be levied shall have a cash valuation and be equalized and uniform throughout the state: Provided, that the legislature may, by general law or special act, authorize municipal corporations to levy assessments for local improvements upon the property fronting upon such improvements, or upon the property to be benefited by such improvements, or both, without regard to cash valuation, and in such manner as the legislature may prescribe: and provided further that for the purpose of defraying the expenses of laying water pipes and supplying any city or municipality with water, the legislature may, by general or special law, authorize any such city or municipality, having a population of five thousand or more, to levy an annual tax or assessment upon the lineal foot of all lands fronting on any water main or water pipe laid by such city or municipality within corporate limits of said city for supplying water to the citizens thereof without regard to the cash value of such property and to empower such city to collect any such tax, assessments or fines, or penalties for failure to pay the same, or any fine or penalty for any violation of the rules of such city or municipality in regard to the use of water, or for any water rate due for the same; and provided further, that there may be by law levied and collected a tax upon all inheritances, devises, bequests, legacies and gifts of every kind and description above a fixed and specified sum, of any and all natural persons and corporations. Such tax above

such exempted sum may be uniform or it may be graded or progressive, but shall not exceed a maximum tax of five per cent.

"Section 2. The legislature shall provide for an annual tax sufficient to defray the estimated ordinary expenses of the state for each year and whenever it shall happen that such ordinary expenses of the state for any year shall exceed the income of the state for such year the legislature shall provide for levying a tax for the ensuing year sufficient, with other sources of income, to pay the deficiency of the preceding year, together with the estimated expenses of such ensuing year. But no law levying a tax or making other provisions for the payment of interest or principal of bonds denominated 'Minnesota State Railroad Bonds', shall take effect or be in force until such law shall have been submitted to a vote of the people of the state, and adopted by a majority of the electors of the state voting upon the same.

"Section 3. Laws shall be passed taxing all moneys, credits, investments in bonds, stocks, joint stock companies, or otherwise, also all real and personal property, according to its true value in money; but public burying-grounds, public school houses, public hospitals, academies, colleges, universities, and all seminaries of learning, all churches, church property used for religious purposes, and houses of worship, institutions of purely public charity, public property used exclusively for any public purpose, and personal property to an amount not exceeding in value two hundred dollars for each individual, shall, by general laws, be exempt from taxation.

"Section 4. Laws shall be passed for taxing the notes and bills discounted or purchased, moneys loaned, and all other property, effects, or dues of every description, of all banks and of all bankers, so that all property employed in banking shall always be subject to a taxation equal to that imposed on the property of individuals.

"Section 17. The legislature may impose, or provide for the imposition of, upon the property within this state of any and all owners or operators, whether corporate or individual, or otherwise, of any and all sleeping, parlor and drawing room cars, or any or either of the same, which run in, into or through this state; also upon the property within this state of any and all telegraph and telephone companies, or owners, whose lines are in, or extend in, into or through this state; also upon the property within this state of all express companies, or owners, or any or either of the same, doing business in this state; also upon the property within this state of all domestic insurance companies of this state of any kind; also upon the property within this state of any and all foreign insurance companies doing business in this state of any kind; also upon the property within this state of all owners or operators of any and all mines or of mineral ores situated in this state; also upon the property within this state of all boom companies or owners, and of all ship builders or owners doing business in this state or having a port therein (provided, that this act shall not apply to property owned by railroad companies, their lands and other property); and upon the property of either or any of such companies or owners, - a tax as uniform as reasonably may be with the taxes imposed upon similar property in said state, or upon the earnings thereof within this state, but may be graded or progressive, or both, and in providing for such tax, or in providing for ascertaining the just and true value of such property, it shall be competent for the legislature in either or all of such cases, to impose such tax, upon any or all property thereof within this state, and in either case

by taking as the basis of such imposition the proportionate business, earnings, mileage or quantity of production or property now or hereafter existing of any such companies, persons or owners, transacted or existing in this state, in relation to the entire business, mileage or quantity of production or property of such companies, persons or owners as aforesaid; or in such other manner, or by such other method as the legislature may determine; but the proceeds of such taxes upon mining property shall be distributed between the state and the various political subdivisions thereof wherein the same is situated, in the same proportion as the proceeds of taxes upon real property are distributed: Provided further, that nothing in this act contained shall operate to authorize the assessment or taxation of any farm land or ordinary business blocks or property owned by any such corporation, person, firm or company except in the manner provided by the ordinary methods of taxation."

and to substitute therefor the following:

"Sec. 1. The power of taxation shall never be surrendered, suspended or contracted away. Taxes shall be uniform upon the same class of subjects, and shall be levied and collected for public purposes, but public burying grounds, public school houses, public hospitals, academies, colleges, universities, and all seminaries of learning, all churches, church property used for religious purposes, and houses of worship, institutions of purely public charity, and public property used exclusively for any public purpose, shall be exempt from taxation, and there may be exempted from taxation personal property not exceeding in value \$200.00 for each household, individual, or head of a family, as the legislature may determine. But the legislature may authorize municipal corporations to levy and collect assessments for local improvements upon property benefited thereby without regard to a cash valuation, and nothing herein contained shall be construed to affect, modify or repeal any existing law providing for the taxation of the gross earnings of railroads."

This proposed constitutional amendment was submitted and voted upon at the last election and was declared carried. But a contest was instituted by interested parties, claiming that the amendment was not carried. That contest is now pending in the courts and it was on that account that the legislature decided to resubmit the amendment to the people, so that however the contest may be decided, the next legislature may have the power granted by the amendment. For the purpose of discussing the effect of the amendment I will assume that the same amendment submitted at the last election, did not carry.

The purpose and effect of this amendment would be to greatly enlarge the power of the legislature with reference to the subject of taxation. Section one (1) as it now stands provides

that all taxes imposed shall be equal - as near as may be - on all forms of property, and all property upon which a tax is imposed is required to have a CASH VALUATION equalized throughout the State.

Section two (2) as it now stands requires the legislature to levy the necessary taxes annually to defray the expenses of the State. That is the duty of the legislature without any constitutional direction.

Section three (3) as it now stands provides that all real and personal property, including MONEYS, CREDITS and INVESTMENTS IN BONDS AND STOCKS, shall be assessed according to their true value in money.

Section four (4) as it now stands provides that property employed in banking shall be subject to a tax equal to that imposed on other property. This is only a repetition of the requirements of Sections one (1) and three (3), as no rational person would claim that banking capital should be exempt from taxation.

Section seventeen (17) as it now stands is not easy to understand, but it was intended by that section to relieve from the operation of sections one (1) and three (3), above quoted, property of the classes therein enumerated, so that a gross earnings tax could be applied thereto instead of direct taxation.

Owing to the provisions of sections one (1) and three (3) of the present Constitution many amendments were from time to time added so as to permit taxes to be imposed on specific kinds of property otherwise than upon a cash valuation equalized throughout the state. We have among these exceptions railroad gross earnings taxes; municipal frontage taxes; inheritance taxes; and the gross earnings taxes authorized by said section seventeen (17).

Several exemptions from taxation are also provided for, but as these exemptions are not changed by the proposed amendment, I will make no further reference to them.

The amendment which, if adopted, would take the place of all of the sections and amendments above referred to, is simple and plain. No provision of the Constitution is necessary to authorize the imposition of the taxes necessary for the support of the State and its various political subdivisions. The power of taxation is inherent in government. This proposed amendment declares that this inherent power of taxation shall never be surrendered, suspended or contracted away; that taxes shall be imposed for public purposes and shall be uniform on the same class of subjects. Should this amendment be adopted all property of every kind in the State would be subject to taxation, according to the method the legislature saw fit to adopt, provided only that the tax was levied for a public purpose and was uniform on the same class of subjects. Under this amendment every tax law we now have on the statute books would continue to be valid, because under this amendment all limitations on the power of the legislature would be taken away.

The adoption of this amendment would, as indicated, repeal the so-called inheritance tax amendment, and the gross earnings tax amendment adopted in 1896, as contained in said section seventeen (17), but in their place this amendment would give the legislature greater authority. Under this amendment the power to impose inheritance taxes would be unlimited, and any form of gross earnings tax would be valid. The gross earnings tax on railroads would not be affected by this amendment, as the Constitution provides that they cannot be changed with^{out} submitting the law making the change to a vote of the people. But with this amendment various new forms of taxation could be imposed, notably an income tax, a tonnage tax on iron ore and a registry tax on mortgages. Under the present Constitution we can impose no tax on mortgages owned by non-residents. A registry tax, which would be valid under this amendment, would reach all mortgages alike. While the Constitution requires all subjects of taxation to have a cash valuation, with the tax equalized throughout the state, no proper income tax could be imposed.

~~Second~~
~~THIRD~~ PROPOSED AMENDMENT.

The ~~third~~ proposed amendment is contained in Chapter 478 of the Laws of Minnesota for the year 1907. By this amendment it is sought to repeal Section sixteen (16) of Article nine (9) of the Constitution, which section now reads as follows:

"For the purpose of lending aid in the construction and improvement of public highways and bridges, there is hereby created a fund to be known as the 'State Road and Bridge Fund'. Said fund shall include all moneys accruing from the income derived from investments in the internal improvement land fund, or that may hereafter accrue to said fund, and shall also include all funds accruing to any state road and bridge fund, however provided.

"The legislature is authorized to add to such fund for the purpose of constructing or improving roads and bridges of

this State, by providing, in its discretion, for an annual tax levy upon the property of this State of not to exceed in any year one-twentieth ($1/20$) of one (1) mill on all the taxable property within the State.

"The legislature is also authorized to provide for the appointment, by the governor of the State, of a board to be known as the 'State Highway Commission', consisting of three (3) members, who shall perform such duties as shall be prescribed by law without salary or compensation other than personal expenses.

"Such commission shall have general superintendence of the construction of State roads and bridges and shall use such fund in the construction thereof and distribute the same in the several counties in the State upon an equitable basis. Provided further, that no county shall receive in any year more than three (3) per cent or less than one-half ($1/2$) of one (1) per cent of the total fund thus provided and expended during such year; and, provided further, that no more than one-third ($1/3$) of such fund accruing in any year shall be expended for bridges, and in no case shall more than one-third ($1/3$) of the cost of construction or improving any road or bridge be paid by the State from such fund."

and to substitute therefor the following:

"Section 16. For the purpose of lending aid in the construction and improvement of public highways and bridges, there is hereby created a fund to be known as the 'State Road and Bridge Fund.' Said fund shall include all moneys accruing from the income derived from investments in the internal improvement land fund, or that may hereafter accrue to said fund, and shall also include all funds accruing to any state road and bridge fund, however provided.

"The legislature is authorized to add to such fund, for the purpose of constructing or improving roads and bridges of this state, by providing, in its discretion, for an annual tax levy upon the property of this state."

The purpose and effect of this amendment is to authorize the legislature to levy upon all the property of the state any amount necessary, in its judgment, for the benefit of the roads and bridges therein, and insofar removes the limitation which now exists in the Constitution, whereby the legislature is prevented from levying for such purpose a tax exceeding one-twentieth ($1/20$) of one (1) mill on the taxable property within the State.

This amendment further authorizes the legislature to provide salary and compensation, including personal expenses incurred in the performance of duty by the Highway Commission, or any other like officer entrusted by law with similar duties.

Finally, this amendment removes the limitation which now exists in the Constitution upon the powers of the Highway Commission in the distribution of the Road and Bridge Fund of the

State thereby authorized, and the amount which the state may pay from such fund toward the cost of constructing or improving any road or bridge, and leaves the whole management of such fund to be provided for by law, as the legislature shall deem wise.

The adoption of this amendment will not interfere with the power of the legislature to create a Highway Commission and define its powers, nor will it interfere with the appointment and tenure of office of the present commission.

Third
~~FOURTH~~ PROPOSED AMENDMENT.

Third
The ~~fourth~~ proposed amendment is contained in Chapter 379 of the Laws of Minnesota for the year 1907. By this amendment it is sought to add the following section to Article nine (9) of the Constitution as a new section:

"Section 17. The legislature may provide for the payment by the State of Minnesota of damages to growing crops by hail and wind, or either, and to provide a fund for that purpose, may impose a specific tax upon lands, the owners of which, at their option, have listed the same with county auditors for that purpose, and no payment shall be made of any such damages except from the fund so provided."

The purpose and effect of this amendment is to authorize the legislature to permit the State to become the trustee in the collection and disbursement of a fund for the payment of damages to growing crops by hail or wind, or both. This fund is to be created and maintained by a specific tax upon the lands of such persons ONLY as shall VOLUNTARILY list the same with their respective county auditors for such purpose. There can be no tax for such purpose imposed on the lands of any owner who does not consent thereto. Its adoption will authorize the legislature to direct that the taxing machinery of the State be used to levy and collect the tax necessary to raise such fund, and to provide for the disbursement of the same by the officers of the State, but any payments to be made by the State by reason of damage by hail or wind ^{will} have to be made from said fund and from no other. The State would assume no responsibility beyond the

amount of such fund, and could not further be rendered liable.

~~Fourth~~
~~SECOND~~ PROPOSED AMENDMENT.

~~Fourth~~
The ~~second~~ proposed amendment is contained in Chapter 480 of the Laws of Minnesota for the year 1907. By this amendment it is sought to repeal the provisions of Section seven (7) of Article seven (7) of the Constitution, which section now reads as follows:

"Every person who by the provisions of this article shall be entitled to vote at any election shall be eligible to any office which now is, or hereafter shall be, elective by the people in the district wherein he shall have resided thirty days previous to such election, except as otherwise provided in this Constitution, or the Constitution and laws of the United States."

and to substitute therefor the following:

"Every person who by the provisions of this article shall be entitled to vote at any election shall be eligible to any office which now is, or hereafter shall be, elective by the people in the district wherein he shall have resided thirty days previous to such election, except county superintendents of schools who shall be required to have educational qualifications to be determined by the legislature, and except as otherwise provided in this Constitution, or the Constitution and Laws of the United States."

The purpose and effect of this amendment is to authorize the legislature to require educational qualifications, in addition to all the other qualifications now required by law, for any person seeking the office of County superintendent of schools. As the constitution now stands any legal voter is eligible to the office of county superintendent of schools.

The foregoing four proposed amendments constitute all the amendments proposed for adoption at the ensuing General Election.

Yours respectfully,

Edward T. Young,
Attorney general.

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