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Recommended Citation

Arthur H. Kent, "Book Review (reviewing Herbert D. Simpson, The Tax Situation in Illinois (1929))," 25 Illinois Law Review 737 (1931).

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BOOK REVIEWS

THE TAX SITUATION IN ILLINOIS. By Herbert D. Simpson. With Introduction by Richard T. Ely. Chicago: Published by The Institute for Research in Land Economics and Public Utilities. Northwestern University, 1929. Pp. 104.

The interest of a nation has been aroused by the almost unprecedented situation which has existed in recent years in the affairs of the municipal corporations of the Chicago area. One of the great cities of the world, a center of tremendous and growing financial power and industrial activity, found itself upon the verge of bankruptcy, with the treasury empty, with millions of floating indebtedness, and with its tax revenues for a period of a year or more in advance largely hypothecated through constant borrowing on tax anticipation warrants. As a result no money was available for several months to pay the salaries of school teachers and of employees in governmental departments charged with the rendition of services essential to the safety, health, and general well-being of millions of people. The energetic and determined intervention of a group of public-spirited citizens and the prompt action of a special session of the state legislature in enacting emergency legislation temporarily relieved a desperate condition of affairs, but there are alarming indications that the crisis has only been deferred and that still more radical measures may be required within the near future to put the Chicago municipal governments upon a sound financial basis once more.

How could the financial affairs of a great and wealthy city reach such a sorry pass, even under the control of the unscrupulous and well-nigh moronic type of demagoguery which has characterized the America First group of politicians and its allies in Chicago? Of course no single factor is the sole responsible cause. Lack of foresight, and irresponsible and extravagant, and too often corrupt, expenditure of public funds, padding of payrolls in the interests of political patronage, and the want of a sound and scientific budgetary procedure have been important factors. Professor Simpson in his monograph has given a clear picture of an equally basic causative factor, viz., the inefficient and discriminatory administration of the general property tax, particularly as it relates to the assessment of real property.

That the administration of the revenue laws in Illinois was falling far short of producing that equality and uniformity which the constitution and statutes of the state require had been known for a long time. This is concededly due in part to the substantial defects of the outworn general property tax system which exists in this state. Public officials cannot fairly be blamed, for instance, for the non-productivity of the general property tax as applied to intangibles. But, as Professor Simpson points out, responsibility

cannot be thus easily evaded for failure to produce a reasonably uniform and equitable assessment of the tax on real property and some forms, at least, of tangible personalty. To what extent have tax assessing bodies in Illinois failed to perform their duties in this regard?

Professor Simpson endeavors to supply an answer to this question, so far as the assessment of real property is concerned, by a careful investigation of the facts and a treatment of the accumulated data by statistical methods. The main portion of his study is divided into two parts, one dealing with the facts for Chicago and the other with the facts for the state outside of Chicago. The latter part is based upon figures obtained for seven outside counties under the 1926 assessment and ten outside counties under the 1927 assessment. This includes a detailed study of the situation in three important outside counties, viz., La Salle, St. Clair, and Williamson. Numerous tables and charts, some of them strikingly ingenious, are used to set out the statistical data in a compact and readily understandable form. Since the value of property for purposes of taxation is defined by the Illinois statute as the "Price that it would bring at a fair voluntary sale in the course of trade," the author properly assumes that a comparison of assessed valuations of a large number of pieces of property of diverse types within the various taxing districts with the actual considerations received for such properties in bona fide sales should afford a fair objective test of the efficiency of the assessing machinery. Various checks, explained by the author, were used to assure the accuracy of the information secured and a fair sampling. The data were then classified and sub-classified to show the general level of assessment, i.e., the ratio between the valuations actually used in the extension of the tax and the full market value theoretically required by the statute, the general range of assessments, and the deviation from constitutional uniformity, within the different counties, as between different areas in the same county, and as between different classes of property.

Space does not permit any detailed description of the results of the study. Suffice it to say that it reveals that conditions in the state outside of Cook County are no better and indeed in some cases worse than in the metropolitan area, and that in the years studied there was the almost unbelievable average deviation from the level of uniformity of almost forty per cent in Chicago and an even greater deviation in certain outside counties. This means in the case of Chicago, as regards real property alone, that a sum in excess of thirty million dollars annually was collected by a process amounting to unconstitutional confiscation from less favored property owners to balance the low valuations of property belonging to taxpayers enjoying the favor of assessing officials. It furthermore appears that in one of the years covered by the study the percentage of deviation from uniformity was greater after the Board of Review in Cook County had completed its supposed process of equalization than when the assessment was completed by the Board

of Assessors; that the ratio between assessed value and actual value was much lower in some districts of Chicago than in others; that a similar inequality existed as between various classes of property, holdings in the loop being heavily discriminated against; that there is strong evidence of deliberate discrimination in favor of some property owners and against others within the same classes and that the inequalities cannot therefore be explained as being the result of an extra-legal classification of property to protect small home-owners.

The phenomenon of regression in taxation was also found to exist, in some instances to an extreme degree. By this phenomenon, one of the characteristic weaknesses of the general property tax as ordinarily administered, is meant a steady decrease in the ratio of the assessed to the true value as the worth of the property is increased. The most extreme examples of this tendency were found in certain counties outside Chicago, where in 1926 urban properties valued at less than \$5,000 were assessed at an average level of 35.8 per cent, while properties valued at \$20,000 or over were assessed at 25 per cent, and farm properties valued at less than \$10,000 were assessed at 45.3 per cent as against 33 per cent for rural properties of a value of \$20,000 or over. Regressive taxation in Chicago was found chiefly in the assessment of homes, in the form of a clear discrimination against small home owners by the Board of Review.

In the light of the conditions revealed by this study, it is not surprising that the State Tax Commission deemed it to be its imperative duty to order the reassessment of real property in Cook County. The surprising thing is that it has not taken similar steps with regard to many other counties in the state. So far as the reassessment was in fact responsible for the disorganization of municipal finances in the Chicago area, the just conclusion would seem to be that the major blame must fall upon the officials, political organizations, and professional tax-fixers, whose dereliction in the performance of their duties and nefarious activities produced the chaotic situation that impelled the Tax Commission to act.

The balance of Professor Simpson's monograph is devoted to a brief consideration of the causes of the unhappy conditions revealed by his study and suggestions more or less tentative as to the proper remedies. He assigns as the chief causes the diffusion of responsibility under the present administrative organization, the character of tax officials under the present system, the lack of scientific methods of assessment, the abuses growing out of the present personal property tax, and the want of adequate judicial remedies. The reviewer agrees with this analysis except that he does not believe much can be accomplished by enlarging the scope of judicial review. A very burdensome duty will be thrown thereby upon the already overworked courts and they are not well equipped to discharge it. It is believed that there is no substitute for honest and efficient administrative action in this field. Among the remedies the author suggests are an enlargement of the powers and the organization of the State Tax Commission; an overhauling of the

present administrative machinery, involving the making of the county the unit of assessment; the abolition of the present board of assessors and board of review, with their overlapping functions, in Cook and St. Clair counties; the removal of the present quadrennial limitation and the creation of permanent and expert assessing machinery; publicity of assessments, a requirement of the present statutes too often honored in the breach rather than in the observance; a revision of the present personal property tax; and ultimately the adoption of a state income tax.

Most of these suggestions are in accord with current expert opinion, though the author treats somewhat cavalierly opinions not in accord with his own in the presentation of his views as to needed revisions of the personal property tax. The income tax, whether in lieu of certain existing taxes or as an additional form of taxation, as a solution for the present financial difficulties of the state, is a delusion and a snare unless it is possible to create an administrative organization for its enforcement far more efficient than our present machinery, divorced from the selfish political control to which the existing machinery has been successfully subjected.

Professor Simpson has produced a study which will be of great interest and value to students of state and municipal government in its financial and administrative aspects. It is perhaps to be regretted that he did not obtain data on a larger number of outside counties to assure an adequate sampling. It may be hoped that what he has so well begun he himself or others will finish. A comprehensive and equally careful study of the ratio of assessments to fair sale value under the recent reassessment in Cook County will likewise be of real interest and value.

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