

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

1. Mortgage Endorsement Tax

by Michael Mahler

Summary of Parts 1, 2, 3. 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 it applied to mortgages, the tax was considered confiscatory, and was widely evaded. Mortgages of the day typically yielded about 4% per year, and the tax was roughly 2%. Unwilling to see half their profit whisked away by the tax, investors found inventive ways to avoid paying it, or simply chose other investments. In an attempt to salvage at least some tax revenue from mortgages, the state in 1905 exempted them from the personal property tax provided an annual mortgage tax of five mills (0.5¢) per dollar was paid. The tax was obligatory on new mortgages and optional for those already recorded. In 1906 the tax was changed from an annual one to a one-time recording tax at essentially the same rate, 50¢ per \$100. The Mortgage tax became philatelically interesting with passage of the Act of June 23, 1910, which allowed individual bondholders to pay the tax on their holdings, thus making them exempt from property tax. In order to conform to Stock Exchange regulations, the Attorney General now authorized use of “engraved adhesive stamps” on bonds to indicate payment of the tax, and on December 29, 1910, County Clerks were sent Mortgage Endorsement stamps in green, imperforate. Some nine months later perforated stamps came into use, and in 1915 the color of the stamps was changed to orange. The Mortgage Endorsement stamps were used only on

bonds secured by a mortgage of property wholly or partly within the state, and to date have been recorded on 29 different bonds of 13 New York railroads.

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 personal property taxes contingent upon a one-time payment of 0.5%—for all bonds, excepting those already subject to the Mortgage tax, and Secured Debt stamps were created to pay it. Effective May 1, 1915, the tax was increased to 0.75%, which now secured exemption from other taxes for five years only. 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 65 different bonds taxed at the 0.5% rate, 43 at the 0.75% or 75¢ per \$100 rate, and stamped certificates of the Comptroller’s Office attesting to tax payment at both rates.

Effective June 1, 1917, the tax was increased yet again, to 20¢ per \$100 per year of exemption, and new Tax on Investments stamps were created to pay it. 46 different bonds taxed at this rate have been recorded.

Effective May 10, 1920, intangible personal property was made exempt from taxation, rendering the Investments tax meaningless, and it was simultaneously repealed. Use of Mortgage Endorsement stamps was likewise discontinued.

Introduction

The purpose of the New York Mortgage Endorsement, Secured Debt, and Tax on Investments stamps has long been cloaked in mystery. Documents bearing these stamps are rarely offered by revenue dealers, and I daresay most collectors have

never encountered one, so examples are in order. Figure 1 shows an 1894 bond of the New York and Putnam Railroad Co. with orange Mortgage Endorsement stamp affixed January 10, 1917; Figure 2, an 1887 bond of the New York, Susquehanna and Western Railroad Co., with Secured Debt \$5 affixed August



Figure 1. New York and Putnam Railroad Co. 1894 bond with orange Mortgage Endorsement stamp affixed January 1917 in Putnam County.

15, 1912; and Figure 3, a Norfolk Terminal and Transportation Co. 1898 \$1000 bond bearing two Secured Debt \$1 each with “TAX EXEMPT FOR ONE YEAR” circular handstamp dated September 20, 1917, and two Tax on Investments \$2 with similar cancels dated September 26, 1918, and September 19, 1919.

These and similar usages are both intriguing and perplexing. Intriguing, because they draw into the philatelic arena an array of ornate and colorful documents not subject to other stamp taxes—indeed, some of the bonds on which these stamps appear are among the most visually stunning stamped documents extant. Perplexing, for a number of reasons. The stamps are virtually always found on bonds, but for a given bond, with a few notable exceptions, relatively few bear stamps. Most of these bonds have survived in appreciable quantities, presumably from company archives, and dealers who have handled them estimate the number bearing stamps at roughly 5%.¹ Why are stamps found on one example of a given bond, and not another seemingly similar in every respect? Moreover, the accompanying census lists 105 different bonds on which stamps have been seen, issued as early as 1847 and as late as 1919. This total is the result of an assiduous search, more than double the number in an earlier iteration of this census. Even if it could be doubled again—which seems unlikely—it would still comprise only a small fraction of the many hundreds, if not thousands, of bonds from this time span known to have survived. 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?

1. One dealer's stock included 11 bonds in sufficient quantities (119 to 748 apiece) for statistical conclusions to be drawn, on which stamps could be found. The percentages bearing stamps ranged from 0.4% to 15.0%, averaging 6.3%.



Figure 2. New York, Susquehanna and Western Railroad Co. 1887 \$1000 bond with Secured Debt \$5 affixed August 1912.

Puzzling Statutes

The relevant New York statutes are maddeningly obscure. The parent legislation, effective July 1, 1905, established an annual tax of five mills per dollar on mortgages. Its key provisions follow:

[Article 11, Section 291]. Situs.—All debts and obligations for the payment of money, either presently or in the future, which shall at any time hereafter be secured in whole or part by mortgage of real property situated within this state, together with the mortgages securing the same, shall be deemed by all courts to be property within this state ...

[292.] Exemption from local taxation.—Such of the debts, obligations and securities aforesaid, together with the paper writings evidencing the same, as are taxed by this article shall be exempt from taxation² by counties, cities, towns, villages, school districts and other local subdivisions of this state ...

The tax was imposed on all new mortgages recorded on or after July 1, 1905; for mortgages recorded prior to that date, payment of the tax was optional. In 1906 the tax was changed from an annual levy to a one-time recording tax at essentially the same rate, 50¢ per \$100 or principal fraction thereof, and the effective date was extended to July 1, 1906.

2. Exceptions were made for the taxes on bank shares (Chapter 62, Section 24), the franchise tax on insurance companies, trust companies, and savings banks (Chapter 62, Sections 187, 187a, and 187b, the last two renumbered 188–9 in 1909), and the inheritance tax (Chapter 62, Article 10). With the exemption of the inheritance tax, all of these exceptions are puzzling; it is difficult to see how any could possibly have applied to mortgages or mortgage bonds.



All very matter of fact, but these provisions raise more questions than they answer. A tax securing exemption from other, presumably higher, taxes? Not exactly the sort of legislation one expects from any taxing entity; what could the underlying rationale have possibly been? An optional tax? Why would anyone choose to pay? What was going on here?

It is clear, at least—and fortunately so, given that Mortgage Endorsement stamps are found only on bonds—that this tax, referred to everywhere as a “mortgage tax” or “mortgage recording tax,” applied as well to mortgage bonds, i.e. bonds secured by a mortgage. And the statutes do provide at least a minor “Aha!” moment: they applied only to mortgages of property situated within the state, and the recorded bonds bearing Mortgage Endorsement stamps were indeed all secured by mortgages of railroads located wholly or partially in New York. Table 1 lists all examples I am aware of, including identification numbers assigned in Terry Cox’s encyclopedic census of stocks and bonds of American railroads (<http://www.coxrail.com>; Cox, 2003).

Mystery Solved: New York’s Problematic Personal Property Tax

A decade or so ago answers to the questions posed above would have been infinitely more difficult to ferret out. Now, thanks to the explosion of information available via the internet, with a little digging one can learn to read between the lines of the statutes. The *New York Times* of February 12, 1905, reveals a key piece of information: the impending mortgage tax was intended as an alternative to a personal property tax, which was largely being evaded (bolding mine):

Figure 3. Norfolk Terminal and Transportation Co. 1898 \$1000 bond bearing Secured Debt \$1 (x2) and Tax on Investments \$2 (x2) paying Investments tax for 1917, 1918, and 1919.

REPUBLICANS TO PUSH A MORTGAGE TAX BILL

Increase of State's Dependents Demands More
Revenue.

RATE TO BE 4 OR 5 MILLS

Terms of the Measure Counted On to Gain Up-
State Approval—Tax to be Annual.

ALBANY, Feb. 11.—Republican legislative leaders have definitely decided to push a mortgage tax bill. They have assigned several of the experts on taxation in the Senate and Assembly to draw up such a measure, and it is now in course of preparation. The bill will provide for an annual tax on mortgages, not a recording tax. The rate of the tax has not yet been fixed, but it is almost certain to be either 4 or 5 mills ...

The present disposition is to have the tax apply only to mortgages to be made hereafter, it being left optional ... with all holders of existing mortgages to submit their mortgages for taxation under the new law, and thereby **secure exemption from the personal property tax**. It is believed that the lower rate which will be provided in the proposed law will furnish an **incentive to mortgage holders who are now secreting their holdings from the Assessors** to submit them for taxation, and thus do away with the anxiety that they now experience **because of their liability to the personal property tax** on such securities ...

In New York City **mortgages held outside of trust funds generally escape any tax**. It is that fact which has led to such a decided sentiment in New York for a tax on mortgages which could not be dodged, the feeling being that a small tax such as the proposed one of 4 or 5 mills would be hardly worth while evading, and that the fixing of an equitable and unburdensome tax would create a

feeling of security which would be vastly beneficial to the community's development.

Exemption of mortgages from all taxation would be the ideal condition, it is asserted by experts, for ... [the] increase in real estate values which would result from freedom to contract mortgages without the bugbear of a heavy personal tax would increase the tax returns from realty to such an extent as to more than offset the loss of revenue which would result from doing away with the liability of bonds and mortgages to taxation as personal property.

Next we learn, from a letter to the Times published April 10, 1905, that the tax on mortgages and their bonds as personal property was onerous—roughly 2% per year—and very selectively enforced.

PLEA FOR MORTGAGE TAX

To the Editor of the New York Times:

The effect of this bill, so violently opposed by corporate interests, is to **reduce taxation on mortgages from more than 2 per cent. to one-half of 1 per cent.**, and to enable residents of the State, individuals, and estates, to invest their money on bond and mortgage on equal terms with non-residents, with savings banks and life insurance companies.

Every lawyer knows that **mortgages are personal property**, and as such **subject to taxation at the rate fixed by law**. In former years and prior to the Strong administration in New York City there was little or no attempt to enforce the tax upon mortgages, but in later years mortgages are taxed like other personal property.

The effect of a strict enforcement of the law of taxation upon mortgages has been to give to the savings banks and life and title insurance companies almost a complete monopoly in the

Table 1. Recorded Documents Bearing Mortgage Endorsement Stamps, 1911–20

Company/Bond	Cox #	Amount	Bond Date	Stamp	Stamp Date	County	Comments
Broadway and Seventh Avenue Railroad Co. Mortgage Bond	BRO-037-B-40	\$1000	7/1/1884	Green imperf?	???	New York	#144 (illustrated by Cox)
First Mortgage Consolidated 5% Gold Bond	BRO-037-B-51	\$1000	12/22/1893	Orange	9/28/1916	New York	#05741; three others seen
Broadway Surface Railroad Co.	BRO-049-B-40	\$1000	7/1/1884	Green imperf	???	New York	#1237
				Green perf	12/16/1913	New York	#1037
				Green perf	???	New York	#558, 1248
				Orange	???	New York	#819, 822, 837
Carthage and Adirondack Railway Co. First Mortgage 4% Gold Bond	CAR-881-B-50	\$1000	12/1/1892	Green imperf	9/??/1911	Lewis	#363; all recorded examples also with Gt. Britain red embossed £1 & 1s
				Green imperf	5/25/1912	Jefferson	#952
				Green perf	3/3?/1916	Jefferson	#1099
				Green perf	4/11/1916	Jefferson	#889; late use of green perf
				Green perf	3/3/1917	Jefferson	#402; latest use of green perf
				Orange	5/19/1917	Jefferson	#514
Columbus and Ninth Avenue Railroad Co. First Mortgage 5% Gold Registered Bond	COL-810-B-50	\$2000	8/24/1893	Orange	Undated?	New York	#R065; bond amount entered in ms.
First Mortgage 5% Gold Coupon Bond	COL-810-B-51	\$1000	8/24/1893	Green perf	9/13/1913	New York	#C534
				Green perf	3/20/1914	New York	#C566
				Green perf	???	New York	#C535, C545
				Orange	9/30/1917	New York	#C659
Lake Shore and Michigan Southern Railway Co. 3½% Gold Bond, vertical format	LAK-627-B-30	\$1000	6/1/1897	Green imperf	4/20/1911	Erie	#7143; vignette of Wm. K. Vanderbilt; Gt. Britain embossed £1 & 1s (6-7-97)
				Green imperf	5/2/1911	Erie	#10940
				Green perf	9/26/1912	Erie	#2853; Gt. Britain embossed £2 (22-7-04)
				Green perf	7/23/1914	Erie	#3085
				Green			16 more with green stamps reported in dealer stock
				Orange	6/24/1916	Erie	#8200; Gt. Britain embossed £1 (2-7-97)
				Orange			Six more with orange stamps reported in dealer stock
3½% Registered Gold Bond, horizontal format	LAK-627-B-35	\$1000	5/1/1911	Green imperf	9/20/1911	Erie	#M2135; vignette of Wm. K. Vanderbilt
			1/7/1907	Green imperf	9/21/1911	Erie	#M1319
			5/11/1907	Green imperf	9/21/1911	Erie	#M1362
			12/2/1908	Green imperf	9/21/1911	Erie	#M1598
			1/4/1911	Green perf	12/2/1911	Erie	#M2019–22

Table 1. (cont)

Company/Bond	Cox #	Amount	Bond Date	Stamp	Stamp Date	County	Comments
Lake Shore and Michigan Southern Railway Co. 3½% Registered Gold Bond, horizontal format (cont.)	LAK-627-B-35	\$1000	1/16/1911	Green perf	12/2/1911	Erie	#M2027-9
			12/5/1911	Green perf	9/26/1912	Erie	#M2290, 2292-4
			2/23/1912	Green perf	9/26/1912	Erie	#M2369
			2/2/1900	Green perf	9/28/1912	Erie	#M488; to Alice G., Alfred G. and Wm. K. Vanderbilt, Chauncey Depew, E. V. W. Rossiter, Trustees under will of Cornelius Vanderbilt, deceased
			6/9/1904	Green perf	3/20/1914	Erie	#M830
			12/11/1911	Green perf	9/26/1914	Erie	#M2291
				Green perf			58 more reported in dealer stock
			1/17/1917	Orange	1/22/1916	Erie	#M3577
			2/4/1916	Orange	2/9/1916	Erie	#M3459
			11/20/1916	Orange	12/6/1916	Erie	#M3553
			4/23/1917	Orange	5/14/1917	Erie	#M3625
			6/2/1919	Orange	6/12/1919	Erie	#M3756
				Orange			122 more reported in dealer stock
	LAK-627-B-36	\$5000	5/1/1911	Green imperf	9/28/1911	Erie	#1612-3
			1/4/1911	Green perf	9/29/1911	Erie	#766
			8/29/1909	Green perf	4/18/1912	Erie	#1472
			12/27/1913	Green perf	12/18/1913	Erie	#1793
				Green perf			Nine more reported in dealer stock
			12/2/1913	Orange	11/20/1915	Erie	#1871
			11/20/1916	Orange	12/6/1916	Erie	#1998
			3/14/1917	Orange	3/19/1917	Erie	#2017
			10/26/1917	Orange	11/2/1917	Erie	#2034
			10/31/1918	Orange	11/6/1918	Erie	#2056
				Orange			39 more reported in dealer stock
	LAK-627-B-37	\$10,000	1/4/1901	Green perf	9/29/1911	Erie	#934-5
			1/2/1902	Green perf	9/29/1911	Erie	#1072
			6/3/1913	Green perf	6/6/1913	Erie	#2419-20
				Green perf			24 more reported in dealer stock
			1/4/1911	Orange	11/20/1915	Erie	#2077
			12/4/1912	Orange	9/15/1916	Erie	#2333
			12/19/1916	Orange	12/26/1916	Erie	#2624
			1/17/1917	Orange	1/24/1917	Erie	#2657
			6/2/1919	Orange	6/12/1919	Erie	#2748
				Orange			69 more reported in dealer stock
	LAK-627-B-38	\$50,000	1/4/1901	Green perf	9/29/1911	Erie	#470
			1/2/1902	Green perf	9/29/1911	Erie	#510
25 Year 4% Registered Gold Bond	LAK-627-B-52	\$5000	1/5/1912	Orange	6/17/1918	Erie	#RVM403-4

Table 1. (cont)

Company/Bond	Cox #	Amount	Bond Date	Stamp	Stamp Date	County	Comments
Lake Shore and Michigan Southern Railway Co. 25 Year 4% Registered Gold Bond (cont.)	LAK-627-B-53	\$10,000	4/5/1904	Orange	9/29/1916	Erie	#XM42
			4/7/1904	Orange	9/29/1916	Erie	#XM106
			11/19/1917	Orange	11/23/1917	Erie	#XM475
			6/6/1918	Orange	6/17/1918	Erie	#XM489, 532
	LAK-627-B-55	\$20,000	4/18/1904	Orange	5/3/1917	Erie	#XXM1-10; to Atlantic Mutual Insurance Co.; ms. "Cancelled June 20/17" with agent's signature; Secured Debt \$100, \$50, \$25 & \$5 added 7/2/1917
25 Year 4% Registered Gold Bond of 1906	LAK-627-B-62	\$10,000	9/13/1906	Orange	5/3/1917	Erie	#1-6, 10; to Atlantic Mutual Insurance Co.; ms. "Cancelled June 20/17" with agent's signature; Secured Debt \$50, \$25, \$10 & \$5 added 7/2/1917
Mohawk and Malone Railway Co. First Mortgage 4% Gold Bond	MOH-538-B-51	\$1000	7/1/1892	Green imperf	10/18/1913	Herkimer	#1458; Gt. Britain embossed 2£ (13-3-13), France h.s.'d Titres Etrangers 2/10%
				Green imperf	8/21/1915	Herkimer	#705; Gt. Br. embossed £1 & 1s (16-6-93)
				Green imperf	9/22/1916	Herkimer	#422; Gt. Br. embossed £1 & 1s (16-6-93)
				Green imperf	9/29/1916	Herkimer	#730, 734, 736; Gt. Britain embossed £1 & 1s (16-6-93); latest use of imperf
Consolidated 3½% Gold Mortgage Bond	MOH-538-B-55	\$1000	3/1/1902	U.S. R171 Orange	4/9/1902 5/26/1919	Oneida	#2919; U.S. stamp on front, "M. & M. RY. CO." datestamp
Nassau Electric Railway Co. Consolidated Mortgage 4% Gold Bond	NAS-968-B-52	\$1000	12/22/1905	Orange	10/28/1915	Kings	#52
			2/28/1917	Orange	9/22/1917	Kings	#163
New Jersey and New York Railroad Co. General Mortgage 40 Year 5% Gold Bond	NEW-236-B-56	\$1000	12/31/1892	Green imperf	8/15/1913	Rockland	#155; on stamp "I Cyrus M. Crum Clerk of said County hereby certify that I have received the sum of \$5.00 as tax on the within Bond."; late use of imperf
New York Central and Hudson River Railroad Co. 3½% Coupon Gold Bond	NEW-533a-B-40	\$1000	7/1/1897	Green imperf	3/21/1911	New York	#654; vignette of Cornelius Vanderbilt II; earliest use of Mortgage stamp
				Green imperf	3/29/1911	New York	#59486, 82024
				Green imperf	4/3/1911	New York	#52091, 52099, 82017
				Green imperf	9/22/1911	New York	#59669; "approx. 12" with imperf seen by dealer

Table 1. (cont)

Company/Bond	Cox #	Amount	Bond Date	Stamp	Stamp Date	County	Comments
New York Central and Hudson River Railroad Co. 3½% Coupon Gold Bond (cont.)	NEW-533a-B-40	\$1000	7/1/1897	U.S. R171	2/10/1899		#25347; U.S. stamp on back, "N. Y. C. &
				Green perf	9/27/1912	New York	H. R. R. Co." circular datestamp ties
				Green perf	9/29/1912	New York	#27072
				Green perf	12/5/1913	New York	#36777
				Green perf	7/16/1915	New York	#52508
				Green perf	9/22/1915	New York	#51945, #53948; "approx. 35-40" with
							green perf seen by dealer
				Green perf	???	New York	#2661, 7668, 29940
				Orange	9/28/1915	New York	#50293, 57899; earliest use of orange
				Orange	12/3/1915	New York	#5946; Gt. Br. red embossed £1 (11-4-00)
				U.S. R171	7/15/1898		#20363; U.S. stamp on front, "C. T. Co.
				Orange	12/23/1915	New York	OF NEW YORK" magenta h.s. ties
				Orange	1/26/1916	New York	#51961-2; "approx. 40-50" with orange
3½% Registered Gold Bond	NEW-533a-B-45	\$1000	7/27/1899				seen by dealer
				Orange	???	New York	#28180
New York and Putnam Rail Road Co. First Cons. Mortgage Guaranteed Gold Bond	NEW-764-B-50	\$1000	1/15/1894	Orange	5/10/1917	(New York)	M321
				Green imperf	5/9/1916	Putnam	#2564
				Orange	11/29/1916	Putnam	#2275
				Orange	1/10/1917	Putnam	#1411; Gt. Britain red embossed £1 & 1s
Rome, Watertown and Ogdensburgh Rail Road Co. First Cons. Convertible Mortgage Bond of 1904	ROM-660a-B-50	\$1000	7/1/1874				(10-9-94)
				Orange	2/24/1919	Putnam	#2139
				Green imperf	6/22/1912	Jefferson	#7319
				Green perf	6/4/1913	Jefferson	#5192, 5207, 6163
Utica and Black River Railroad Co. First Mortgage 4% Gold Bond	UTI-125-B-50	\$1000	5/1/1890	Green perf	???	Jefferson	#2007, 7597
				Green imperf	???	Jefferson	#1734
				Green perf	9/29/1915	Jefferson	#1381
				Orange	7/21/1919	Jefferson	#916; latest use of orange
West Shore Railroad Co. First Mortgage Guaranteed Bond vertical format, green & black	WES-304-B-51	\$1000	12/5/1885	Green imperf	9/27/1911	Albany	#21642
				Green perf	9/28/1911	Albany	#7562; earliest use of green perf
				Green perf	9/29/1911	Albany	#23686
				Green perf	9/30/1911	Albany	#2859

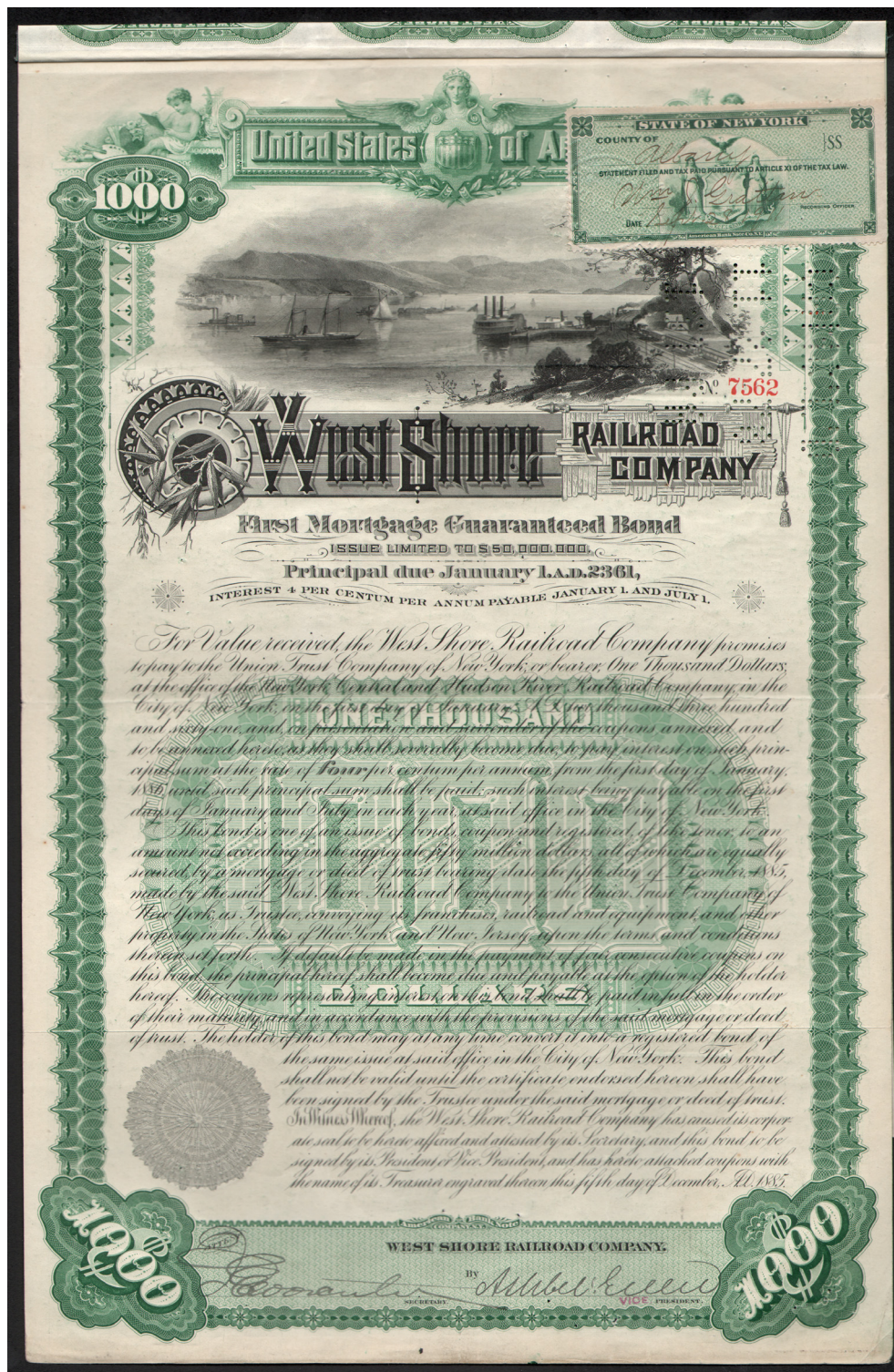
Table 1. (cont)

Company/Bond	Cox #	Amount	Bond Date	Stamp	Stamp Date	County	Comments
West Shore Railroad Co.	WES-304-B-51	\$1000	12/5/1885	Orange	2/8/1917	Albany	#26394
First Mortgage Guaranteed Bond (cont.)				Orange	10/4/1918	Albany	#22112
horiz. format, orange & black	WES-304-B-55a	\$500	6/15/1914	Green perf	6/19/1914	Albany	#D3692
horiz. format, red & black	WES-304-B-56b	\$1000	1/4/1912	Green perf	12/20/1912	Albany	#M35467; to Chauncey M. Depew
			2/26/1913	Green perf	6/12/1913	Albany	#M36462
			1/26/1901	Green perf	3/13/1914	Albany	#M25437-40; to Emily Trevor
			3/17/1914	Green perf	3/19/1914	Albany	#M37647
			1/26/1901	Green perf	7/23/1914	Albany	#M37988-92; to Emily Trevor
			8/11/1914	Green perf	8/13/1914	Albany	#M38034
			7/20/1915	Green perf	7/27/1915	Albany	#M38618-9
			7/21/1915	Green perf	7/27/1915	Albany	#38624-5
				Green perf			14 more reported in dealer stock
			1/23/1911	Orange	10/13/1915	Albany	#M34475; day changed by hand
			1/12/1916	Orange	11/13/1916	Albany	#M38904
			11/8/1917	Orange	11/15/1917	Albany	#M40465
			2/25/1918	Orange	3/1/1918	Albany	#M40641
			3/12/1918	Orange	9/14/1918	Albany	#M40679
			12/6/1918	Orange	12/18/1918	Albany	#M41066
			1/8/1919	Orange	1/10/1919	Albany	#M41106-10; to John Trevor
			4/21/1919	Orange	5/1/1919	Albany	#M41237-40; to Alfred Steele
				Orange			23 more reported in dealer stock
horiz. format, brown & black	WES-304-B-58b	\$10,000	1/18/1900	Green perf	??/??/1912	Albany	#X5229
			12/3/1907	Green perf	9/29/1912	Albany	#X6304
			1/29/1915	Green perf	2/5/1915	Albany	#X7307
			3/12/1918	Orange	9/14/1918	Albany	#X7721
			5/8/1920	Orange	5/24/1920	Albany	#X7959; tax unnecessary as intangible personal property was exempt from property tax as of May 10, 1920; stamp faulty
horiz..format, rust & black	WES-304-B-59a	\$50,000	1/18/1900	Green perf	9/29/1912	Albany	#L398; signed Chauncey M. Depew as Trustee (illustrated by Cox)

business of making loans on real estate, concentrating business among a favored class and in effect exempting mortgages altogether from taxation. **Large estates do not invest in bond and mortgage because they would be taxed at over 2 per cent.** The saving banks and other large institutions do, because they are not taxed at all,

being able to deduct their liabilities from the assets and thus escape taxation altogether.

A concrete case will open the eyes of the people to the iniquity of the present operation of the tax law. A merchant died in this city leaving an estate of \$100,000 to his wife and two daughters. Being an exceedingly prudent man, he directed in his



will that after payment of his debts his whole estate should be converted into money and invested in bond and mortgage on improved real estate in the City of New York, worth double the amount of the loans. The executors had no alternative, the direction was imperative, and the investments were made, with the result that "gilt-edged" mortgages only paid 4 per cent.

The estate was thus in receipt of an annual income of \$4,000, but **the tax-gatherer assessed the estate 2.25 per cent.**, and actually received \$2,250, and the widow and orphan children got \$1,750 per annum. From this situation there was no escape, and the wise provision of a prudent husband and father became a terrible farce.

There is another side to the question—that is as to the wisdom or public policy or abstract justice of taxing mortgages at all. It is unquestionably a form of double taxation, and therefore unsound, but it is not confiscation, as the present intolerable condition involves. The rate of one-half of 1 per cent. is too high and may in many cases prove an oppression to the small owner or dweller in the tenement houses who is at the mercy of landlords, but the greatest good to the greatest number is certainly accomplished.

New York, April 8, 1905.

G. C. L.

Difficulties in Assessment

Bonds held by estates, as in the letter writer's example, or in trust funds, were in full view of the assessor, and thus were taxed. Nearly all others stayed hidden, and escaped. This was not so much the result of dishonesty on the part of bondholders, but of the near impossibility of assessing such holdings. Property taxes have been with us for millennia, and

Figure 4. West Shore Railroad Co. 1885 bond with green Mortgage Endorsement stamp affixed September 28, 1911, in Albany County, the earliest recorded use of a perforated stamp.

for most of that time assessment of personal property was a simple matter. Among the Masai one could count a man's cattle and essentially be done with it. But in industrialized societies, and particularly within their cities, the difficulty of the assessor's task took a quantum leap. Fisher (2002) provides a balanced overview:

There are several reasons for the failure of the general property tax. Advocates of [a uniform tax] failed to deal with the problems resulting from differences between property as a legal term and wealth as an economic concept. In a simple rural economy wealth consists largely of real property and tangible personal property—land, buildings, machinery and livestock. In such an economy, wealth and property are the same things and the ownership of property is closely correlated with income or ability to pay taxes.

In a modern commercial economy ownership and control of wealth is conferred by an ownership of rights that may be evidenced by a variety of financial and legal instruments such as stocks, bonds, notes, and mortgages. These rights may confer far less than *fee simple* (absolute) ownership and may be owned by millions of individuals residing all over the world. Local property tax administrators lack the legal authority, skills, and resources needed to assess and collect taxes on such complex systems of property ownership.

Another problem arose from the inability or unwillingness of elected local assessors to value their neighbor's property at full value. An assessor who valued property well below its market value and changed values infrequently was much more popular and more apt to be reelected. Finally the increasing number of wage-earners and professional people who had substantial incomes but little property made property ownership a less suitable measure of ability to pay taxes.

Others were not so diplomatic. In the *Times* of April 6, 1905, Governor Frank Higgins linked his support for the proposed mortgage tax with an impressively emphatic denunciation of the personal property tax:

TAX BILLS ARE PASSED;

TAKE CHANCES—HIGGINS

ALBANY, April 3.—After the Assembly had debated the Stock Transfer Tax and Mortgage Tax bills for nearly six hours to-day both measures were passed. The vote on the Stock Transfer Tax bill was 98 to 47 and that on the Mortgage Tax bill 97 to 49. All Republican members of Greater New York entered protests, but only a few had the temerity to bolt the caucus action ... The entire New York City Republican delegation was with Gov. Higgins urging him to use his influence to have the bills withdrawn.

HIGGINS WOULD "TAKE CHANCES."

"The Republican Party has been wiped out before many times by passing tax legislation which New York objected to," the Governor replied. "I guess we will have to take one more chance."

Speaking more seriously in reply to arguments, the Governor added:

"The general property tax, as administered in the State of New York is a failure. Inequality of assessment, failure to reach personal property, incentive to dishonesty, are among the more glaring defects in the system. It was said in the first annual report of the State Assessors, in 1860 that 'a more unequal, unjust, and partial system for taxation could not well be devised.' And in the Assessors' report for 1879 it was said that 'the general property tax is a reproach to the State, an outrage upon the people, a disgrace to the civilization of the nineteenth century, and worthy only of an age of mental and moral darkness and degradation. Any

effort to improve and perfect our system of taxation by distributing the burdens where they can best be borne and by compelling the tax dodger to contribute his just share to the cost of government deserves applause and not censure.'

OPPOSED BY LAWYERS, HE SAYS.

"... Under present laws if the assessors do their duty, the mortgage is assessed at its full value for State and local purposes. If it escapes such assessment it is because assessors are slothful or easy, or because they set their personal judgment as to public policy above the law, or because the owner of the mortgage is a non-resident or is willing to commit perjury in order to 'swear off' his tax. If no offset of debts against personal property assessment were permitted, temptation to fraud and perjury would be removed, and on the other hand, double taxation of the severest type would prevail.

"The ordinary holder of mortgages is not indebted in any amount greater than his mortgage holdings. He lends his money at the constant risk of taxation. He charges for this risk in fixing the rate of interest. If he escapes taxation he receives a higher rate of interest, and if he pays the tax the borrower bears the burden.

"The pending bill substitutes a tax of $\frac{1}{2}$ of 1 per cent. for the general property tax on mortgages without deduction for debts or exemptions on account of non-residence. Its natural result would be to reduce rather than to increase the rate of interest by releasing vast sums now deposited in savings banks or invested outside the State in order to escape the heavy burden of general taxation. This fact may account for some of the opposition by the moneyed interests in this legislation.

"Existing mortgages are not taxed under the bill unless the mortgagee elects to avail himself of its provisions. It looks only to the future."

Much more could be said on the shortcomings of the personal property tax, and the methods of evading it, but the salient point for us is clear: the mortgage tax was an alternative to the personal property tax, which was being widely evaded.

Mortgage Endorsement Required

For new mortgages, the tax was to be paid upon recording, and no mortgage was to be recorded unless the tax was paid. The recording officer was required "to indorse upon each mortgage a receipt for the amount of tax ... paid ... and the receipt for such tax indorsed upon each mortgage shall be recorded therewith."

For prior mortgages on which the owner opted to pay the tax, a written statement under oath was required, specifying the date of the mortgage, names of the parties, liber (book) and page of the record thereof, and amount remaining unpaid, to be filed with the recording officer of the county in which the mortgaged property was situated. On payment, the officer was required to note the fact of this statement on the margin of the record of the mortgage and the amount paid, attested by his signature. If the original mortgage was presented together with the statement, a similar signed notation was to be made on the mortgage itself, "which indorsement shall be conclusive evidence of the payment of such tax."

Three Legislative Steps toward Philatelic Relevance

The Mortgage tax of 1905 was innovative and important, but met with strong objections and was amended every year between 1906 and 1910. Three changes can be singled out that made the Mortgage tax philatelically interesting after 1910:

1906. Change from an annual tax of five mills (0.5¢) per dollar to a one-time recording tax at essentially the same rate, 50¢ per \$100.

1907. Restoration of the provision allowing optional payment on prior mortgages. This had been present in the 1905 Act, but rescinded in 1906; as restored it allowed payment on mortgages recorded prior to July 1, 1906.



1910. Authorization of tax payment on individual mortgage bonds secured by prior mortgages.

Once these were in place the necessary final steps leading to issuance of the Mortgage Endorsement stamps would be taken by the Stock Exchange, Tax Commissioners, and Attorney General.

Amendments of 1906 and 1907

The annual Mortgage tax of 0.5% imposed in 1905 proved too onerous to be effective. This was already evident by year's end, and opponents had formulated a plan to replace it with a one-time recording tax. The *New York Times* of January 22, 1906, summarized discontent with the new tax:

THE MORTGAGE TAX LAW.

As a scheme for getting revenue, the annual tax on mortgages is not a success; it is in fact a rather shabby failure. When it was under discussion its advocates submitted elaborate statistics to justify their estimate that it would yield some \$3,000,000 a year. The total revenue derived from it has not reached \$600,000, from which a pretty costly system of collection must be supported. The tax has not brought in one-fifth what was promised for it.

It ought to be repealed. It is expensive in operation and helps the Treasury slightly. It is a double tax, since it is a tax on debt secured by property which is itself taxed. It is uneven and unjust as between sections of the State and as between classes of the people. New York City pays about two-thirds of the tax and other

Figure 5. Carthage and Adirondack Railway Co. of New York 1892 bond with green imperforate Mortgage Endorsement stamp affixed in Jefferson County May 25, 1912.

cities pay nearly all the rest; the farming districts pay very little of it—though what they do pay is most burdensome. It falls, in the long run, most heavily on rent payers, and, in proportion to their means, very much more heavily on the poorest tenants. It checks building operations. This tends to advance rents; it prevents the improvement of real estate and deprives the cities of the taxes that would be yielded by improved real estate. Against these defects and evils there is practically no offset. There will be a strong effort at Albany to substitute for the annual tax a reasonable recording tax, and there is fair prospect that it will succeed. Certainly it should.

The 1906 legislative session saw a contentious struggle to reform the Mortgage tax, reflected by numerous references in the *Times*. A reform bill was passed, only to be vetoed by Governor Higgins. Amendments designed to mollify him were added and a new bill again passed with support of two-thirds of both houses. Despite his continued objections, the governor now bowed to “the people’s will” and signed it into law on April 22, to take effect July 1. The key feature of this 1906 Act was the replacement of the annual tax of five mills (0.5¢) per dollar with a one-time recording tax at essentially the same rate, 50¢ for each \$100 or principal fraction thereof.

This drastic reduction in the tax quickly had the desired effect on revenues. The *Times* of October 10, 1906, reported:

MORTGAGE TAX’S BIG YIELD.

New Law Reaps from City More in Three Months
Than in Previous Year.

ALBANY, Oct. 9.—New York’s check for \$488,009 was received at the State Controller’s office to-day. The sum represented the State’s share of the mortgage tax moneys collected in the city during the three months ended Sept. 30, the first quarter under the new mortgage recording tax law. This

sum is greater than the entire amount received by the State for the year ended June 30, under the law of 1905, which was \$431,121, and is greater than was estimated by the State officers. They believe the tax will net the State \$3,000,000 for the first year.

Eighteen counties in the interior of the State returned for the first quarter under the new law \$19,091, while under the old law they returned for the entire year only \$21,992.

The 1906 Act, though, had itself been flawed. The tax imposed in 1905 had been obligatory on new mortgages and optional for those already recorded. Its Section 314, headed “Optional payment on prior mortgages,” had been repealed in 1906. Holders of existing mortgages could now obtain exemption from the property tax only by calling in their old mortgages and substituting new ones, with all the attendant complications and costs. Again the *Times* reported a flurry of pressure to reform the Mortgage tax, and by the Act of May 13, 1907, effective immediately, the provision for optional payment on prior mortgages was restored. This laid the groundwork for the stamping of bonds secured by such mortgages some years later.

The Key Amendment of 1910: Tax Payment on Individual Bonds

In contrast to the amendments of 1906 and 1907, which generated considerable coverage in the *Times*, another enacted June 23, 1910, which would prove all-important in the present context, rated nary a mention in the weeks preceding its enactment, nor even a notice upon passage. It allowed individual bondholders to pay the tax on their bonds, thus making them exempt from property tax. Previously bonds could be endorsed only when an entire issue was presented by the issuing corporation, through its trustees or agents. The key addition follows (bolding mine):

Sec. 264.³ ... **any mortgagor or mortgagee under
a corporate trust mortgage given to secure a**



Figure 6. Above, New Jersey and New York Railroad Co. 1886 \$1000 bond with green imperforate Mortgage Endorsement stamp affixed in Rockland County August 15, 1913.

Left, close view of stamp with amount of tax paid, \$5.00 on a \$1000 bond, added in manuscript.



Figure 7. Mohawk and Malone Railway Co. 1892 bond with green imperforate Mortgage Endorsement stamp affixed in Herkimer County September 29, 1916, the latest recorded use of an imperforate stamp.

series of bonds or the owner of any such bond or bonds secured thereby **may file in the office of the recording officer** where such mortgage is first recorded **a statement** in form and substance as required by section two hundred and fifty-four of this article [254. Optional tax on prior mortgages], except that it shall **specify the serial number, the date and amount of each bond** and otherwise sufficiently describe the same to identify it as being secured by such mortgage, **and thereby elect that such bonds or bonds be taxed under this article ...**

The Times Takes Notice; the Stock Exchange Weighs In

Not until October 31, 1910, did the *Times* take notice, but then with a report that furnished a completely unexpected explanation for the creation of the Mortgage Endorsement stamps:

MAY EXEMPT BONDS OF TAX BY THE NEW LAW

Individuals Can Now Pay Recording Tax and Make Their Bonds Tax Free for the Future.

FEW HAVE DONE IT SO FAR

Made Possible by Amendment Passed in June—Status of Tax-Exempted Bonds Under Stock Exchange Rules.

3. In 1909 New York's statutes had been consolidated and renumbered. The Mortgage tax remained Article 11, but now began with Section 250; previously the same section had been numbered 290.

The attention of individual investors in bonds is now being called by some bond houses to the fact that under a recent amendment to the general tax law of the State an individual holding a bond secured upon real estate in New York State can by the payment of a tax of $\frac{1}{2}$ of 1 per cent., render his particular bond free for all time from all personal taxation in the City and State of New York. This amendment, which became effective last June, extended to individual holders of bonds the privilege previously accorded to corporations themselves at the time of issuing their bonds of making them tax-exempt by paying the initial tax of $\frac{1}{2}$ of 1 per cent.

Investors are familiar with the latter class of bond, conspicuous in which are the tax-exempt bonds of the Manhattan Railway. So far, however, individual bondholders have only to a limited extent availed themselves of the privilege extended to them under the recent amendment to the law. It is worth recording in this connection that last week the opinion was expressed by one active dealer in bonds that it seemed improbable that very many individual holders of bonds would pay this tax to make their bond tax exempt for the reason that so many such investors found a way of evading the personal tax on their holdings of bonds. The number of such, it is to be hoped, is not great enough to materially lessen the interest in a provision of the State tax law which appears to have escaped the attention of a great many investors, but which nevertheless offers a considerable convenience to those who wish to render their bonds tax exempt. The amendment, as bond dealers understand it, applies to all bonds issued against a mortgage on real estate in New York State by whomever the bonds may be issued.

The tax law of July 1, 1906, required every mortgage securing an issue of bonds on property

in New York State to have the recording tax paid by which the bond was made tax exempt. An amendment which became effective in July, 1907, provided that a real estate mortgage given before the passage of the 1906 law could be made tax exempt by the payment of the recording tax, but this had to be done in bulk by the corporation issuing the bonds, and it was not until the passage of the amendment which took effect last June that an individual holder of a bond put out prior to 1906 could make his bond tax exempt by the payment of a similar tax on his individual holding of the bonds. This bearing of the law upon individual bond holdings is described in a circular recently issued by the Stock Exchange house of Dominick & Dominick, who point out that they have found that very few investors are aware of this latest amendment to the tax law of the State.

In connection with the chance now offered to investors by the State to make their bonds tax exempt the question has arisen whether or not the indorsement upon the bond of the payment of this tax to the State renders a bond unavailable for delivery under the rules of the New York Stock Exchange. It appears that the Stock Exchange holds that any document in the shape of a paper attached to a bond makes it a non-delivery just as would the writing of names upon the bond or the addition to the bond of anything which might serve to raise any question regarding the actual status of the bond. In the case of bonds which have been held abroad and to which a tax stamp has been fixed such as the stamps put upon bonds in France, the Stock Exchange has held that the bonds are not thereby invalidated for delivery under the rules of the Exchange. Whether or not therefore the indorsement upon a bond of the tax exemption provided for under the recent amendment of the tax law of this State makes the bond a non-delivery

on the Stock Exchange will depend apparently upon the form in which the indorsement is put upon the bond. An agreement on the part of the State receivers of taxes to affix such tax exemptions in a form acceptable to the Stock Exchange would overcome any objection which individual investors might have to profiting by this law on the ground that it would lessen the negotiability of the bond to the extent that it could not be delivered against a sale made on the Stock Exchange. It is regarded as probable in the financial district that an understanding will soon be reached which will cover this objection.

Figure 2 shows an example of just such a foreign stamp which had passed muster with the Stock Exchange, a Great Britain Transfer Duty 1891 2 shilling blue affixed to an 1887 bond of the New York, Susquehanna and Western Railroad Co. (inset), with manuscript "3727" cancel matching the serial number of the bond; some 20 years later a New York Secured Debt \$5 stamp would be affixed on August 15, 1912.



Given the concern on the Stock Exchange that the form of endorsement upon bonds might prevent their delivery, and the ruling that adhesive stamps presented no

such impediment, an obvious and elegant solution was to put the endorsement in the form of a stamp, and this is just what was done.

The Tax Commissioners Take the Hint: Enter the Stamps

Within two weeks after the *Times* had reported the concerns of the Stock Exchange, the State Board of Tax Commissioners had settled upon the idea of putting the endorsement upon bonds in the form of a stamp, and solicited the opinion of the

Attorney General as to the legality of this solution. His reply is reproduced below:

Tax Law—Article 11.

Method of affixing engraved stamps to bond
signed by recording officer.

STATE OF NEW YORK.

ATTORNEY-GENERAL'S OFFICE,

ALBANY, November 15, 1910.

State Board of Tax Commissioners, Albany, N.Y.

Gentlemen.—I beg to acknowledge your letter of even date, by Mr. Thompson, your mortgage tax clerk, asking my opinion as to whether the indorsement upon bonds required to be made by article 11 of the Tax Law [author's note: Article 11 deals with the Tax on Mortgages], by a recording officer, of the payment of the tax as provided therein, may be in the form of engraved adhesive stamps affixed to the bond and signed by the recording officer.

In my judgment, such a method of indorsement is perfectly legal and a full compliance with the requirements of the law.

I am returning the correspondence which you handed me with your letter.

Very truly yours,

EDWARD E. O'MALLEY,
Attorney-General.

After O'Malley's approval, developments continued at a rapid pace. By December 29, 1910, the stamp contract had been let, dies engraved and plates prepared, and stamps printed, delivered, and made ready for distribution. On that date County Clerks were sent supplies of stamps in green, imperforate, with instructions as to their use, along with a sample stamped form. At least one of these cover letters has survived, and a few of the samples (Pruess, 1974); the text of the letter is as follows:

STATE OF NEW YORK
State Board of Tax Commissioners
Albany

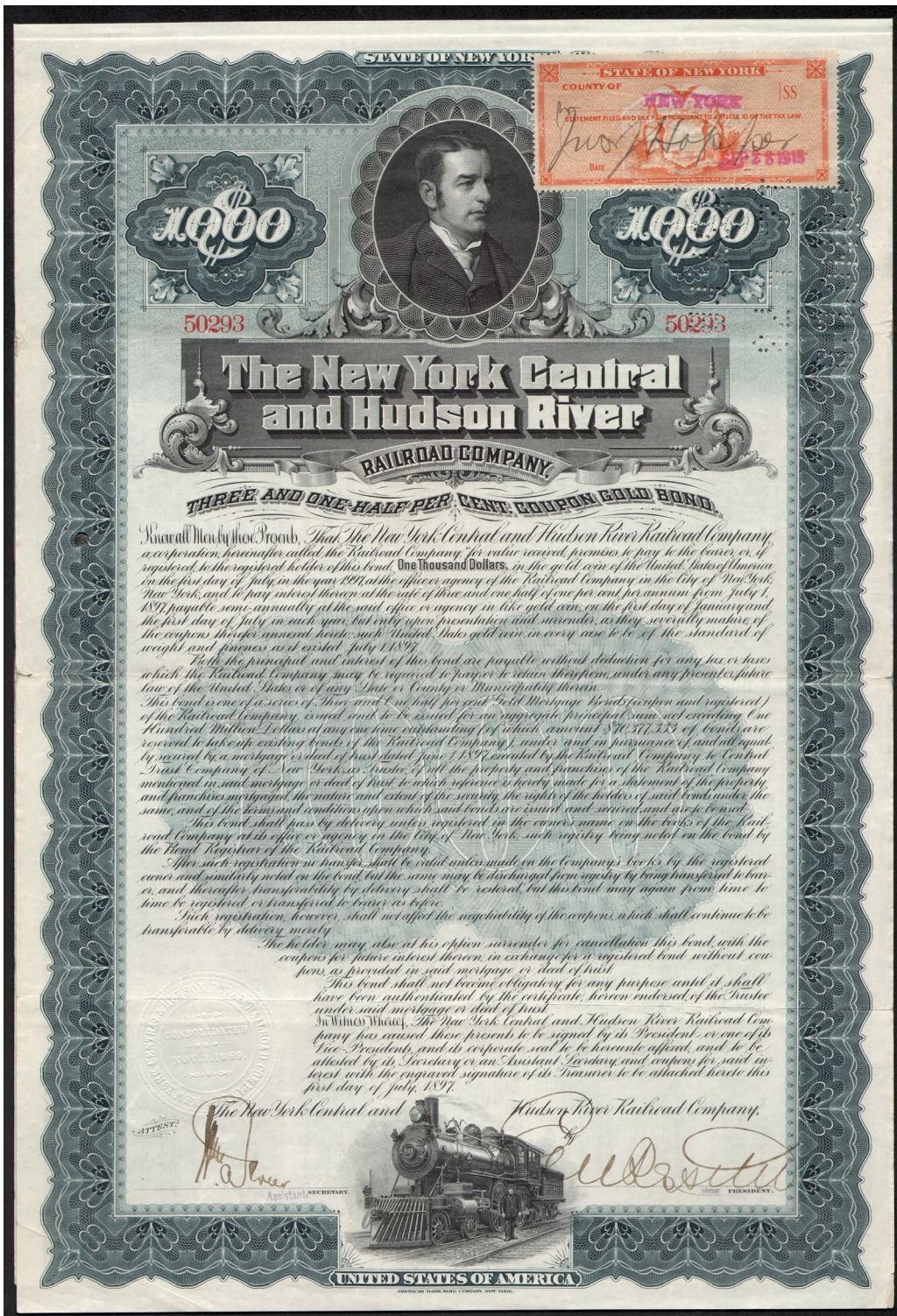
December 29, 1910.
Mr. Charles B. Pixley
County Clerk,
Batavia, N. Y.

Dear Sir:—

The State Board of Tax Commissioners is sending you a supply of stamps to be used in making the endorsement on bonds required by Section 264 of the Tax Law. You are hereby instructed to see that the proper statement is filed and the tax paid, pursuant to that section. Enter the serial numbers of the bonds on the margin of the record of the mortgage which secures such bonds, date of payment and amount of tax, attested by your signature or that of your duly authorized deputy. ATTACH one of the ADHESIVE STAMPS to the UPPER RIGHT HAND CORNER of the FACE of each bond, enter the name of your county, sign your name and enter the date of payment of tax on the lines designated on the stamp, and then ADD THE IMPRESS of the SEAL of YOUR OFFICE so as to LAP the LOWER LEFT HAND CORNER of the ATTACHED STAMP as per sample herewith enclosed. Enter on mortgage tax record book and give serial number, the same as you would a new mortgage.

Very truly yours,
STATE BOARD OF TAX COMMISSIONERS
per Ralph E. Thompson
Mortgage Tax Clerk

Figure 8. New York Central and Hudson River Railroad Co. 1897 bond with orange Mortgage Endorsement stamp affixed September 28, 1915, the earliest recorded use of an orange stamp.



UNITED STATES OF AMERICA

CITY OF NEW YORK, BOROUGH OF BROOKLYN

NASSAU ELECTRIC

RAILROAD COMPANY
CONSOLIDATED 1898

No 52 No 2
CONSOLIDATED MORTGAGE FOUR PER CENT. GOLD BOND, DUE JANUARY 1, 1951.

The Nassau Electric Railroad Company, a corporation of the State of New York, for value received, hereby promises to pay to J. Morgan Barber or assigns, the sum of ONE THOUSAND dollars (\$1000.) 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 January, in the year one thousand nine hundred and fifty-one, in the city of New York, and to pay interest thereon, at the rate of four per cent per annum, from the first day of January, in like gold coin semi-annually on the first days of January and July of each year. Both the principal and interest of this bond are payable without deduction for any tax or taxes which said Company may be required to pay or retain therefrom under any present or future law of the United States or of the State of New York. This bond is issued in lieu of an equal amount in coupon bonds of a series of bonds known as the Consolidated Mortgage Four Per Cent. Gold Bonds of the Nassau Electric Railroad Company, all of the same tenor and date, to an amount not exceeding in the aggregate the sum of \$15,000,000, which coupon bonds or registered bonds in lieu thereof are issued and to be issued under and in pursuance of and to be equally secured by a mortgage and deed of trust dated June thirtieth 1898, executed by said Nassau Electric Railroad Company to the Guaranty Trust Company of New York, as trustee, to which mortgage and deed of trust reference is hereby made for a description of the properties and franchises mortgaged and the nature and extent of the security and the rights of the holders of said bonds issued thereunder and secured thereby. The registered holder hereof, in person or by attorney duly authorized, may transfer this bond on the books of the Nassau Electric Railroad Company in the city of New York, upon surrender and cancellation of this bond, and a new registered bond will be issued to the transferee in exchange therefor, as provided in said mortgage, and on payment, if the Nassau Electric Railroad Company shall so require, of a reasonable charge for such transfer. This bond shall not become valid or obligatory for any purpose unless and until it shall have been authenticated by the certificate hereon endorsed of the said Guaranty Trust Company of New York, as trustee. The Nassau Electric Railroad Company has caused these presents to be signed, attested and sealed by its President or Vice-President, and its corporate seal to be hereunto affixed, and attested by its Secretary, this 22 day of DEC 1905 A.D.

Nassau Electric Railroad Company,
by W. Hill Pres PRESIDENT.

ATTEST:
C. J. [Signature] SECRETARY.

\$1000

AMERICAN BANK NOTE COMPANY, NEW YORK.

STATE OF NEW YORK
COUNTY OF []
\$55
STATEMENT FILED AND TAX PAID PURSUANT TO ARTICLE XI OF THE TAX LAW.
E. T. [Signature]
Date OCT 28 1915
Registering Office

Figure 9. Nassau Electric Railway Co. bond of 1898 with orange Mortgage Endorsement stamp affixed in Kings County October 1915.

One surviving stamped sample bears a green imperforate stamp, with county name “Onondaga” added in manuscript and handstamped date December 29, 1910. Presumably it was sent not to Batavia, the seat of Genesee County, but to the Onondaga County Clerk at Syracuse.

The wording “Mortgage Endorsement” does not appear on the stamps, but that name for them, presumably given by early catalogers, is apt. The stamps are inscribed “STATEMENT FILED AND TAX PAID PURSUANT TO ARTICLE XI OF THE TAX LAW” and are properly classed as taxpays. Each stamp carries the imprint of the American Bank Note Co. The first use of the stamps must have occurred in early January 1911.

The Opinion and letter reproduced above appear to be the only official mention of the Mortgage Endorsement stamps. Certainly they are nowhere mentioned in the statutes, which stipulated only that the endorsement be made “in form and substance as required by section two hundred and fifty-four of this article,” leaving the details to be worked out by the Commissioners.

Stamps Ex Machina!

In the long and complicated twist and turn of events culminating in the creation of New York’s Mortgage Endorsement stamps, until the Stock Exchange weighed in on the form required of endorsement upon bonds, there had been no hint that production of a stamp was in the offing. Only at its very end did the process devolve simply into a case of one type of tax stamp—foreign documentary revenues—leading to another, a state taxpaid. Philatelically delicious irony!

Transition to Perforated Stamps

We know from the sample stamped form just described that the stamps were initially issued in green, imperforate. Surviving stamped bonds provide independent confirmation of this. As shown in Table 1, the twelve earliest recorded usages, dated between March 21 and September 27, 1911, are all of green imperforate stamps. The earliest use of a perforated green stamp is September 28, 1911, in Albany County (Figure 4); the previous day imperforate stamps had been in use there, which

nicely pinpoints the time of transition. In Erie County a similar transition occurred a day later: imperforates have been recorded as late as September 28, and perforated stamps as early as the 29th. In New York County, another high-volume user of stamps, all recorded usages up until September 22, 1911, are of the imperforate stamp. On the other hand, in smaller counties imperforate stamps continued to be used for some time: until at least June 22, 1912, in Jefferson County (Figure 5 shows a May 25, 1912, usage there); at least August 15, 1913, in Rockland County (Figure 6, this stamp remarkable in that the amount of tax paid, \$5.00 on a \$1000 bond, i.e. 0.5%, has been added in manuscript); and remarkably, as late as September 29, 1916, in Herkimer County (Figure 7).

Orange Stamps Issued 1915

In 1915 the color of the Mortgage Endorsement stamps was changed from green to orange. At the remove of nearly a century, and with no evidence of any sort, the reason for this change can only be imagined. The earliest recorded usage of an orange stamp on an intact bond is September 28, 1915, in New York (Figure 8). Just six days earlier, green stamps had still been in use there. Again, in smaller counties the transition occurred later. The census shows green stamps were in use in Jefferson County as late as March 3, 1917, the latest recorded usage. Figure 9 shows an orange stamp on a bond for a decidedly 20th Century enterprise, the Nassau Electric Railroad Co.

“Tax Paid”

Nearly all bonds bearing Mortgage Endorsement stamps are for \$1000, taxed at \$5. Figure 10 shows a \$10,000 bond of the West Shore Railroad Co. with orange stamp now designating payment of \$50. Terry Cox’s website illustrates a \$50,000 bond from this same series bearing a green stamp designating payment of \$250 tax. Figure 11 shows a similar usage, a Lake Shore and Michigan Southern Railway Co. \$50,000 registered bond of 1897, issued 1902 with green Mortgage Endorsement stamp affixed in September 1911. Latter-day philatelists can only wish the stamps been denominated, instead of simply acknowledging “TAX PAID”!



Figure 10. West Shore Railroad Co. \$10,000 bond with orange Mortgage Endorsement stamp indicating \$50 tax payment, affixed in Albany County.



Figure 11. Lake Shore and Michigan Southern Railway Co. \$50,000 bond with green Mortgage Endorsement stamp indicating \$250 tax payment.

Combinations with U.S. Stamps

Three bonds have been recorded bearing Mortgage Endorsement stamps in combination with U.S. documentary revenues of the Spanish-American War era (1898–1902). A New York Central and Hudson River Railroad Co. \$1000 coupon bond of 1897, serial number #25347, has 50¢ “Battleship” on the back, tied by “N. Y. C. & H. R. R. Co.” circular datestamp of February 10, 1899, and green perforated Mortgage Endorsement added September 17, 1912, in New York County. Bond #20363 has its 50¢ “Battleship” considerably placed on the front, tied by “C. T. Co. OF NEW YORK” magenta handstamp dated July 15, 1898, with orange Mortgage Endorsement affixed alongside December 23, 1915, in New York County.

Mohawk and Malone Railway Co. \$1000 coupon bond #2919 of 1902 bears 50¢ “Battleship” on front, canceled by “M. & M. RY. CO.” datestamp of April 9, 1902, and orange Mortgage Endorsement added May 26, 1919, in Oneida County (Figure 12).

The U.S. 50¢ stamps paid a tax of 5¢ per \$100 on bonds, in effect July 1, 1898, until June 30, 1902.

Stamp Usage under Section 264

Our only primary reference to stamp usage, the letter to county clerks of December 29, 1910, refers specifically to “endorsement on bonds required by Section 264 of the Tax Law.” It will be recalled that payment of the mortgage tax was optional on mortgages recorded prior to July 1, 1906. If bonds secured by such a mortgage were issued after that date, though, the tax was obligatory. Section 264 of the Consolidated Laws of 1909 spelled this out, and specified that such bonds were to be individually endorsed (bolding mine):

264. Tax on prior advance mortgages. In case said mortgage [executed prior to July 1, 1906, on which the amount of principal indebtedness is advanced after that date] was given to secure the payment of a series of bonds, ... the mortgagor may, at the time of paying such tax, **present to the recording officer, the bonds** ... representing the

portion of the principal indebtedness secured by said mortgage upon which the tax is to be paid, and also file with said recording officer a statement ... specifying that said bonds ... so presented are the bonds ... representing that portion of the principal indebtedness secured by said mortgage upon which the tax is to be paid and that said bonds ... are secured by a mortgage recorded in said office stating the date of said mortgage and the liber and page of the record of the same. **It shall be the duty of such recording officer to indorse upon each of said bonds** ... a statement signed by him to the effect **that the tax imposed by this article** on that portion of the principal indebtedness secured by said mortgage **represented by said bonds ... has been paid** and said statement shall be conclusive proof of such payment.

However, of the 23 different types of stamped bonds listed in Table 1, none appear to have been from such runs. All 23 *were* secured by mortgages made, and presumably recorded, prior to July 1, 1906, but were stamped instead according to the revised version of Section 264 enacted in 1910, which also allowed individual investors to present their bonds for tax payment.

Sheets of 40, Panes of 20?

The American Bank Note Company archives contained an imperforate sheet of 40 green stamps, in format 5x8.⁴ The stamps are roughly 90x40mm, so the sheet is approximately 450x320mm.

For the perforated stamps, an independent calculation of the sheet size is possible from an examination of individual stamps. A large percentage of perforated stamps are imperforate at one or two sides (Figures 10–12), and with even a relatively small sample, stamps can be found imperforate at top, bottom,

4. Thanks to Eric Jackson for this information.



Figure 12. Mohawk and Malone Railway Co. 1902 \$1000 bond with U.S. 50¢ "Battleship" affixed in 1902, then orange Mortgage Endorsement stamp affixed in 1918, in Oneida County.

left, right, and all four corners. The only sensible interpretation is that the sheets must have been imperforate at their outer edges, and with a large enough sample one can deduce the sheet size. As detailed in Appendix 1, the data collected so far provide compelling evidence that the perforated stamps were not issued in sheets of 5x8, but in panes with four rows, most likely 5x4.

Relative Scarcity of the Stamps

Cabot (1940) valued the orange stamp at \$0.40, and the perforated and imperforate green stamps at \$2.50 and \$1.00, respectively. These valuations are at serious variance with the relative scarcities of the stamps on intact bonds. The census in Table 1 includes some 30 bonds bearing the green imperforate, and some 110 each with the green perforate and orange stamps. These totals are roughly proportional to the lengths of time the stamps were in use in the larger counties that used the lion's share of stamps: about nine months for the green imperforate (January to September 1911), four years for the green perforate (October 1911 to September 1915), and about four and a half years for the orange (October 1915 to April 1920).

Dividing the Spoils

On the first day of each month the recording officers of the counties were required to pay over to their county treasurers all moneys received on account of the Mortgage tax, after deducting the necessary expenses. On the first day of January, April, July and October the treasurers, after deducting their own expenses, were in turn required to transmit one-half of this net amount collected to the state treasurer.

Mortgage Endorsement Stamps Discontinued 1920

Chapter 647 of the New York statutes, enacted May 10, 1920, and effective June 30, 1920, made intangible personal property exempt from all state and local taxation. This had long been a goal of tax reformers. The Investments stamp tax (Part 3 of this series), which when paid had provided exemption from all other taxes for bonds not covered by the Mortgage tax, was thus rendered meaningless, and it was simultaneously repealed.

By the same logic one might expect the Mortgage tax to have met a similar fate. When paid, it guaranteed mortgages and mortgage bonds exemption from all other taxes. But since mortgages and their bonds constituted intangible personal property, they were now exempt from these taxes whether the Mortgage tax was paid or not; at least as a means of securing this benefit, the Mortgage tax had been rendered superfluous. In fact, there would seem to have been even stronger grounds for repeal of the Mortgage tax than for the Investments tax. For the latter, payment was optional, and thus merely rendered irrelevant by Chapter 647. The Mortgage tax, on the other hand, was obligatory on all new mortgages and would seem to have been in direct conflict with the exemption of mortgages from all taxation. Yet it remained in effect,⁵ unchanged, for it was not a tax on mortgages per se, but a mortgage *recording* tax. The distinction is a fine one, but logically sound. Having executed a mortgage, one was not liable to the tax; only on recording it did the bill come due. Never mind that a mortgage was not legally binding unless recorded, or that the benefit originally provided by the Mortgage tax was now no benefit at all; the state profited handsomely from the Mortgage tax, and would not relinquish it. Today this same mortgage recording tax with its subsequent supplements yields \$1 billion annually to the state of New York.

The use of Mortgage Endorsement stamps, however, was discontinued. This conclusion is based on logic and observation rather than any change in the statutes. In fact, use of the stamps had never been mentioned in the statutes—the only official

5. In fact the original mortgage recording tax of 50¢ per \$100 is still in effect today, supplemented by various additional state taxes of as much as 80¢ per \$100 depending on the county. New York City is a special case with far higher rates: the original tax of 50¢ per \$100; a special additional state tax of \$.30 per \$100; an additional state tax of \$.25 per \$100; and a city tax of \$1.00 per \$100 on mortgages for up to \$500,000, \$1.125 per \$100 on home mortgages above \$500,000, or \$1.75 per \$100 on commercial mortgages above \$500,000, bringing the tab for a typical home mortgage to 2.175%, or for virtually all commercial properties to 2.8%.

reference to them coming in the 1910 Opinion of the Attorney General and the subsequent letter to County Clerks, both reproduced above—so there is no reason to expect statutory notice of its discontinuance either. Nevertheless mortgage bonds were now exempt from property tax by virtue of Chapter 647, so bondholders no longer had an incentive to bring their bonds to be stamped. The latest recorded use of a Mortgage Endorsement stamp is May 24, 1920.

Conclusions for Catalogers of the Stamps

Catalogs listings for the Mortgage Endorsement stamps should be arranged in the order in which the stamps were issued: green stamps first, then orange. Issue dates were

January 1911 for the green imperforate, September 1911 for the green perforate, and September 1915 for the orange. Green perforate and orange stamps were used in about equal numbers; only about one-third as many green imperforates were used as either of the perforated stamps.

The imperforate stamps were evidently printed in sheets of 40 (5x8), and may have been issued as such. The perforated stamps, though, were evidently issued as panes of 20 (5x4), imperforate at outer edges.

(To be continued)

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Appendix 1: Panes of 20

The American Bank Note Company archives contained an imperforate sheet of 40 green stamps, in format 5x8. However, an independent calculation of the size of the perforated sheets is possible from an examination of the stamps, and the data so far sampled are not consistent with a 5x8 sheet format.

A large percentage of perforated stamps are imperforate at one or two sides (Figures 10–13), and with even a relatively small sample, stamps can be found imperforate at top, bottom, left, right, and all four corners. The only sensible interpretation is that the sheets must have been imperforate at their outer edges, and with a large enough sample one can deduce the sheet size. From a presumably random sampling of 103 stamps (74 bonds, high resolution scans of 15 more, ten American Bank Note Co. specimens, and four loose stamps), the following distribution was obtained for the nine possible positions (top left, top, top right, left, interior, right, bottom left, bottom, bottom right):

4	10	3
15	27	15
7	16	6

It is difficult to reconcile this distribution with a 5x8 sheet format. Theoretical values for various sheet formats, from 3x3 (the smallest possible) to 5x8, are listed below. (Best matches in bold; best matches for the individual positions carry less weight than those for the various combinations of positions.)

	Observed	3x3	4x3	5x3	6x3	4x4	5x4	6x4	4x5	5x5	5x8
Top left	.039	.111	.083	.067	.056	.062	.050	.042	.050	.040	.025
Left	.146	.111	.083	.067	.056	.125	.100	.083	.150	.120	.150
Bottom left	.068	.111	.083	.067	.056	.062	.050	.042	.050	.040	.025
Top	.097	.111	.167	.200	.222	.125	.150	.167	.100	.120	.075
Interior	.262	.111	.167	.200	.222	.250	.300	.333	.300	.360	.450
Bottom	.155	.111	.167	.200	.222	.125	.150	.167	.100	.120	.075
Top right	.029	.111	.083	.067	.056	.062	.050	.042	.050	.040	.025
Right	.146	.111	.083	.067	.056	.125	.100	.083	.150	.120	.150
Bottom right	.058	.111	.083	.067	.056	.062	.050	.042	.050	.040	.025
L&R columns	50 (.485)	.667	.500	.400	.333	.500	.400	.333	.500	.400	.400
Interior column(s)	53 (.515)	.333	.500	.600	.667	.500	.600	.667	.500	.600	.600
T&B rows	46 (.447)	.667	.667	.667	.667	.500	.500	.500	.400	.400	.250
Interior row(s)	57 (.553)	.333	.333	.333	.333	.500	.500	.500	.600	.600	.750
Corners	20 (.194)	.444	.333	.267	.222	.250	.200	.167	.200	.160	.100
T&B	26 (.252)	.222	.333	.400	.444	.250	.300	.333	.200	.240	.150
L&R	30 (.291)	.222	.167	.133	.112	.250	.200	.167	.300	.240	.300

It should be emphasized that for small samples a distribution of randomly sampled points can differ markedly from that for the full population; this is why the best fits for individual positions are “all over the lot” in the above list. Only as the size of the sample increases does its distribution becomes a reliable reflection of the population.⁶

6. The reader can confirm this using one of various random number generators available online (e.g., <http://www.random.org/> integers). For example, to simulate random sampling from a sheet of 40 stamps, generate random integers from 1 to 40, representing the 40 positions. Eventually the numbers of occurrences of each of the numbers should be essentially the same, each accounting for one-fortieth of the total (proportionally 0.025), but how many points are necessary for this to occur? I generated 200 such numbers. After 40, 11 positions had not yet appeared, and two had already appeared three times. After 120, one still had not yet appeared, nine had appeared just once, while three had already appeared six times, and another, seven times; quite a difference from the theoretical value of three apiece. After 200 numbers, totals for the positions were starting to cluster around the theoretical value of five: 24 of the 40 positions now had four, five, or six appearances, the others arrayed from one to nine. Evidently it would take many hundreds of samples, if not a few thousand, before the observed distribution closely converged on the theoretical. However, for even as few as 40 points, while the totals for individual positions were quite variable, those for the seven combinations listed above already approximated theoretical values to within about 15% (range 3–33%). For 200 points, they agreed to within an average of 2%.

Even with this small a sample size, though, some conclusions can be drawn. 46 stamps are from the top and bottom rows (proportionally 0.447), and 57 from the interior rows (0.553), suggesting that there were two interior rows, or perhaps three. If there were only one interior row, the expected number of top and bottom row stamps (two-thirds of the total, proportionally 0.667) would be twice that of the single interior row (0.333); the data seem sufficient to rule this out. For two interior rows, the expected proportion of top and bottom row stamps (0.500) matches that of the two interior rows (0.500); for three interior rows, the expected proportions are 0.400 and 0.600; both of these hypotheses are plausible given the small sample. But for six interior rows, as in the 5x8 format, the expected proportion of top and bottom row stamps (0.250) is only one-third that of the six interior rows (0.750); it is difficult to imagine further sampling ever bringing the distribution into line with this prediction. Put another way, it is virtually impossible for a random sampling of 103 points from a 5x8 format to yield 46 from the top and bottom rows. A computer-generated sampling gave only 30; another try yielded 23; a third, 25. For a large number of such samples, the average will closely approximate the theoretical value 25.75 (103×0.25).

As to the number of columns, 50 stamps are from the two leftmost and rightmost columns (proportionally 0.485), and 53 from the interior columns (0.515), suggesting that there were just two, or perhaps three, interior columns. If two, the theoretical proportion of left and right column stamps (0.500) equals that for the interior columns (0.500). If three, the predicted number of left and right row stamps (0.400) is two-thirds that of the three interior columns (0.600). The data so far are consistent with both predictions. A four-column format is more probable, but more data points could plausibly tip the balance in favor of five.

The sheet formats that best explain the data are 4x5, 4x4 and 5x4. Probably a few hundred observations would be required to distinguish between these three, or to favor another. Given the scarcity of the stamps, it is unlikely that this many could be collected.

This analysis assumes that the data constitute a random sampling from all positions in the sheet, but is this the case? It is necessary to consider both the population of all used stamps, and the present sample from that population. If only part of a given sheet was used, not all positions from the sheet would be represented in the overall population. Once an entire sheet was used, though, obviously one stamp from each position would have been added to the population. The numbers of stamps used—thousands in counties with the most bonds to stamp, hundreds in most others—guaranteed that many sheets would be utilized. I am aware of only one piece of data bearing on the number of bonds stamped. The *New York Times* of April 1, 1915, reported that for one year the mortgage recording tax raised \$3,704,648. (An article dated March 24, 1914, identifies this year as the year beginning September 1, 1911, the first year of the Secured Debts tax.) Even if most of this was accounted for by mortgages per se, as opposed to mortgage bonds, this translates to a large number of bonds: if even 5% of the revenue derived from bonds, some 37,000 must have been stamped.⁷ It is safe to conclude that the population of stamps used mirrors that of a single sheet, i.e. that stamps from all positions were used in essentially equal numbers.

The possibility remains that the present sample of 103 stamps is not strictly random. It does include stamps from a few small clusters of consecutively numbered bonds stamped the same day. One, illustrated below, includes stamps from five adjoining positions along the bottom and right of the sheet, a decidedly non-random subsample! For a sample large enough to include clusters from all parts of the sheet, such deviations would become negligible. The present sample is probably not quite that large; it may, for example, include a few more points than expected from the rightmost column. Nevertheless, the clusters

7. To simplify the calculation, assume all bonds are for \$1000, thus taxed at \$5.

account for a relatively small portion of the sample; if they are eliminated the conclusions remain essentially the same. If the sample is not strictly random, it is nearly so.

A 5x8 format would be consistent with the data collected thus far if sheets were cut into panes of 5x4 before perforation. If this was not the case, the data are consistent with a 5x8 format only if the 103 observations constitute a freakishly atypical sample. If we realistically restrict the possible sheet formats to 5x8 and 5x4, the comparison of predictions and data is simplified to the following:

	Observed	5x4	5x8
Top left	4 (.039)	.050	.025
Left	15 (.146)	.100	.150
Bottom left	7 (.068)	.050	.025
Top	10 (.097)	.150	.075
Interior	27 (.262)	.300	.450
Bottom	16 (.155)	.150	.075
Top right	3 (.029)	.050	.025
Right	15 (.146)	.100	.150
Bottom right	6 (.058)	.050	.025
L&R columns	50 (.485)	.400	.400
Interior column(s)	53 (.515)	.600	.600
T&B rows	46 (.446)	.500	.250
Interior row(s)	57 (.553)	.500	.750
Corners	20 (.194)	.200	.100
T&B	26 (.252)	.300	.150
L&R	30 (.291)	.200	.300

The 5x4 format provides a superior fit in nine cases, and the 5x8 format in five. Even when the predictions of the predictions of the 5x8 format are superior, those of the 5x4 format are also in reasonable agreement with the data. The 5x8 format, though, fails spectacularly to account for the numbers of interior points (26% vs. a predicted 45%), top and bottom rows (45% vs. a predicted 75%), and interior rows (55% vs. 25%). The data strongly favor a 5x4 format.

The Clincher?

A run of five consecutively numbered stamped bonds of the West Shore Railroad Co. provides provocative evidence consistent with a four-row format. Registered bonds #M37988–92 were all issued January 26, 1901, to Emily Trevor, and had perforated green stamps affixed July 23, 1914 (Figures 13A, B). The stamp on #M37988 is from the bottom right corner of the sheet, imperforate at bottom and right with huge bottom margin. Those on #M37989 and M37990 are imperforate at right, and on M37991, imperforate at right and top, with narrow top margin. The stamp on #M37992 is imperforate at bottom only, again



Figure 13A. West Shore Railroad Co. \$1000 bond #M37988 with green Mortgage Endorsement stamp affixed July 23, 1914.



Figure 13B. Close view of stamps on bonds #M37988–92, all affixed the same day.

with huge bottom margin. This is just what would be expected if stamps were taken bottom to top, beginning at bottom right, from a pane with four rows. For a sheet of 40 cut into two half sheets of 20, the positions would be 40, 35, 30, 25, and 39.

The stamps on bonds #M37988 and M37992 have such large bottom margins—some 5mm—that they can only have come from the bottom of the sheet. Stamps with similarly large top margins can also be found. If all sheets had the same size selvage at top and bottom, and if sheets were perforated intact, all stamps from the top or bottom rows should exhibit these huge margins. However top or bottom copies can readily be found with much smaller margins, witness the stamp on #M37991. This is what would be expected if sheets were cut in half before perforating.

If this was the case, the observed data describe panes, not sheets, but with a little tinkering can be used to deduce the sheet format. Assume that the stamps with small top or bottom margin came from the two middle rows of the sheet. Assume further that they account for half the observed top or bottom margin stamps. The distribution of the 103 observations is:

Shifting half of the entries on the top and bottom rows of the diagram to its interior yields:

4	10	3
15	27	15
7	16	6

2	5	1.5
15	27	15
3.5	8	3

The same data which argued compellingly against a 5x8 pane format are now quite consistent with a 5x8 sheet format:

	Observed	5x8
Top left	2 (.019)	.025
Left	20.5 (.199)	.150
Bottom left	3.5 (.034)	.025
Top	5 (.049)	.075
Interior	40 (.389)	.450
Bottom	8 (.078)	.075
Top right	1.5 (.015)	.025
Right	19.5 (.189)	.150
Bottom right	3 (.029)	.025
L&R columns	50 (.485)	.400
Interior column(s)	53 (.515)	.600
T&B rows	23 (.223)	.250
Interior row(s)	80 (.777)	.750
Corners	10 (.097)	.100
T&B	13 (.127)	.150
L&R	49 (.389)	.300

Why 5x4?

Why stamps would be perforated and issued in panes of 5x4 is puzzling. The American Bank Note Co., which produced postage and revenue stamps for all manner of governments, would presumably have been capable of perforating sheets of 5x8, approximately 450x320mm. If that size was unwieldy, panes of 450x160mm, nearly three times wide as high, were more so. Possibly units of 20 stamps were more suitable for accounting purposes, five panes making 100 stamps.

Gallery.
Additional Bonds Bearing
Mortgage Endorsement
Stamps



Figure G1. Broadway and Seventh Avenue Railway Co. 1893 bond with orange Mortgage Endorsement stamp affixed in 1916, New York County.

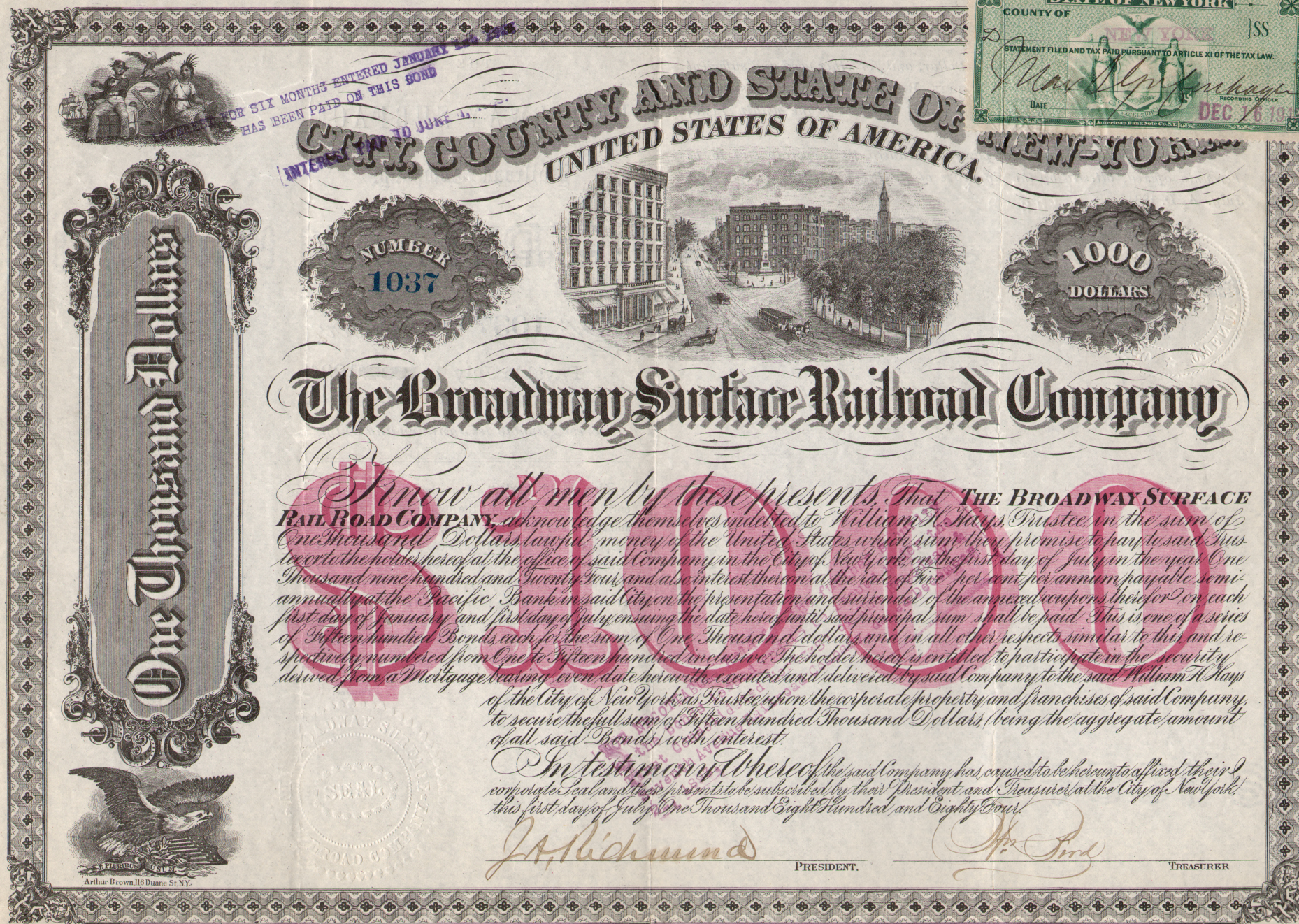


Figure G2. Broadway Surface Railroad Co. 1884 bond with green Mortgage Endorsement stamp affixed in 1913, New York County. Held as security for 1893 bonds of Broadway and Seventh Avenue Railway Co. (Figure A1).



Figure G3. Columbus and Ninth Avenue Railroad Co. 1893 bond with orange Mortgage Endorsement stamp affixed in 1917, New York County.



Figure G4. Lake Shore and Michigan Southern Railroad Co. 1897 coupon bond with green imperf Mortgage Endorsement stamp affixed in 1911, Erie County.

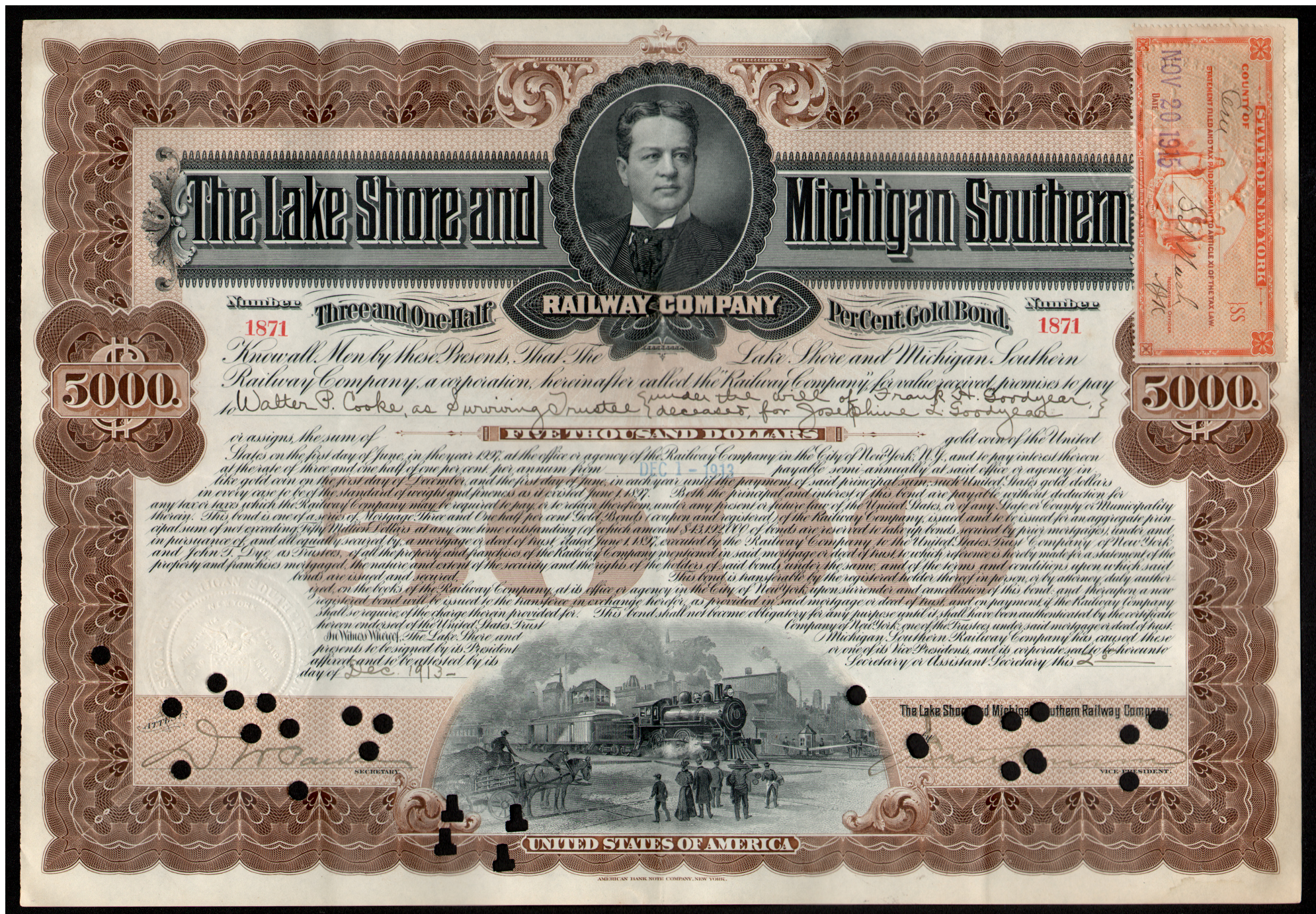


Figure G6. Lake Shore and Michigan Southern Railroad Co. \$5000 registered bond of 1897, issued in 1913, with orange Mortgage Endorsement stamp affixed in 1915, Erie County.



Figure G7. Lake Shore and Michigan Southern Railroad Co. \$10,000 registered bond of 1897, issued in June 1913 with green Mortgage Endorsement stamp affixed four days later, Erie County.



Figure G8. New York Central and Hudson River Railroad Co. registered bond of 1897, issued 1899 with orange Mortgage Endorsement stamp affixed 1917.



Figure G9. Rome, Watertown and Ogdensburg Railroad Co. 1874 bond with green imperforate Mortgage Endorsement stamp affixed in 1912, Jefferson County.



Figure G10. West Shore Railroad Co. \$500 bond with green Mortgage Endorsement stamp affixed 1914, Albany County.

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