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**Veto Message: Governor Billings  
1925 (H.254)**

**An act relating to the taxation of certain personal estate known as intangibles.**

STATE OF VERMONT  
Executive Department.  
Montpelier, Vt., March 20, 1925.

Was taken up, and the Speaker laid before the House the following communication from His Excellency, the Governor:

*To the House of Representatives:*

I have the honor to return without my approval House bill, entitled

"H. 254. An act relating to the taxation of certain personal estate known as intangibles."

It is with much regret that I feel compelled to differ with the members of the General Assembly concerning such an important matter which has had patient and careful consideration throughout the session, but having some objections to the bill I think best to state them.

While the subject matter of taxation is one concerning which there is probably more divergence of opinion than concerning any other subject, and dissatisfaction with taxation laws is bound to continue and trouble people in the future as it has through past ages, yet it seems to me unwise to make such a radical change in our system as this measure attempts to do.

When the last comprehensive effort was made to improve our system in 1882 and the corporation tax law was evolved which now brings into the State treasury about \$2,000,000 and more than \$1,000,000 of that sum from the taxation of bank deposits, the general property tax was retained as the corner stone of our

taxation structure for the towns.

And notwithstanding attacks made against that system and the charge that it is archaic, it is still the backbone of the taxation systems of the several states.

It has been said that the situation of the poor man owning real estate and burdened with debt was more nearly just in comparison with his more well-to-do neighbors in the early '80's following the adoption of the tax laws of 1882 than it has been since that time, for while the man owning real estate and owing money has had his offset abolished so that he now pays on what he owes as well as what he owns, his more well-to-do neighbor has been handed out exemptions and favors until the tax burdens in some towns have become intolerable.

The last change made about ten years ago went on the theory that by exempting money loaned at 5% the poor man would save 1% when he borrowed and so would be a gainer in the transaction. Recent investigations show that while the capitalist by that law has evaded taxation altogether, the less fortunate borrower has been unable to find much money available for 5% loans.

And now upon a plea to help out the poor widow who owns a few shares of bank stock, all the well-to-do bankers who are perfectly able and ought to pay as much tax as the owner of real estate and tangible personal property, and who can easily sell their bank stock when the taxation burden gets too heavy, are to be given a gratuity in a reduction in 50% of their tax so that when extra taxes are to be raised in their towns to build roads and school houses and to pay debts which are getting to be quite a municipal burden, the man struggling to pay for his real estate or business must absorb all of the extra burden. This seems to me unfair.

And notwithstanding the propaganda being put forward by the bankers and in their interest, the general property tax is still the measure of taxation for bank stock in several of the more progressive states of the Union.

We have had a chance to observe in the neighboring state of Massachusetts the results following an attempt to make bankers a preferred class for taxation when the rest of the taxpayers had to assume additional tax burdens to make up for refunds made to banks which had been taxed under unconstitutional tax laws.

And to my mind that same fundamental trouble may attach to this measure for it is well recognized that Congress has provided that stockholders of National Banks shall not be made to pay a larger rate of taxation than moneyed capital in the hands of individuals. Although it is said in this bill that moneyed capital in the hands of individuals shall be taxed the same rate as National Bank Stock; to wit, 2% yet when the classification of capital is made for the purposes of the tax in this measure, in Section 1 it is provided that all money loaned by an individual, except 5% money which is still made exempt, shall pay only four mills, or one-fifth the rate which owners of National Bank stock are compelled to pay. That is only one of the forms of moneyed capital in the hands of individuals which is taxed at the lower rate. As the law regards the substance rather than the form of legislation, it seems to me that the statement in section 2 (e) that "all moneyed capital in the hands of individual citizens of the State coming into competition with the business of National Banks", and so forth, does not cure the difficulty arising from explicit statements regarding money loaned by individuals just referred to. One of the claims seriously made in a recent tax suit in this State, which was finally compromised, was that the 5% exemption alone amounted to an unlawful discrimination by this State against National Bank stockholders.

In view of the fact that the banks as a whole are well able to earn enough to pay taxes as well as moderate dividends to their stockholders, it seems to me very unwise to transfer a part of their tax burden to the more unfortunate taxpayers as this bill in effect does.

That this is a substantial matter is indicated by the fact that the appraised value of bank stock is now over \$8,000,000 or more than one-eighth of all the taxable personal property of the State. As the average rate of taxations is \$3.43 throughout the State,

the reduction to a \$2.00 rate on bank stock means a loss in taxation of around \$100,000, and it would take \$25,000,000 of bonds and cash on a basis of a four-mill rate to equalize this loss.

When it is realized that any loss which is not made up from intangibles means an additional tax on the real estate and tangible personal property of the State, the increased burdens on the latter classes of property are apparent. Added to this I am advised that the reduction from the local tax rate of taxation to four mills on commercial deposits in National Banks of this State and on deposits in banking institutions and trust companies outside the State will call for an additional amount of intangibles at the four mills rate to make up this difference, for it is recognized that the taxation of other corporate stock under this bill does not change the existing law.

I do not care to take time to discuss all the remaining items in the bill but there is one provision in Section 12 which I consider to be absolutely inconsistent with the plan of the bill. This is the adding of the grand list on shares of stock to the grand list on tangible property for the assessment of a state tax. As I understand the theory of this bill, it is to take intangibles out of the general property tax list and to definitely fix the rate such intangible property shall pay. It is proposed that the tax to be voted at town meeting shall be assessed only on the grand list made up of taxable polls, real estate, and personal property not taxed by this act. This is the list on which the tax rate varies according to local needs. This should be the list on which all direct state taxes should be assessed. I can see no logical reason why town and state taxes should not be assessed on the same list.

In closing I will state that in returning this bill without my approval I do so because in my judgment as a part of the Legislature it will not be for the good of the State that it becomes law.

I wish to thank the members of the General Assembly for the many courtesies extended to me during this session and to request that in any future consideration of this bill they act independently on their own good judgment.

FRANKLIN S. BILLINGS,  
Governor

**Governor's Veto Overridden  
H.254 1925**

The Governor's veto was overridden in the House:  
**Yeas 170 Nays 39**

The Governor's veto was overridden in the Senate:  
**Yeas 22 Nays 5**

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Sources: *Journal of the House*, March 20, 1925 (pages 547-553)H. 254;  
*Journal of the Senate*, pages 442-443