

**Jewels of the Gilded Age:  
New York  
Mortgage Endorsement,  
Secured Debt,  
and Investments  
Stamp Taxes, 1911–20**

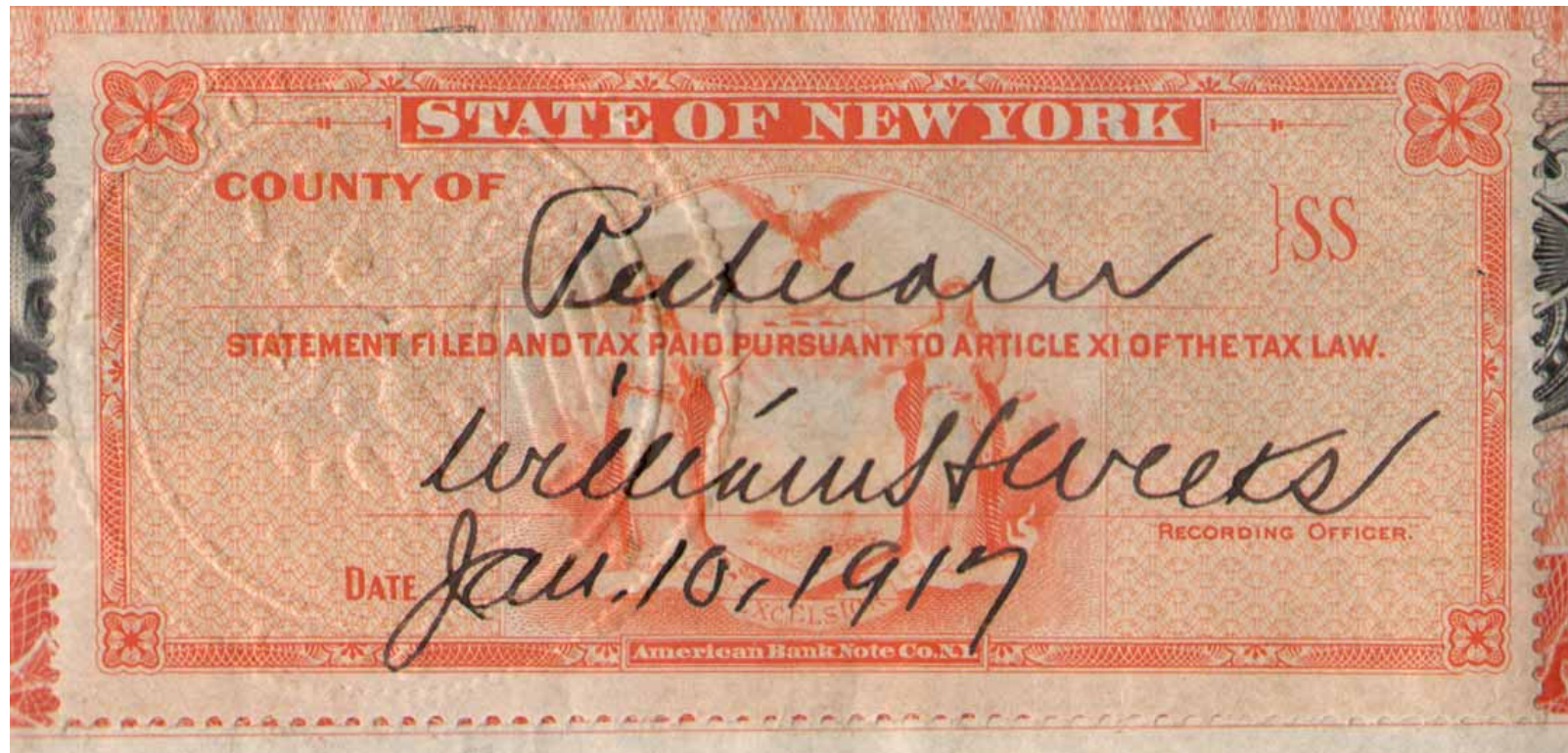


The **purpose** of the **New York Mortgage Endorsement, Secured Debt, and Tax on Investments** stamps has long been **cloaked in mystery**.

Documents bearing these stamps are **rarely offered by revenue dealers**, and I daresay most collectors have never encountered one, so examples are in order.







Close view of stamp shown in previous slide.

No denomination, “**TAX PAID**”.

Note **straight edge** at top.







Close view of stamp shown in previous slide.

Space marked **“AGT FOR COMPT.”** for **agent’s initials**, a **security measure**.

**Straight-line date stamp cancel** (AUG 15 1912).







Close view of stamps shown in previous slide.

**“TAX EXEMPT FOR ONE YEAR”** cancel

**Agent’s initials (“AB”)** now **incorporated into cancel.**

**Investments** tax initially **paid with old Secured Debt stamps** as Investments stamps not yet available.

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, some of which are **arguably the most visually stunning objects ever to bear stamps**.

**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**, usually only about 5%. **Why are stamps found on one example of a given bond, and not another seemingly similar in every respect?**



Moreover, the author's 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. 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?**

# NEW YORK

## INVESTMENT TAX (Documentary)



**1917.** 24 x 33mm. Perf. 11 or 12 or compound.

<i>IT 1</i>	20c lavender.....	—
<i>IT 2</i>	40c green.....	—
<i>IT 3</i>	60c blue.....	—
<i>IT 4</i>	80c chocolate.....	—
<i>IT 5</i>	\$1.00 ultramarine.....	—
<i>IT 6</i>	\$2.00 yellow.....	—
<i>IT 7</i>	\$3.00 olive.....	—
<i>IT 8</i>	\$4.00 brown.....	—
<i>IT 9</i>	\$5.00 gray.....	—
<i>IT 10</i>	\$6.00 red.....	—
<i>IT 11</i>	\$8.00 brown.....	—
<i>IT 12</i>	\$10.00 orange.....	—
<i>IT 13</i>	\$20.00 dark blue.....	—
<i>IT 14</i>	\$40.00 dark gray.....	—
<i>IT 15</i>	\$50.00 chocolate.....	—
<i>IT 16</i>	\$100.00 dark green.....	—

Until the documents upon which these stamps are used mature or are transferred, releasing a larger supply of them, it seems almost impossible to set judicious valuations. The commonest denomination is the \$10, and the next commonest the \$1, but at present writing they all rate scarce to rare.

Their use was discontinued in 1922.

**Even the stamps are mysterious.**

Cabot's 1940 catalog left all **Investments** issues **unpriced**.

Hubbard (1960) added prices for the 20¢, \$2, \$4, \$6 and \$10 but left all others **“RR”**.

Next to nothing is known about the scarcity of these stamps, for many of which at most a handful may exist.

The relevant **New York statutes** are little help in understanding the usage of these stamps; they are **maddeningly obscure**.

The parent legislation, effective July 1, **1905**, established an **annual tax of five mills per dollar on mortgages**. Its key provision follows:

**[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 taxation 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 **prior mortgages** 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.

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?

## **A Minor “Aha!” Moment**

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** are indeed all secured by mortgages of **railroads located wholly or partially in New York**.



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

The **New York and Putnam** ("Old Put") ran from New York City to Brewster in **Putnam County**, near the Connecticut border, with connections for Hartford and Boston via the New York, New Haven & Hartford.

## **Mystery Solved: New York's Problematic Personal Property Tax**

Thanks to the explosion of information available via the internet—chiefly the **archives of The *New York Times***—with a little digging one can learn to **read between the lines of the statutes.**

The *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:**



## “REPUBLICANS TO PUSH A MORTGAGE TAX BILL

Increase of State's Dependents Demands More Revenue.

RATE TO BE 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 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 ...”



Next we learn, from a letter to the *Times* of 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

“The effect of this bill ... 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... **Large estates do not invest in bond and mortgage because they would be taxed at over 2 per cent.**

“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... 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 ... 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.”

## Reprise

Circa 1900 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. Bonds held in **estates or trust funds** were in **full view of the assessor**, and thus were taxed. **Nearly all others stayed hidden**, and escaped.

In an attempt to **salvage at least some tax revenue from mortgages**, the state **exempted them from property tax** provided a one-time **mortgage tax of 0.5%** was paid.

## **The Key Amendment of 1910: Tax Payment on Individual Bonds**

An amendment enacted **June 23, 1910**, 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.

On a **mortgage** per se, payment of the Mortgage tax was attested by an **endorsement** written upon the mortgage.

On **mortgage bonds** this was **not possible** because of Stock Exchange regulations. The Tax Commissioners decided to make the endorsement instead via an **adhesive stamp**, hence the “**Mortgage Endorsement**” stamps.



In this decision the **previous acceptance** by the **Stock Exchange** of the use on bonds of **adhesive revenue stamps**, like the Great Britain 1891 Transfer Duty 2s affixed to this 1887 bond, played a decisive role.



From the *New York Times* of October 31, 1910:

“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.”

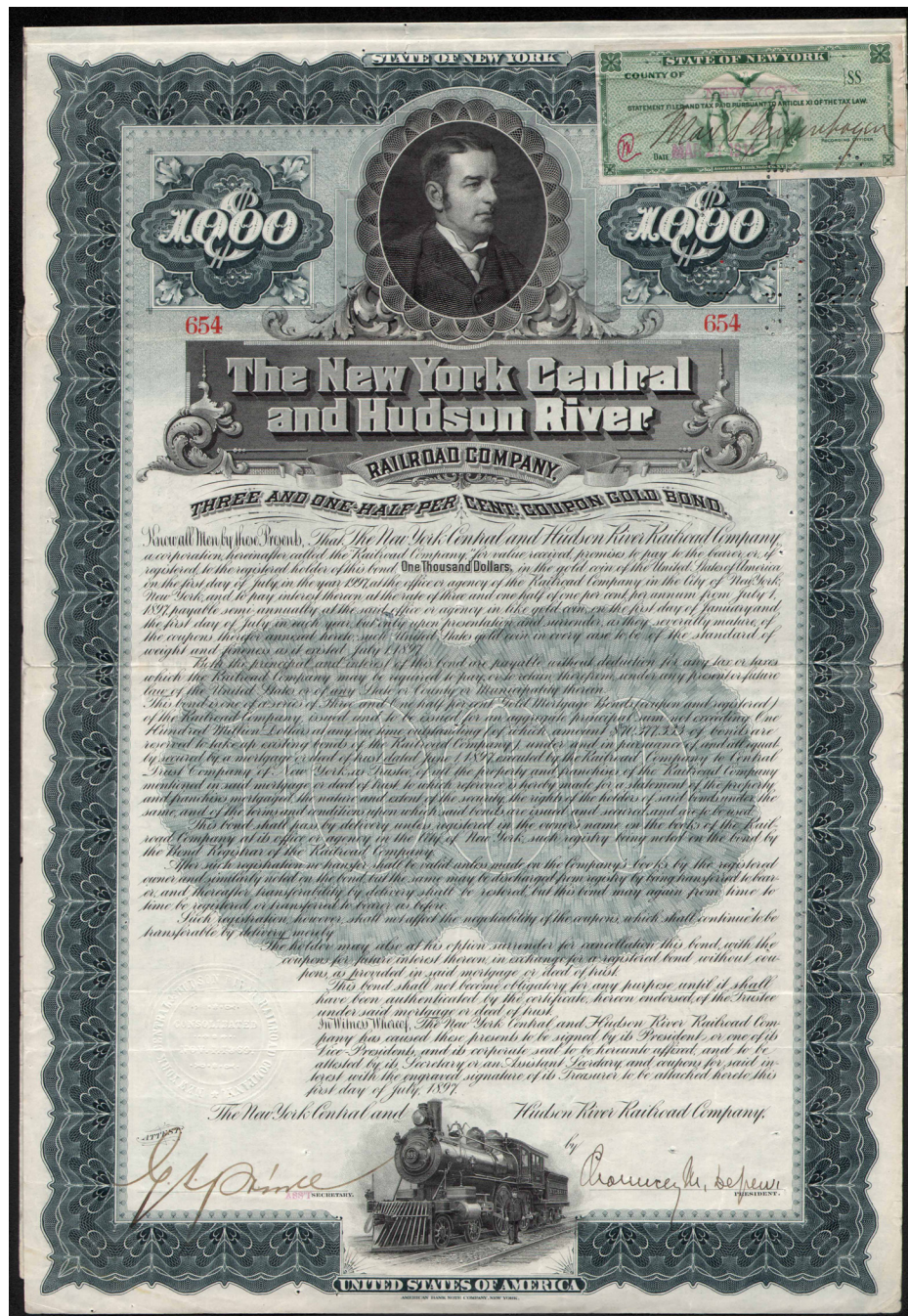
An **obvious and elegant solution** was to put the **endorsement on bonds** of payment of the Mortgage tax **in the form of a stamp**, and this is just what was done.

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.

## **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!





New York Central and Hudson River Railroad Co. 1897 \$1000 bond with **green imperforate Mortgage Endorsement** stamp affixed **March 21, 1911**, in New York County, the **earliest recorded use of a Mortgage Endorsement stamp**.

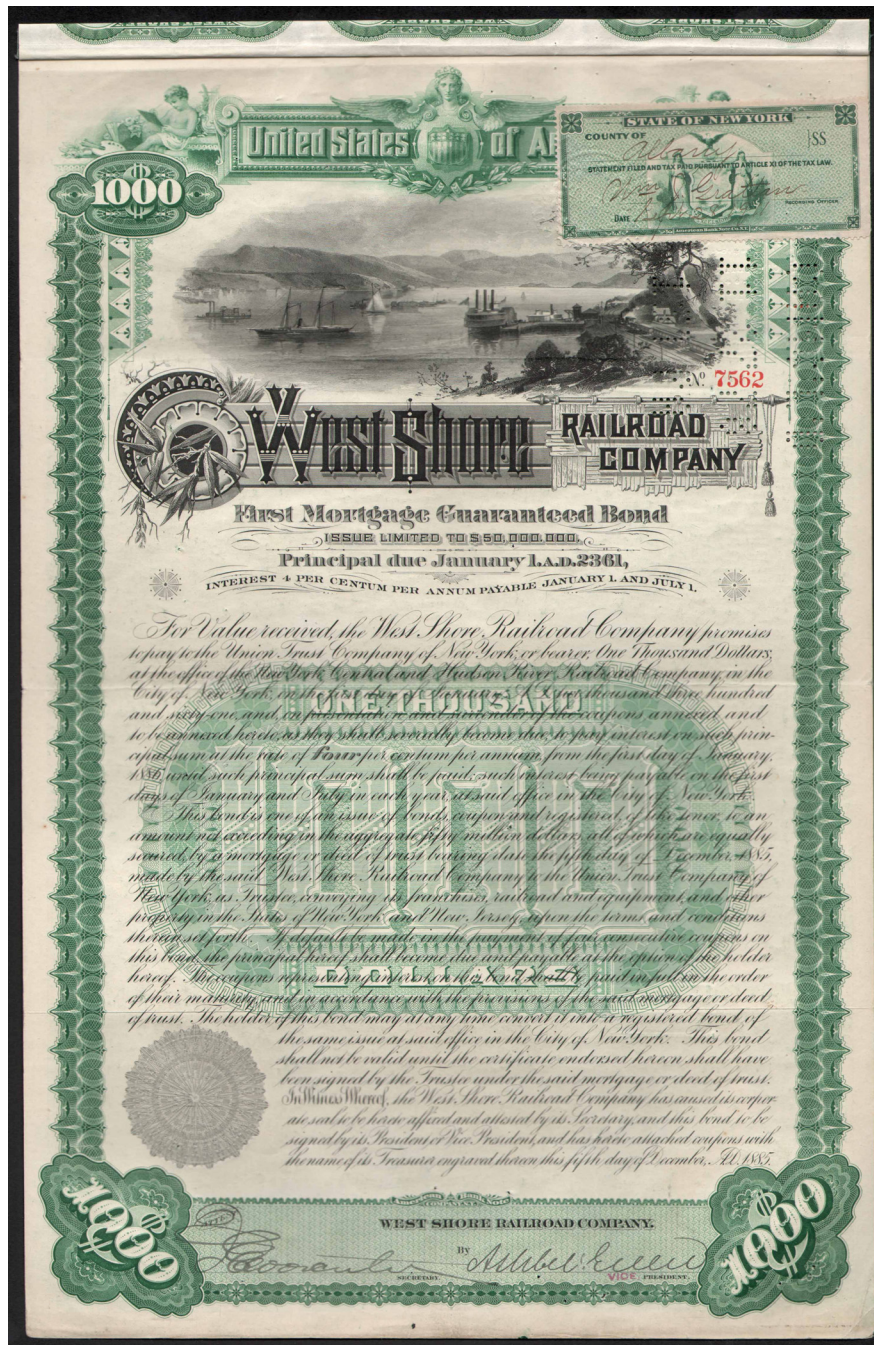




Close views  
of stamps  
shown in the  
preceding  
and following  
slides.

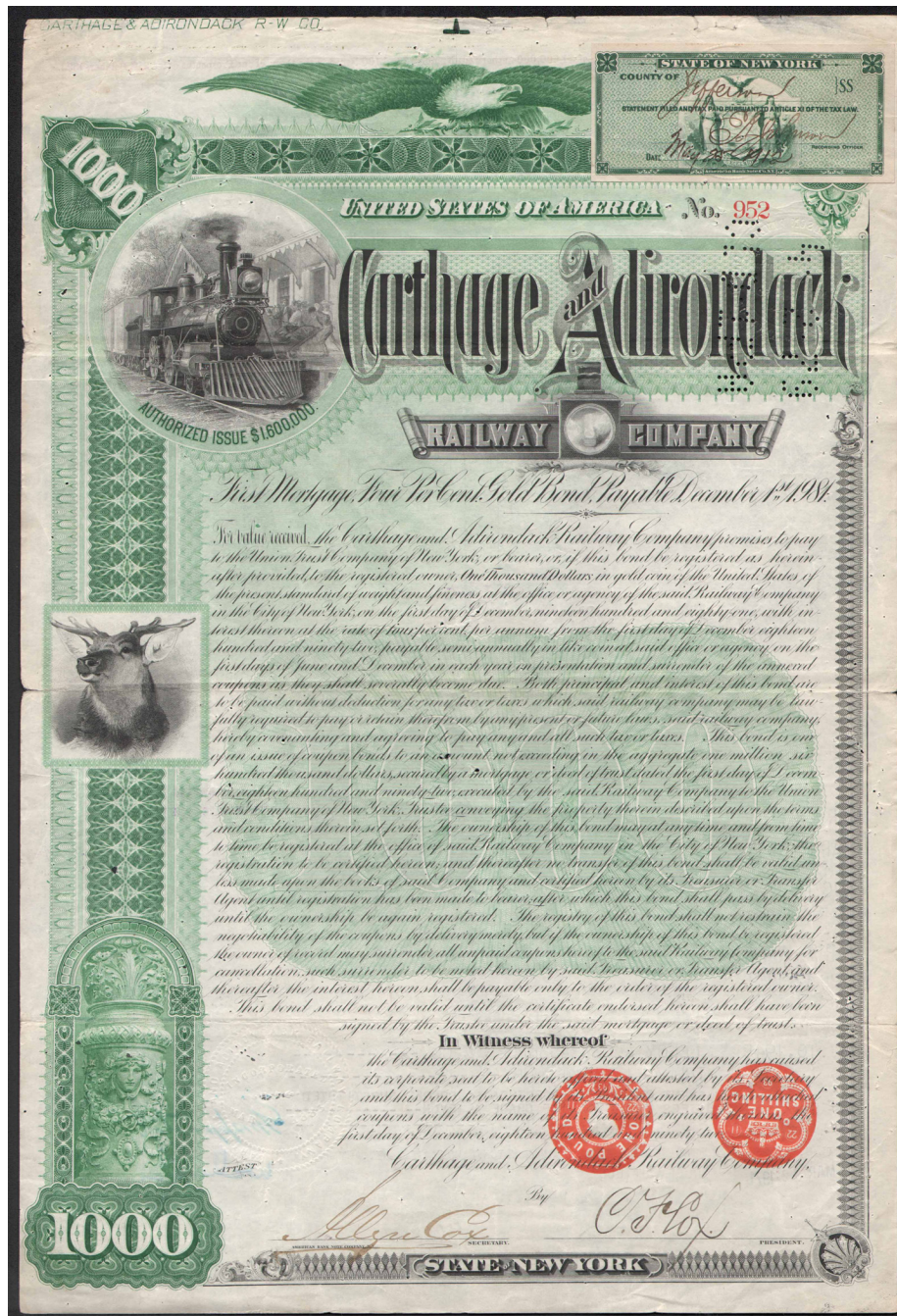






West Shore Railroad Co.  
1885 \$1000 bond with  
**green Mortgage  
Endorsement stamp**  
affixed **September 28,  
1911**, in Albany County,  
the **earliest recorded  
use of a perforated  
stamp.**



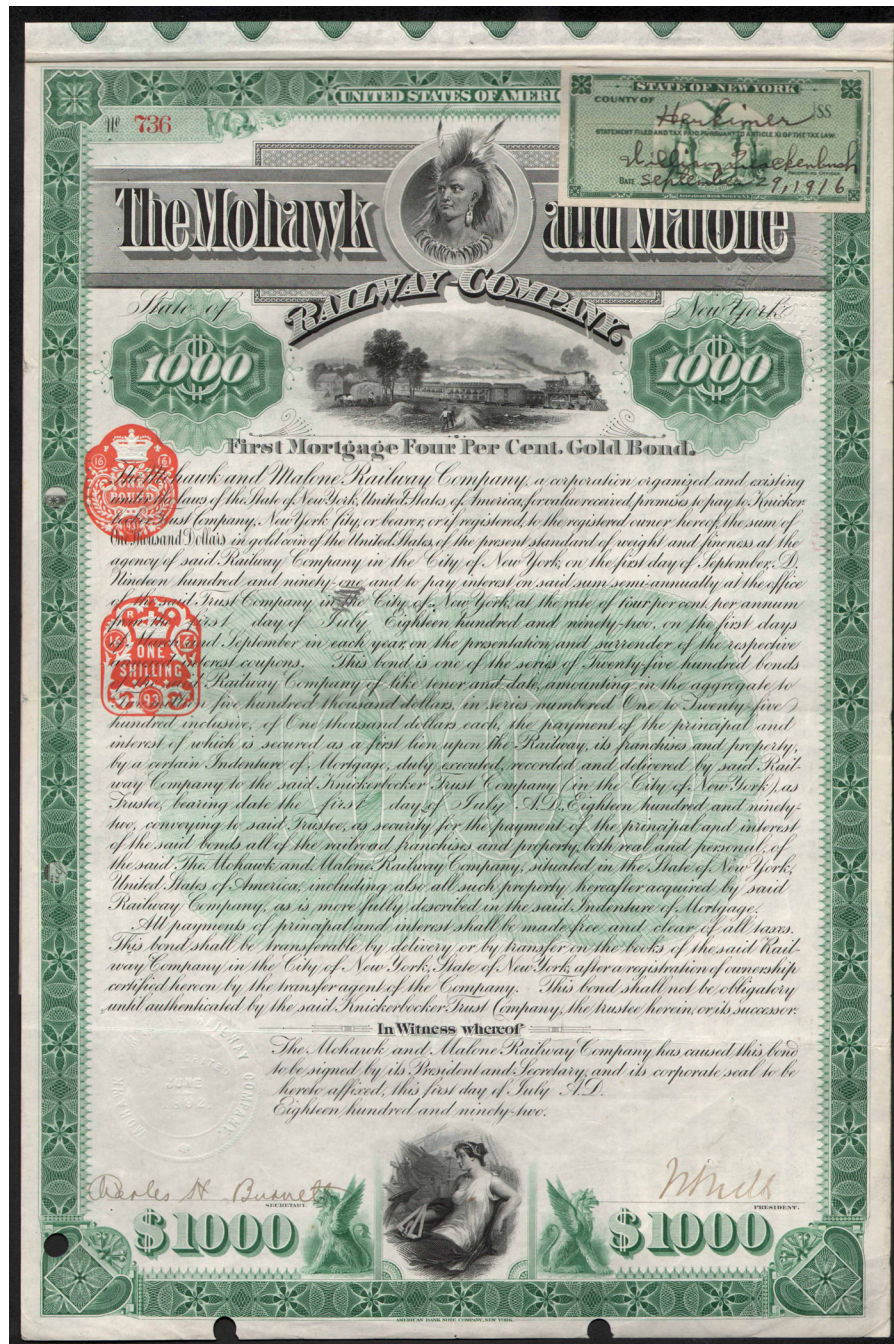


Carthage and  
Adirondack Railway  
Co. of New York 1892  
\$1000 bond with  
**green imperforate  
Mortgage  
Endorsement** stamp  
affixed **May 25, 1912,**  
in **Jefferson County.**





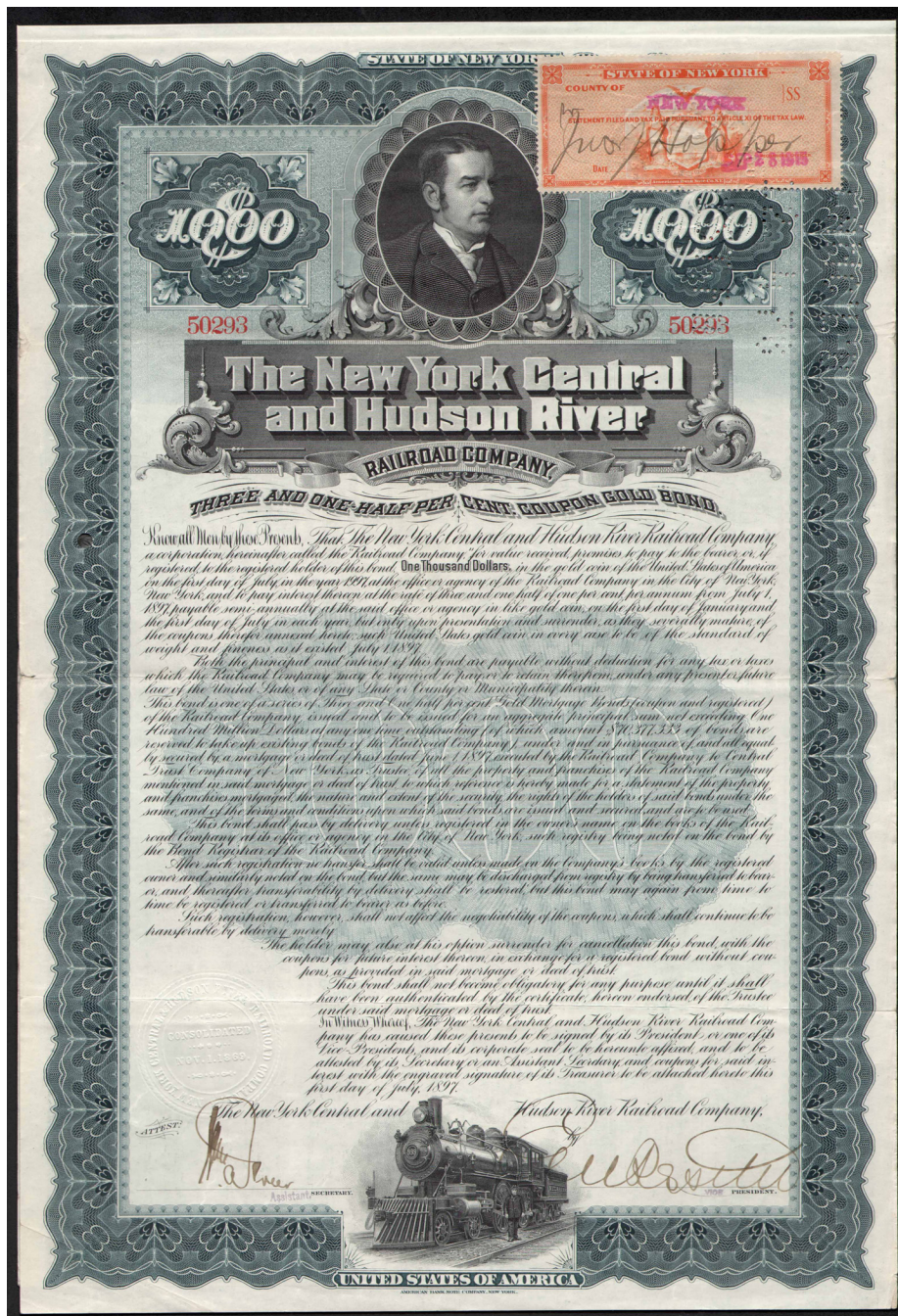




Mohawk and Malone Railway Co. 1892 \$1000 bond with **green imperforate Mortgage Endorsement** stamp affixed **September 29, 1916**, in **Herkimer County**, the **latest recorded use of an imperforate stamp**.

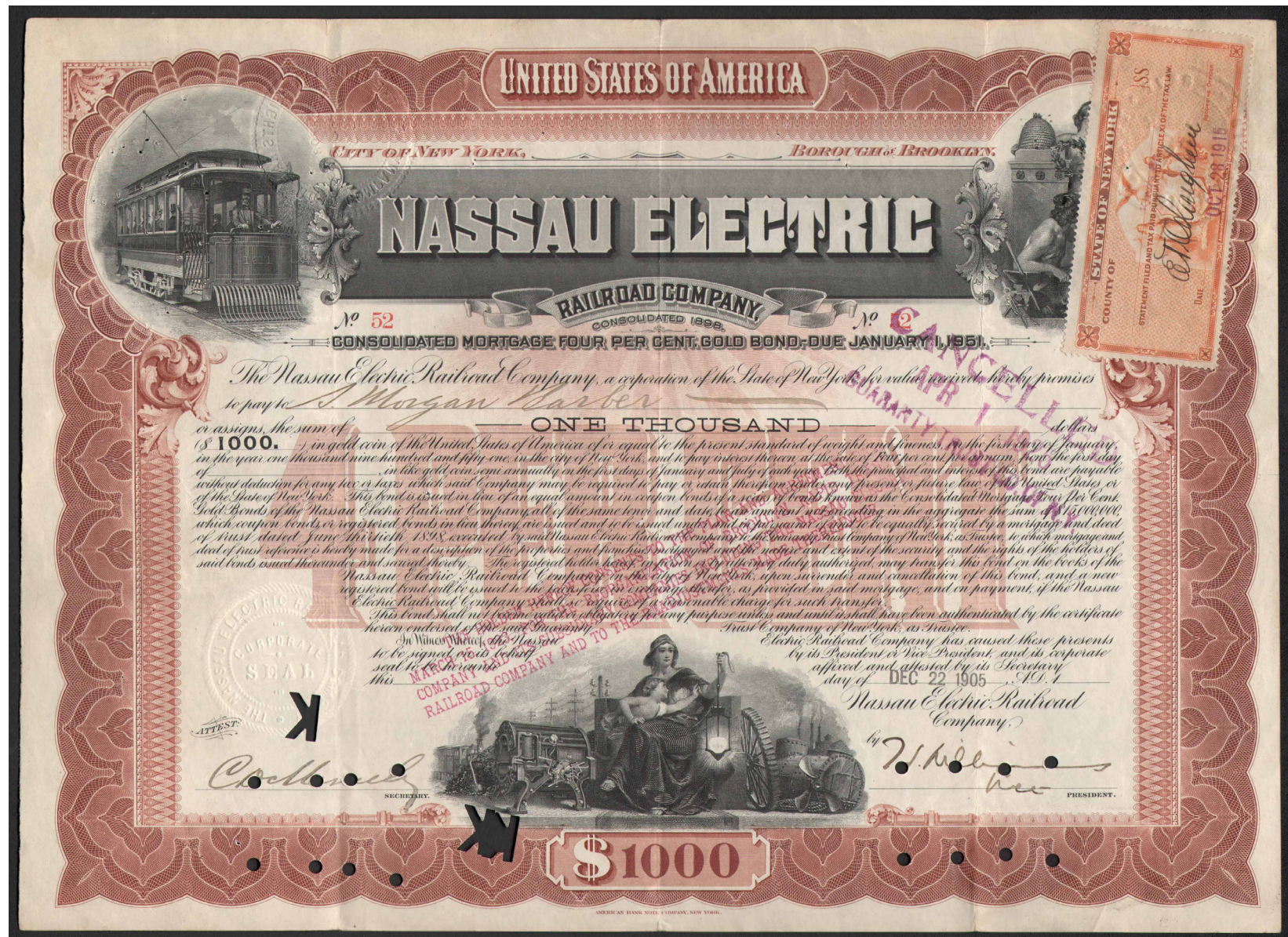
By this time New York and Albany counties were already using the **new orange stamps**.





New York Central and Hudson River Railroad Co. 1897 \$1000 bond with **orange Mortgage Endorsement** stamp affixed **September 28, 1915**, in New York County, **the earliest recorded use of an orange stamp.**





Nassau Electric Railway Co. bond of 1898 with **orange Mortgage Endorsement** stamp affixed 1915, Kings County.





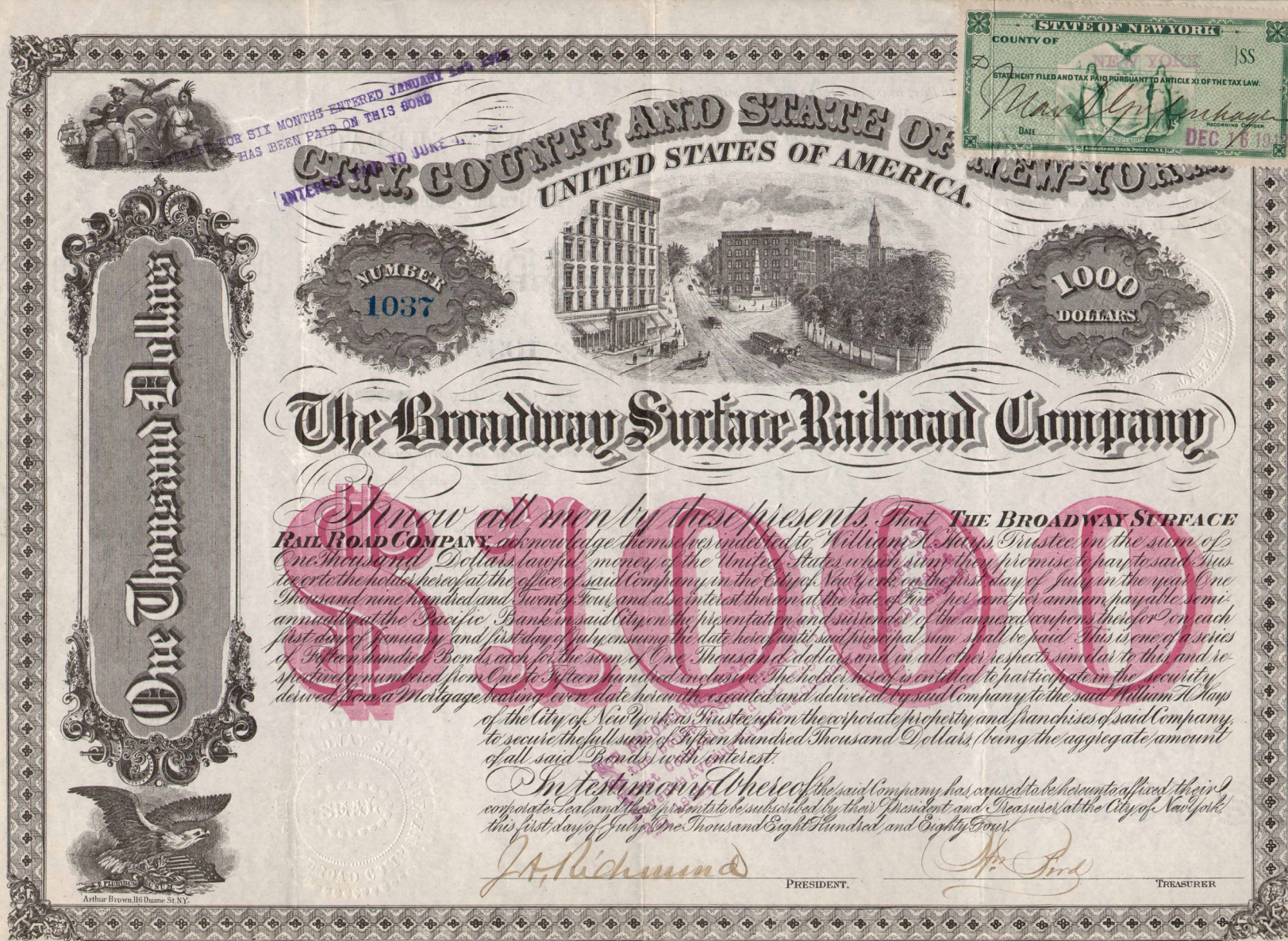
Mohawk and Malone Railway Co. 1902 \$1000 bond with U.S. 50¢ “**Battleship**” affixed in 1902, then **orange Mortgage Endorsement** stamp in 1918, Oneida County.





Lake Shore & Michigan Southern Rwy. Co. **\$50,000** bond with Mortgage Endorsement stamp indicating **\$250 tax**.





**Gallery:** Broadway Surface Railroad Co. 1884 bond.





Broadway and  
Seventh Avenue  
Railway Co. 1893  
bond.

Successor to  
Broadway Surface  
Railroad Co., whose  
1884 bonds shown in  
the preceding slide  
were held as security  
for those shown here.





Columbus and Ninth Avenue Railroad Co. 1893 bond.





Lake Shore and Michigan Southern Railroad Co. 1897 coupon bond.





Lake Shore & Michigan Southern registered bond of 1897.









# The Lake Shore and Michigan Southern

## RAILWAY COMPANY

Number 2420

**Three and One-Half**

**Per Cent Gold Bond**

Number 2420

**\$10,000**

**\$10,000**

Know all Men by these Presents, That The Lake Shore and Michigan Southern Railway Company, a corporation, hereinafter called "the Railway Company," for value received, promises to pay to Miles B. Bliss

**TENTH THOUSAND DOLLARS**

or assigns, the sum of ten thousand gold coin of the United States on the first day of June, in the year 1913, at the office or agency of the Railway Company in the City of New York, N. Y., and to pay interest thereon at the rate of three and one half per cent, per annum from June 1, 1913 payable semi-annually at said office or agency in like gold coin on the first day of June, and the first day of December, in each year, until the payment of said principal sum, such United States gold dollars in every case to be of the standard of weight and fineness as is provided in the Act of Congress, approved June 1, 1887.

Both the principal and interest of this bond are payable, without deduction for any tax or taxes which the Railway Company may be required to pay, or to retain therefrom, under any present or future law of the United States, or of any State or County or Municipality thereon. This bond is one of a series of Three and One-Half Per Cent Gold Bonds (coupon and registered) of the Railway Company, issued and to be issued for an aggregate principal sum of not exceeding fifty million dollars, of which amount \$43,122,800 of bonds are reserved to take up bonds secured by prior mortgages under and in pursuance of, and all equally secured by, a mortgage or deed of trust, dated June 1, 1892, executed by the Railway Company, mentioned in said mortgage or deed of trust, in which reference is hereby made for a statement of the property and franchises mortgaged, the nature and extent of the security and the rights of the holders of said bonds under the same, and of the terms and conditions upon which said bonds are issued and secured.

This bond is transferable by the registered holder thereof in person or by attorney duly authorized, on the books of the Railway Company at its office or agency in the City of New York upon surrender and cancellation of this bond, and thereupon a new registered bond will be issued in the transfer in exchange herefor, as provided in said mortgage or deed of trust, and on payment of the Railway Company shall be subject of the charge therein provided for. This bond shall not become obligatory for any purpose until it shall have been authenticated by the corporate Company of New York, one of the Trustees under said mortgage or deed of trust, Michigan Southern Railway Company has caused these or one of its Vice Presidents and its corporate seal to be hereunto attested and to be signed by its President on this June 14 day of June 1913.


ATTEST:



SECRETARY



The Lake Shore and Michigan Southern Railway Company.



VICE PRESIDENT

**UNITED STATES OF AMERICA**

AMERICAN BANK NOTE COMPANY, NEW YORK.

STATE OF NEW YORK

COUNTY OF Orin SS

STATEMENT FILED AND TAX PAID PURSUANT TO ARTICLE XI OF THE TAX LAW.

S. S. Mueh  
RECORDING OFFICER

DATE June 14 1913 Orin

Same series, \$10,000





New York Central & Hudson River registered bond of 1897.





Rome, Watertown and Ogdensburgh R.R. Co. 1874 bond.

## **II. Widening the Net: the Secured Debts Tax, 1911–16**

New York's **Mortgage tax** had been in place since 1905, but its payment on **mortgage bonds** by **individual bondholders** via **Mortgage Endorsement stamps** had begun only in the first days of 1911.

This application proved so successful that New York legislators looked further afield. The **Secured Debts tax**, passed **July 28, 1911**, and 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** they held, excepting those already subject to the Mortgage tax, and mandated creation of **adhesive stamps** to pay this tax.

Stamps were prepared in ten denominations—**1¢, 5¢, 50¢, \$1, \$2.50, \$5, \$10, \$25, \$50 and \$100.**

The tax could be paid only at the offices of the **State Controller in Albany** and the **Deputy Controller in New York.**

In separate legislation, the **payment date** for the **personal property tax** in New York City had been changed from January 1 to **October 1.** This explains why some two-thirds of Mortgage Endorsement, Secured Debt and Tax on Investments stamps on surviving bonds were affixed during the month of September; all three taxes were paid in lieu of the personal property tax.







Close view of stamp shown in preceding slide.

As a **security measure** stamps were to be **initialed by an agent** before use. Here “**EWB**” by **Edward W. Buckley**, head of the Comptroller’s New York City stamp bureau, who **on August 31**, the day before the tax took effect, had **signed 55,000 stamps!**

**Cancellation** took **two forms: handstamped date** and **embossed “STATE OF NEW YORK—TAX ON SECURED DEBTS—PAID.”**



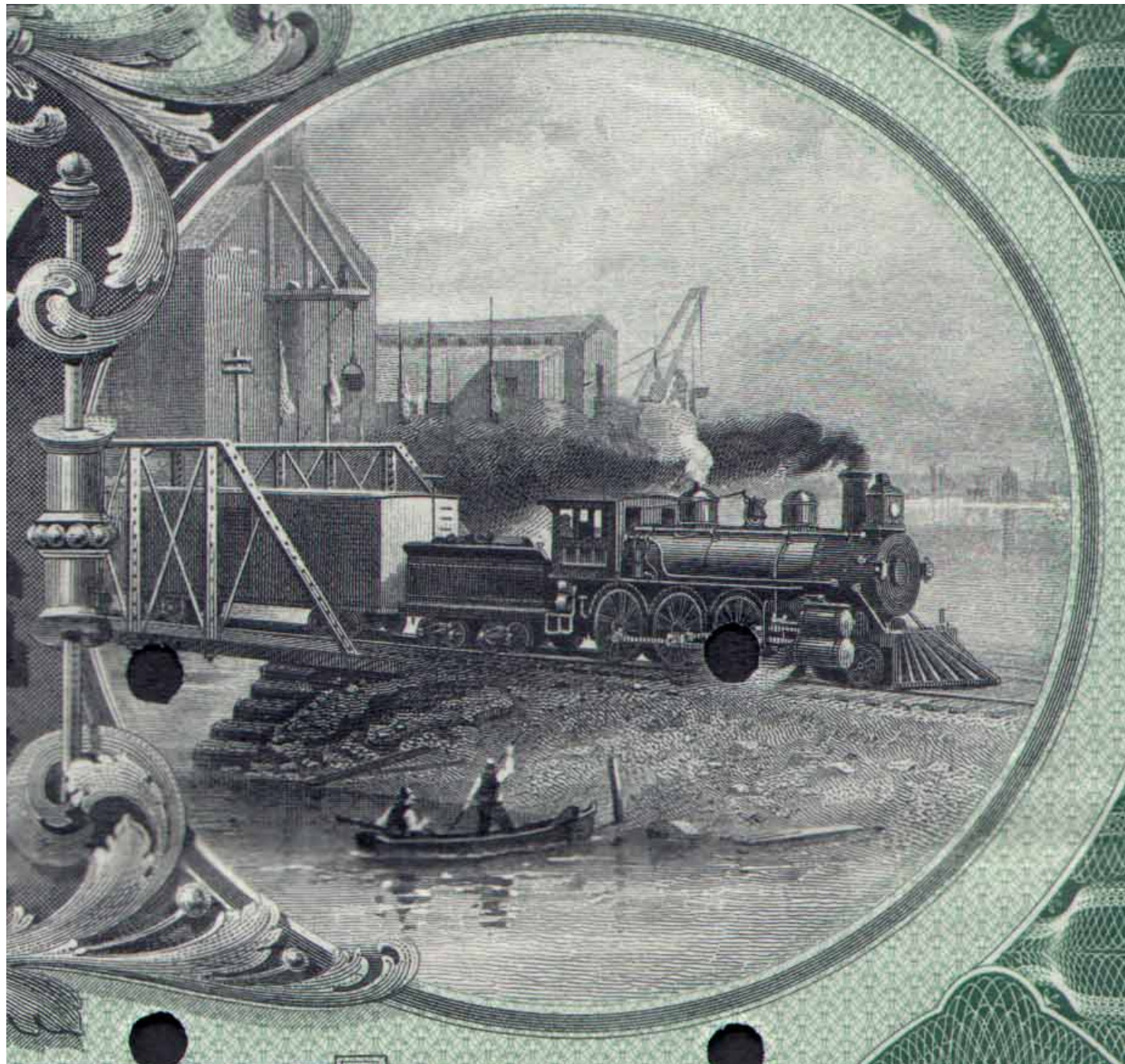


Atchison, Topeka and  
Santa Fe Railway Co.  
1895 \$1000 bond with  
**Secured Debt \$5** affixed  
March 1914.













Beech Creek Railroad  
Co. 1892 \$1000 bond  
with **Secured Debt \$5**  
affixed March 1914.





1891 \$1000 bond of  
Cleveland, Cincinnati,  
Chicago and St. Louis  
Railway Co.,  
Cincinnati, Wabash &  
Michigan Division,  
with **Secured Debt \$5**  
affixed September 19,  
1911.





## Secured Debts Tax on Unsecured Debt!

City of Jersey City  
\$1000 Refunding 4%  
Gold Bond of 1909, an  
**unsecured debt**,  
stamped with **Secured  
Debt \$5.**



**Three-line  
cancel**  
unrecorded  
by Pruess  
(1969).





Left, \$5 with portions of **five strikes** of large **Type IA cancel** (Pruess, 1969). Right, \$5 with **three strikes** of **tiny Type IF cancel**, two dated September 29, 1911, one obliterating an erroneous date "FE ... 8 1911." Stamp also **misperforated**, most unusual thus.

## Higher Denomination Bonds and Stamps

Then as now, **most bonds were for \$1000**. Of the **58** recorded different bonds taxed at the 0.5% rate:

**44** are for **\$1000**, all bearing a single \$5 stamp;

**eight** are for **\$5000** bearing **\$25** stamps;

**nine** are for **\$10,000** bearing the **\$50**;

**\$20,000** United States Steel Corporation bond issued to Andrew Carnegie bearing a **\$100** stamp;

**\$50,000** New York Central and Hudson River Railroad Co. Michigan Central Collateral bond stamped with **\$100 (x2) & \$50**;

Denominations less than \$1000 are also seldom encountered; just **two \$500** bonds have been recorded, stamped with the **\$2.50**.





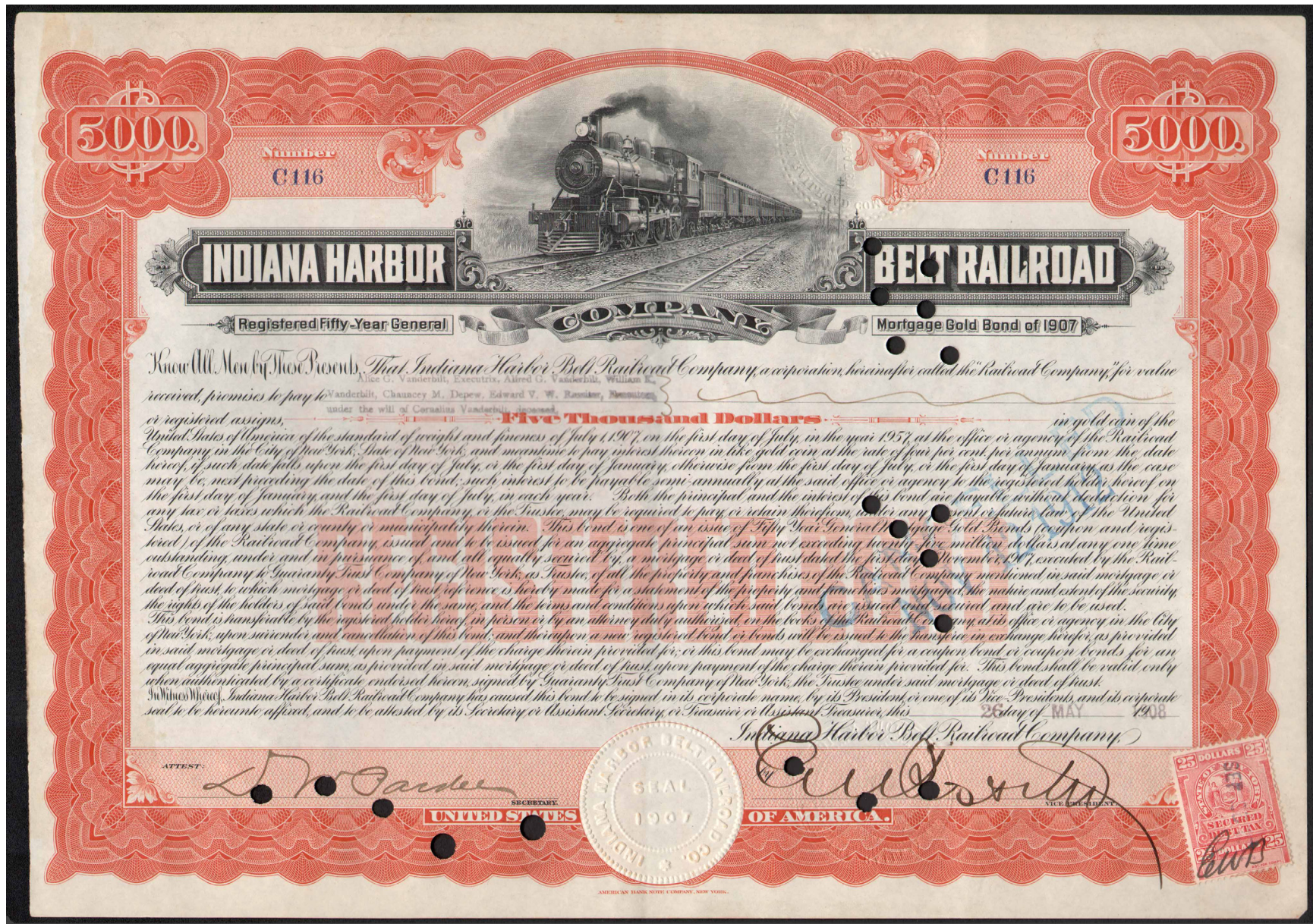
Close view of **Secured Debt**  
**\$25, \$50, \$100 and \$2.50.**





Lake Shore & Michigan Southern \$5000 bond of 1897, **Secured Debt \$25** (initials “**EWB**”) affixed **September 9, 1911**, the **second-earliest recorded** Secured Debt usage.





Indiana Harbor Belt \$5000 bond of 1907, **Secured Debt \$25** (initialed "**EWS**") affixed September 23, 1911.





New York Central & Hudson River \$5000 debenture of 1904, **Secured Debt \$25** affixed September 28, 1911.





Atlantic Coast Line Railroad Co. \$5000 bond of 1902 with **Secured Debt \$25** affixed December 1911.





New York Central & Hudson River \$10,000 debenture of 1904, **Secured Debt \$50** affixed September 28, 1911.





Atlantic Coast Line Railroad Co. \$10,000 bond of 1902 with **Secured Debt \$50** affixed December 1911.





Chicago & Alton Railway Co. \$10,000 bond of 1900 with **Secured Debt \$50** affixed March 1912.





Beech Creek Railroad Co. \$10,000 bond of 1886 with  
**Secured Debt \$50**, in trust for **Alfred G. Vanderbilt**.





Michigan Central Railroad Co. \$10,000 bond of 1902 with **Secured Debt \$50** affixed December 1912.





Baltimore & Ohio Railroad Co. \$10,000 bond with  
**Secured Debt \$50** affixed September 1913 before issue.





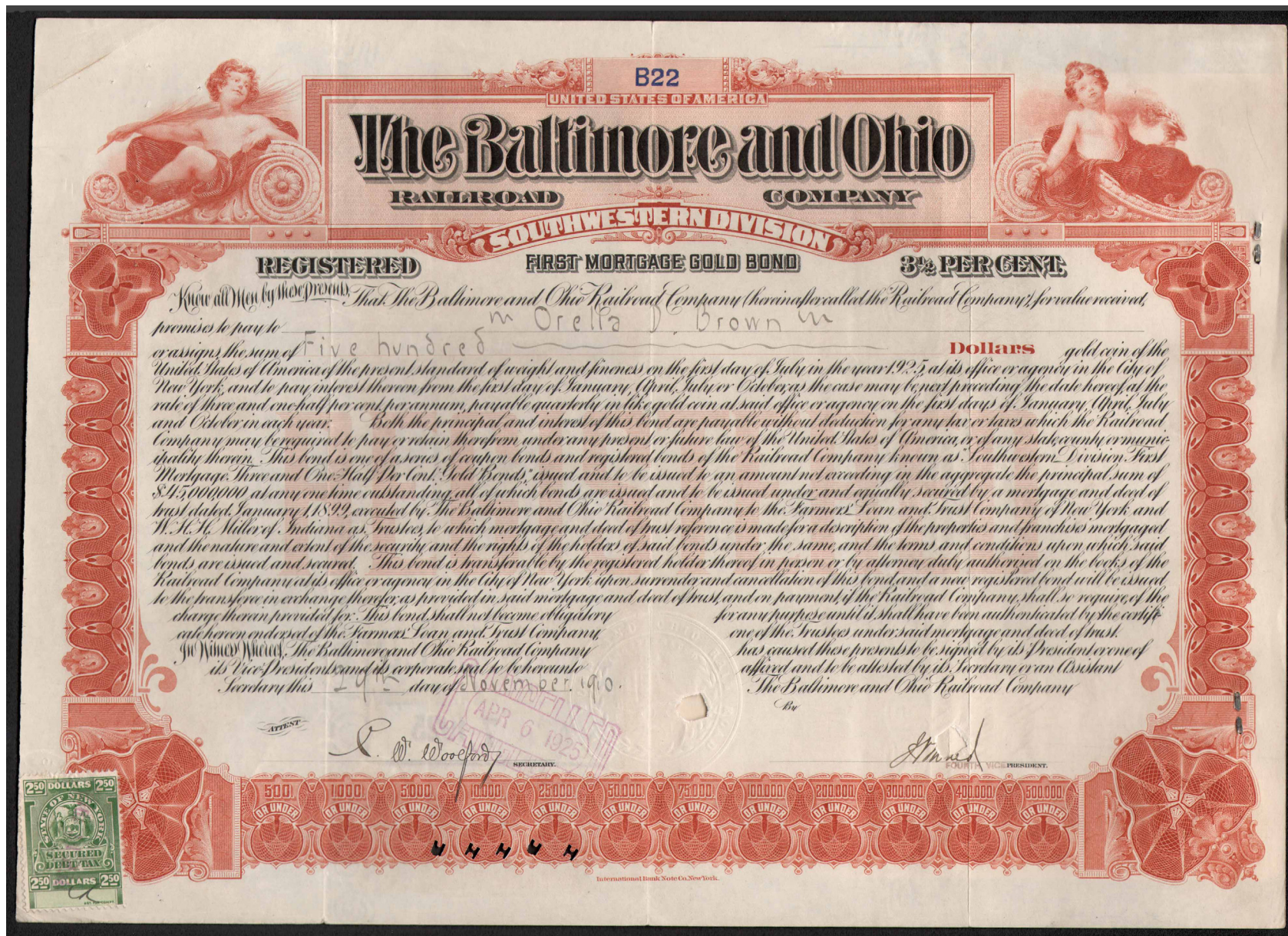
U.S. Steel Corporation \$20,000 bond of 1901 to **Andrew Carnegie** with **Secured Debt \$100** affixed October 1912.





New York Central & Hudson River \$50,000 debenture,  
**Secured Debt \$100 (x2) & \$50, to Alfred G. Vanderbilt.**





Baltimore & Ohio Southwestern Division \$500 bond of 1899, **Secured Debt \$2.50** affixed September 1913.



## **Cutting Down Coconut Trees; A Professor Presages Change**

The *New York Times* of April 26, 1914, summarized an analysis by a Harvard economist **severely critical of the Secured Debts tax**, and specifically of the **permanent exemption** from other taxes that it provided. In the author's view this put the Legislature in a class with **“savages who in order to gather cocoanuts, cut down the trees upon which the nuts grow.”**

In hindsight, this opinion can be seen as a harbinger. Its main recommendation, **replacing the permanent exemption** from other taxes with one for **five years only** would be adopted the following year.



## **1915 Amendments; Rate Increase to 0.75%**

Effective April 1, 1915, the Secured Debt tax was **suspended until May 1**, pending anticipated amendments.

By April 30, these changes had been ironed out and passed. The **tax rate was increased to 0.75%**, which now secured **exemption from other taxes for five years only**; previously the exemption had been permanent.

Moreover, this new rate was to be **in effect only six months**, from **May 1 until October 31, 1915**.



## New Cancellers

New cancellers stating **“TAX EXEMPT FOR FIVE YEARS”** were put into use.

Secured Debt stamps have a bottom panel inscribed “AGT. FOR COMPT.” To save the time and trouble of initialing this panel, the new cancellers **incorporated at bottom the script initials “WBL”**.



Left, “WBL”  
**underscored**  
**(New York).**

Right, “WBL” **not**  
**underscored**  
**(Albany).**

“WBL” was **W. B. Leroy**, Agent at Albany.





City of Providence \$1000 Sewer Loan of 1914 with **Secured Debt \$5 & \$2.50** affixed October 1915.





Lehigh Valley Terminal  
Railway Co. 1891  
\$1000 bond with  
**Secured Debt \$5 &  
\$2.50** affixed  
September 1915.

**All recorded examples  
of the 1915 \$7.50 rate  
have the tax paid by \$5  
& \$2.50.**





Iron Steamboat Co. of  
New Jersey 1902  
\$500 bond with  
**Secured Debt \$2.50,  
\$1 & 5¢ strip of five**  
affixed September  
1915.

One of **two recorded  
examples** of the **1915  
\$3.75 rate.**





Lake Shore \$5000 bond of 1897 with **Secured Debt \$25, \$10 & \$2.50** affixed September 1915.





Michigan Central Rail Road Co. \$5000 bond of 1890 with **Secured Debt \$25, \$10 & \$2.50** affixed September 1915.





N.Y. Central & Hudson River \$5000 debenture of 1904,  
**Secured Debt \$25, \$10 & \$2.50** affixed September 1915.





New York Central \$5000 debenture of 1915 with  
**Secured Debt \$5 (x7) & \$2.50** affixed September 1915.





Lake Shore \$10,000 bond of 1903 with **Secured Debt \$50 & \$25** affixed September 1915.







## **1916: Secured Debts Tax Temporarily Renewed**

The revised Secured Debts tax was designed to stay in effect only six months, **May through October 1915**, but **effective April 21, 1916**, it was **renewed, again** for only a matter of months, **until December 31, 1916**.

The tax rate was now simplified, from 0.75% to **75¢ per \$100 or principal fraction thereof**, which again secured exemption for five years from all other taxes.

This refinement was potentially of philatelic significance; as all tax amounts were now multiples of 75¢, there was no longer a need for 1¢ stamps, and little need for several others, including the 5¢.



## **Four New Stamps**

In **1911** Secured Debt stamps had been issued in ten denominations—**1¢, 5¢, 50¢, \$1, \$2.50, \$5, \$10, \$25, \$50 and \$100.**

After the rate increase from 0.5% to 0.75% enacted in 1915, the desirability of stamps in new denominations had become apparent. **\$1000** bonds, were now taxed at **\$7.50**. All recorded \$1000 bonds taxed at the 0.75% rate of 1915 bear **\$5 and \$2.50 stamps**; a **\$7.50 stamp** would obviously have saved considerable time and trouble here. Similarly the two recorded **\$500** bonds from the 1915 period have their **\$3.75** tax paid by **seven stamps: \$2.50, \$1, and 5¢ (x5)**; a **\$3.75 stamp** would have filled the bill precisely.

Beginning in **1916** Secured Debt stamps appeared in **four new denominations: 25¢, 75¢, \$3.75 and \$7.50.**





The four new stamps. All are **perforated 11x12**; the earlier denominations were all **perf 12**.

**No usages of the 75¢** during **1916** have been recorded on intact bonds. Bonds bearing the others range from **scarce (\$7.50)** to **rare (25¢)** to **very rare (\$3.75)**.



## And a New Cancel



In New York City the 20mm cancel used in 1915 (left) was **replaced by a 23mm version** (right). On most examples the circular frame is incomplete or missing.





Baltimore & Ohio \$500 bond with **Secured Debt \$3.75** affixed 1916, the **sole recorded example** of this usage.





Northern Pacific Railway Co. 1896 \$1000 bond with **Secured Debt** **\$7.50** affixed September 26, 1916.

The earliest recorded use of the \$7.50 is June 22, 1916. It was presumably used on all **\$1000 bonds** thereafter, but examples are scarce as the tax expired at the end of the year. It has been recorded on **16 different \$1000 bonds**.

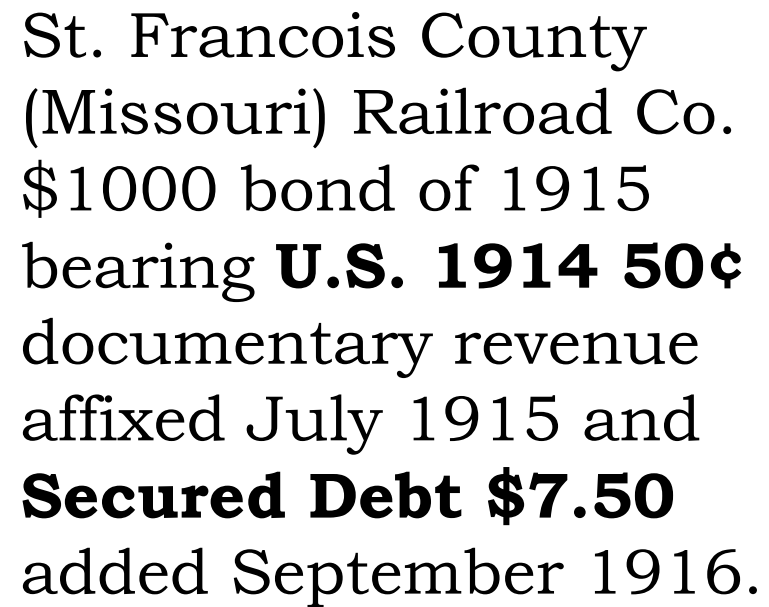




New Mexico Railway  
and Coal Co. 1901  
\$1000 bond with **U.S.  
50¢ “Battleship”**  
documentary revenue  
affixed October 1901  
and **Secured Debt  
\$7.50** added  
September 1916.

The **only recorded  
combination** of  
**Secured Debt** and **U.S.  
Spanish-American  
War** issues.





The **only recorded combination of Secured Debt and U.S. 1914** issues.



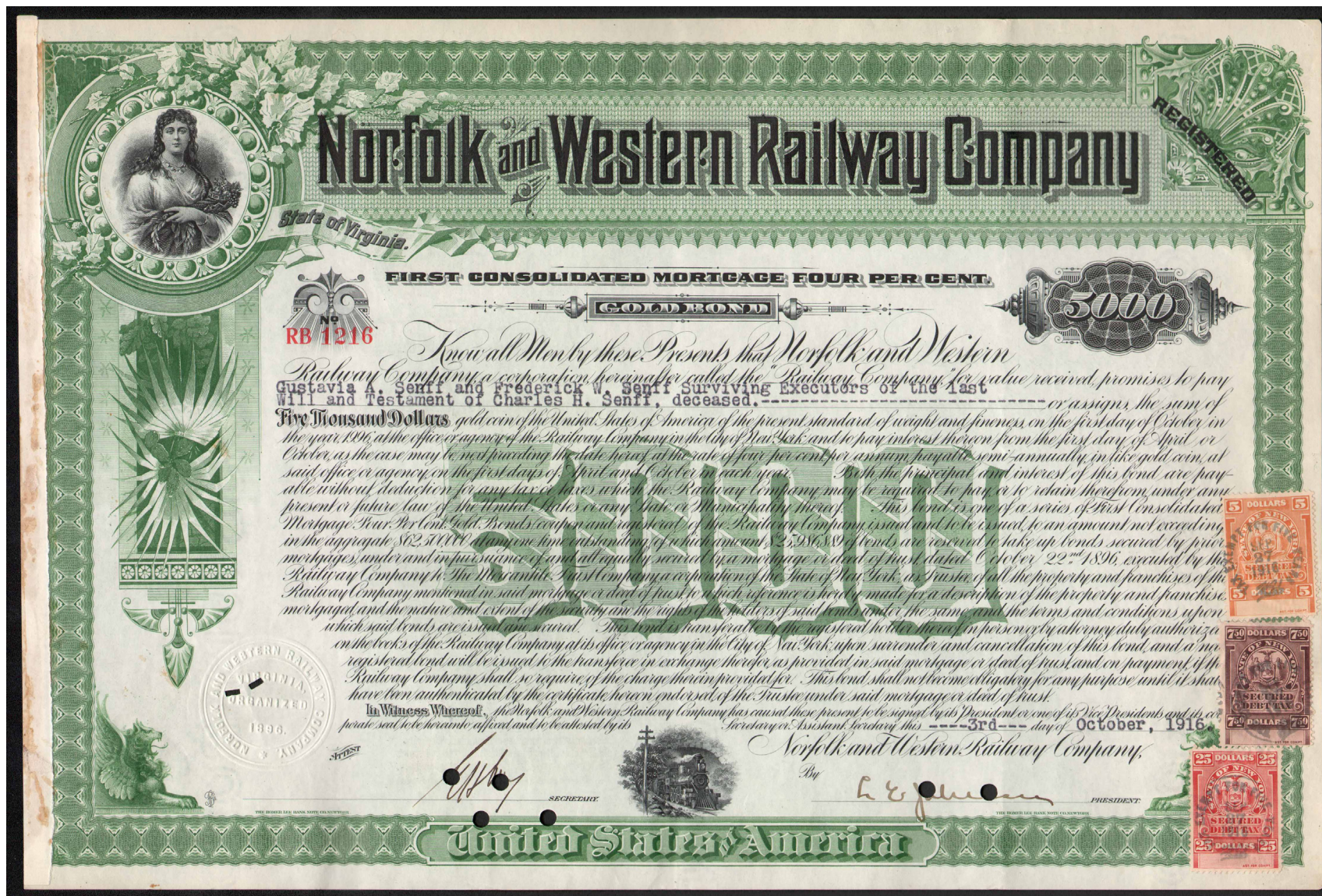
The **\$7.50** was also used in combination with the \$25 and \$5 to pay the **\$37.50** tax on **\$5000** bonds.

Six different such usages have been recorded, and a total of seven examples.









Norfolk and Western Railway Co. \$5000 bond with **Secured Debt \$25, \$7.50 & \$5** affixed, cancel dates September 1916, not issued until October 1916.



Remarkably, **pairs of the 25¢** were also used to pay the **\$37.50 tax**, together with the **\$25, \$10 and \$1 (x2)**. Three different bonds with this extraordinary combination have been recorded.

Presumably the 50¢ would have been used if available, but evidently it was not. Indeed, no bonds bearing the 50¢ have been recorded, and it is rare even off document.





Baltimore & Ohio Railroad Co. \$5000 bond with **Secured Debt \$25, \$10, \$1 (x2) & 25¢ pair** affixed June 1916.





Michigan Central Rail Road Co. \$5000 bond with **Secured Debt \$25, \$10, \$1 (x2) & 25¢ pair** affixed September 1916, issued November 1917.



If a bond could not be brought or sent in to be stamped, a **certificate** could be obtained from the **Comptroller's office** in Albany stating that the tax had been paid, with **stamp(s) affixed**.

**Three examples** have been recorded.



No. \_\_\_\_\_ State of New York AMOUNT \$ 37.50



Comptroller's Office



TAX ON SECURED DEBTS



I do hereby certify that I have received this 3rd day  
of January, 1917 from Mr. Henry May,  
Buffalo, N.Y.

the sum of Thirty-Seven and 50/100 - - - Dollars  
the amount of tax imposed by ARTICLE FIFTEEN OF THE TAX LAW upon a  
secured debt, the face value of which is FIVE THOUSAND -  
(\$5,000.00) - - - Dollars and which is described  
as follows:

5 - 5% Collateral Trust Coupon bonds, issued  
Dec. 1, 1916 by the American Telephone &  
Telegraph Co., due Dec. 1, 1946, represented  
by temporary certificates Nos. 14949, 14950,  
14951, 14952 and 14953 for \$1,000. each - \$5,000.00

As per application No. 1086.

And I do hereby further certify that the above described debt is  
exempt from taxation as provided by ARTICLE FIFTEEN OF THE TAX LAW

Dated at Albany, N.Y.

January 3, 1917

by *August M. LeRoy*  
Comptroller  
Agent for Comptroller.

5 - 7500 stamps affixed  
to above described bonds  
under date of Dec 30 1916  
Feb 26-1917-

Certificate of January 3, 1917, attesting payment of \$37.50 tax for five \$1000 bonds, with **Secured Debt \$25, \$10 & \$2.50** affixed. As the tax had expired January 1, 1917, the cancels were backdated to December 30, 1916.

Signed as Agent for Comptroller by **W. B. LeRoy**, confirming that the **initials** incorporated in the **1915-16 cancels** are indeed "**WBL**".



## **Detective Work: Backdating for the Big Boys**

Occasionally an **anomalous payment** of the Secured Debt tax is seen that can only be explained by **backdating of the cancels.**





New York Central **\$5000** debenture issued **May 1917** in trust for **William K. Vanderbilt, Jr., Secured Debt \$25, \$7.50 & \$5** with **cancel dates September 28, 1915.**





New York Central **\$10,000** debenture issued **May 1917** in trust for **Harold S. Vanderbilt, Secured Debt \$50 & \$25** with **cancel** dates **September 28, 1915.**









Lake Shore **\$10,000** bond issued **December 1916** to J. van Dyke Miller, **Secured Debt \$50 & \$25** with **cancel** dates **September 29, 1915**.



These bonds exhibit **three highly anomalous features:**

ostensible usage of the **Secured Debt \$7.50** in **September 1915**, a stamp **not otherwise** known to have been used **before June 1916**;

ostensible usage of the **23mm Type II cancel** in **September 1915**, also **not otherwise** known to have been used **before June 1916**;

and the use of **uninitialed \$25 and \$50** stamps, **not otherwise** recorded **before September 1916**.

They are neatly and convincingly explained if the **cancels** were **backdated to September 1915**. Most probably this took place some time **after December 31, 1916**, when the Secured Debts tax expired, but **before June 1, 1917**, when the Investments tax took effect, presumably as a **favor** to the **wealthy bondholders**.





## **Anomalies illustrated.**

Close views of stamps from **two Lake Shore \$5000** bonds, all cancels dated **September 29, 1915.**

Right, **\$25, \$10 & \$2.50** stamps, **20mm cancels**, and **initialed \$25 & \$10**, all **typical of 1915** usages.

Left, **\$7.50 stamp, 23mm cancels**, and **uninitialed \$25**, all normally seen only in **1916.**

Conclusion: the cancels on the **left** are **backdated.**



### III. Tax on Investments, 1917–20

The Investments tax, effective June 1, 1917, was essentially a **renewal of the Secured Debts tax** with a **different name** and **increased rate**, now **20¢ per \$100 per year**, for **up to five years**.

For three years the Legislature had been working toward an **annual tax**. The **Secured Debts** taxes of **1915** and **1916** had been **last-minute compromises** passed when an annual tax could not be.

Effective **May 10, 1920**, **intangible personal property** was made **exempt from all state and local taxation**, thus rendering the **Investments tax meaningless**, and it was simultaneously **repealed**.



# NEW YORK

## INVESTMENT TAX (Documentary)



1917. 24 x 33mm. Perf. 11 or 12 or compound.

IT 1	20c lavender.....	—
IT 2	40c green.....	—
IT 3	60c blue.....	—
IT 4	80c chocolate.....	—
IT 5	\$1.00 ultramarine.....	—
IT 6	\$2.00 yellow.....	—
IT 7	\$3.00 olive.....	—
IT 8	\$4.00 brown.....	—
IT 9	\$5.00 gray.....	—
IT 10	\$6.00 red.....	—
IT 11	\$8.00 brown.....	—
IT 12	\$10.00 orange.....	—
IT 13	\$20.00 dark blue.....	—
IT 14	\$40.00 dark gray.....	—
IT 15	\$50.00 chocolate.....	—
IT 16	\$100.00 dark green.....	—

Until the documents upon which these stamps are used mature or are transferred, releasing a larger supply of them, it seems almost impossible to set judicious valuations. The commonest denomination is the \$10, and the next commonest the \$1, but at present writing they all rate scarce to rare.

Their use was discontinued in 1922.

## New Stamps, Eventually

### Tax on Investments

**stamps** were created to pay the new rate, but were **not available for nearly four months**, during which the **old Secured Debt stamps** were used.

To date only nine Investments stamps—**80¢, \$1, \$2, \$4, \$8, \$10, \$20, \$50 and \$100**—have been recorded on **intact bonds**.



The Investments tax is infinitely more interesting philatelically by virtue of three factors.

Bondholders could choose to pay for **one, two, three, four or five years**, resulting in a satisfying **array of rates**.

This led also to the creation of a set of **distinctive cancels** for one, two, three, four or five year payments.

And the initial unavailability of the new Investments stamps created a **four-month window** during which **tax was paid with Secured Debt stamps**.



## One, Two, Three, Four or Five Years?

Allowing bondholders to pay for one, two, three, four or five years multiplied fivefold the number of possible tax rates. The following table lists the rates on bonds of typical denominations for up to five years. Those already recorded on surviving bonds are in bold.

Amount	Exemption (Years)				
	One	Two	Three	Four	Five
\$500	<b>\$1</b>	\$2	\$3	\$4	<b>\$5</b>
\$1000	<b>\$2</b>	<b>\$4</b>	<b>\$6</b>	\$8	<b>\$10</b>
\$5000	<b>\$10</b>	\$20	\$30	\$40	<b>\$50</b>
\$10,000	<b>\$20</b>	\$40	\$60	\$80	<b>\$100</b>
\$50,000	<b>\$100</b>	\$200	\$300	\$400	\$500
\$100,000	<b>\$200</b>	\$400	\$600	\$800	\$1000

These **twelve** are all known with tax paid by **Secured Debt** stamps; **nine** are known with **Investments** stamps.





The cancels normally used on stamps paying the Investments tax were described by Pruess (1969) as Type IV, with the following subtypes, all incorporating the script **agent's initials "AB"**:

- A. **"TAX EXEMPT FOR ONE YEAR"** in a **Circle**
- B. **"TAX EXEMPT FOR TWO YEARS"** in an **Octagon**
- C. **"TAX EXEMPT FOR THREE YEARS"** in a **Keystone**
- D. **"TAX EXEMPT FOR FOUR YEARS"** in a **Shield**
- E. **"TAX EXEMPT FOR FIVE YEARS"** in a **Square**



## The Curious Case of the Rotating Initials



On the workhorse **ONE YEAR** cancel, in **1917** the initials “**AB**” are roughly **upright**, perhaps tilting a bit to the right.

By **1918** they have **rotated right about 45 degrees;**

and by **1919** they are **nearly sideways!**

This progression is neatly illustrated here by Investments \$2 affixed successively in 1917, 1918 and 1919.





A variation on this theme is seen on the Type IV **FIVE YEARS** cancels. In **1917** the **initials are upright**, and by **1918** they are **nearly sideways**.

Here though, a **new, shorter canceller** was introduced in 1918, 21mm high instead of 22mm as in 1917, **leaving no room for the initials to be upright!**



## One Year Payments

While **one-year usages** comprise the lion's share of examples of the Investments tax, they can be found in an enjoyable variety.

Most show payment of **\$2 tax** on a **\$1000** bond.

On roughly half of these the tax was paid for **one year only**, made either by **two Secured Debt \$1** (shown here),

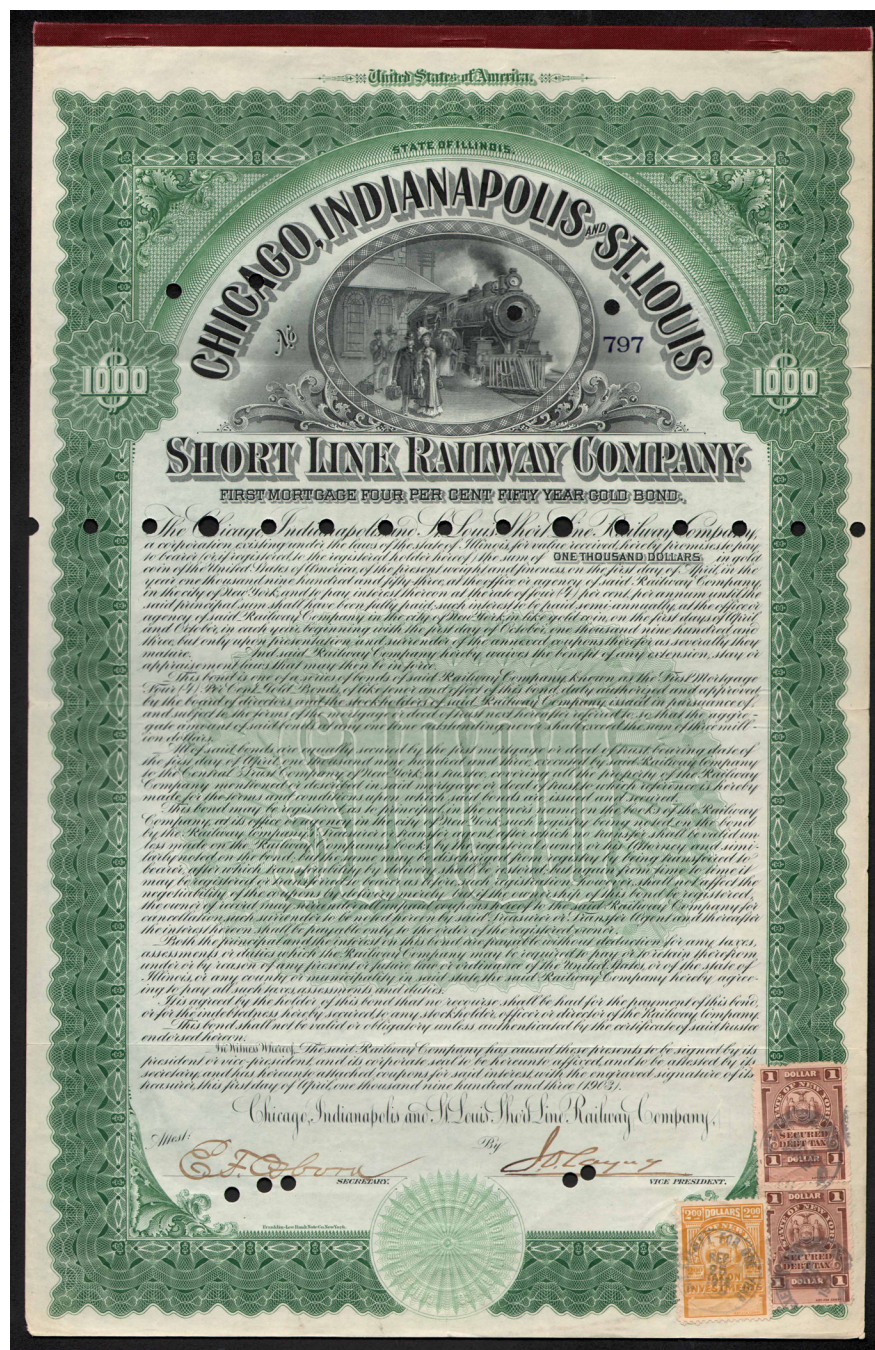






or a **single Investments \$2.**





Payments for **two or three successive years** are seen with about equal frequency, again with yearly payments made by two Secured Debt \$1 or a single Investments \$2, in various combinations:

**Secured Debt \$1 (x2), then Investments \$2.**





**Investments \$2 in successive years, rarely seen.**





**Secured Debt \$1 (x2),  
then Investments \$2  
the next two years.**





**Investments \$2 in three successive years.**



## **One Year Payment, Higher Denominations**

**Four \$5000 bonds** are known showing the Investments **one year tax** of **\$10**: one with **Secured Debt \$10**, two with **Investments \$10**, one with both.





Lake Shore **\$5000** bond with Investments tax paid for **one year** by **Secured Debt \$10** in July 1917.





Michigan Central **\$5000** bond with Investments tax paid for **one year** by **Investments \$10** in 1919.



**Four \$10,000 bonds** are known showing the Investments **one year tax** of **\$20**: these include the **only recorded usages of the Investments \$20**.

The Lake Shore and Michigan Central \$10,000 bonds include two with \$20 annual tax paid in successive years by **Secured Debt \$10 pair**, then **Investments \$20**.

The Western Maryland 1917 \$10,000 bonds are remarkable in that the **entire issue** appears to have been **issued to John D. Rockefeller**; all recorded examples, with serial numbers ranging from X170 to X1072, bear his printed name. A thousand or so \$10,000 bonds makes **\$10 million**, an impressive holding even for the richest man in America.





\$10,000 bond, **one year** Investments tax paid by **Secured Debt \$10 (x2)** in 1917, then by **Investments \$20** in 1918.





Close view of  
**Investments \$20.**





Western Maryland \$10,000 bond to **John D. Rockefeller**,  
**one year** tax paid by **Investments \$20** in 1917 and 1918.



Arguably the ***pieces de resistance*** of Investments usages are the **New York Central and Hudson River \$50,000 debentures** of 1904 with **one year \$100 tax** paid in successive years by **Secured Debt \$100**, then **Investments \$100**.

Even apart from the **extraordinary combination of stamps**, the huge vignette and **sumptuous magenta border** make this one of the most visually appealing bonds of the period.





\$50,000 bond, **one year** Investments tax paid by **Secured Debt \$100** in 1917, then by **Investments \$100** in 1918.





Close view of  
**Investments \$100.**  
It has been recorded  
on only **two**  
**different bonds,**  
and a total of **nine**  
**examples.**



## Two Year Payments

For the workhorse \$1000 bonds, **two years' tax** was **\$4**. Just **six different bonds** showing this usage have been recorded, and a total of **eight examples**.

Happily for latter-day philatelists, until the Investments \$4 became available this tax was paid by **Secured Debt \$3.75 plus 25¢; three different bonds**, and **four examples**, show this combination, all stamped between July and September 1917.

They provide collectors a precious few more usages of the **elusive Secured Debt \$3.75**. This stamp had been created to pay the **1916 tax** in that amount on **\$500 bonds**, but **just one usage at that rate** has so far been recorded.





Kanawha & Michigan  
\$1000 bond with  
**Investments \$4 tax** for  
**two years** paid by **Secured  
Debt \$3.75 & 25¢** in  
September 1917.

Triply rare: only **five  
examples** of the **\$3.75**  
have been recorded on  
bonds, only **four in this  
desirable combination**  
with the **25¢**, which is  
scarce in its own right.

Only eight examples of the  
**two-year \$4 rate** have  
been recorded.



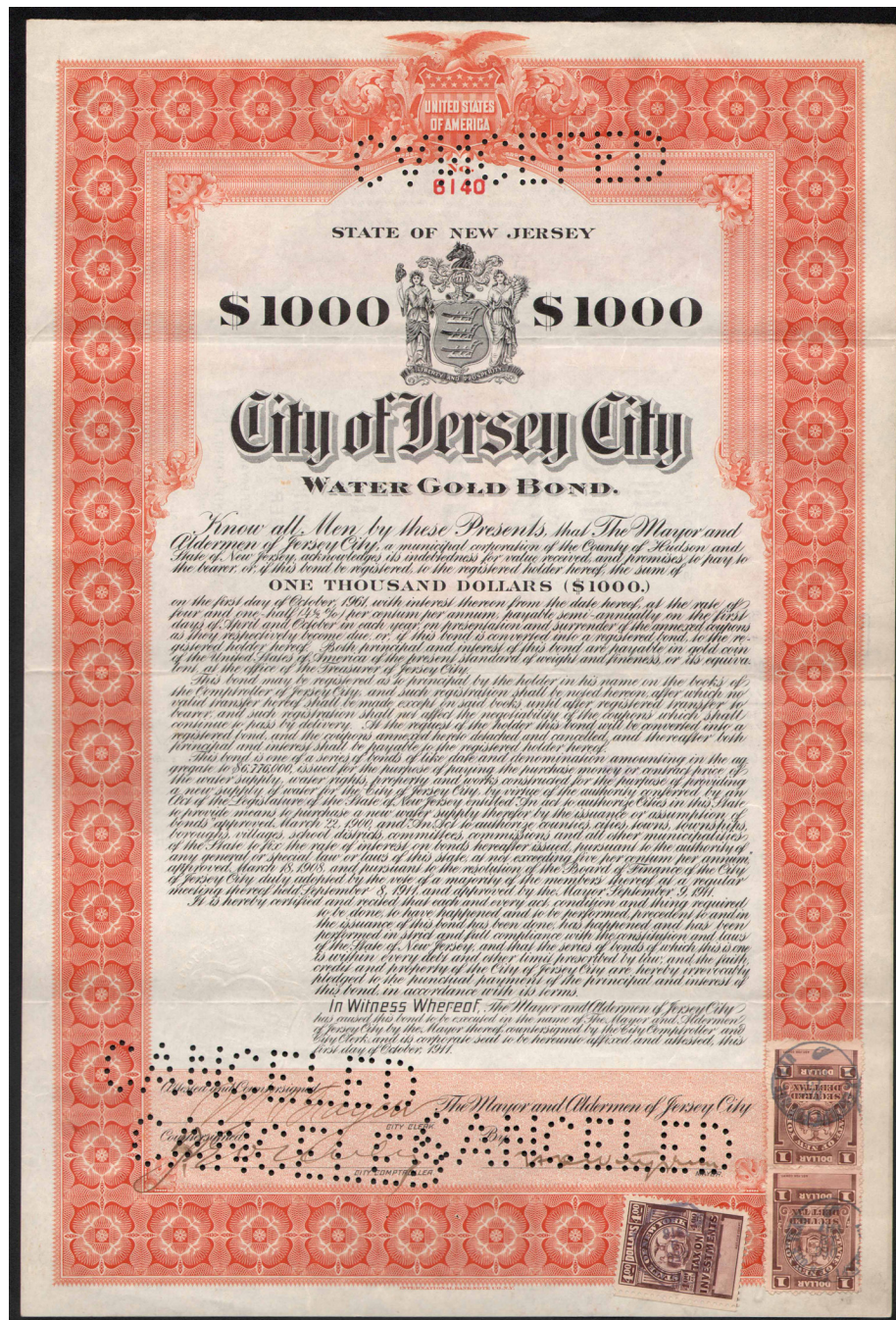
Another example of the **Investments \$4 tax** for **two years** paid by **Secured Debt \$3.75 & 25¢**, in September 1917.



Close view of cancel.







Jersey City \$1000 bond with **two years tax** paid by **Investments \$4** affixed in 1918; **one year's tax** had already been paid by **Secured Debt \$1 pair** affixed in **December 1917**, an anomalously late usage of Secured Debt stamps.

Only **four examples** of the **Investments \$4** have been recorded on intact bonds, and only **eight examples** of the **two-year \$4 rate**.





Yet another level of rarity: \$1000 bond with **two years tax** paid by **Investments \$4** affixed in 1918, this time in combination with **U.S. 50¢ “Battleship”** affixed in 1900.

The **only recorded combination** of **Investments** and **U.S. 1898–1902 Spanish-American War** issues.





Yet another tantalizing aspect to this already triply-rare usage: the **agent's initials** at bottom appear to **differ from the four identified types** (AB, WBL, A.A.K., J.G.M).

**C.C.C. & St. L. RY. Co.**

JUN

1

1900





## Three Year Payments

West Shore Railroad Co.  
1885 \$1000 bond with

**Investments three**

**years tax of \$6** paid by

**Secured Debt \$5 & \$1**

affixed August 30, 1917.

This and a similar bond  
stamped the same day  
are the **only recorded**  
**examples of three-year**  
**payments.**





Close view of **THREE YEARS**  
cancel in **keystone** frame.



## **Five Year Payments**

Payment of the Investments tax for five years proved wasteful; as already noted, the tax was rescinded after a useful life of only three years. It was nevertheless convenient, and five-year payments account for roughly a quarter of recorded bonds taxed at the Investments rate.

For **\$1000** bonds the tax was **\$10**, most often seen paid by **Secured Debt \$10**, less frequently by the **Investments \$10**.

One Lake Shore and Michigan Central \$1000 registered bond has **one year's tax** paid in 1917, then **five years more** in 1918, the only such combination recorded to date.





Cleveland, Cincinnati,  
Chicago and St. Louis  
Railway Co. 1893  
\$1000 bond with  
Investments tax paid  
for **five years** in 1917  
by **Secured Debt**  
**\$10**; alongside **Great**  
**Britain 1893**  
**embossed £1 and 1s.**







New York Central and Hudson River Railroad Co. Michigan Central Collateral 1898 \$1000 bond with Investments tax paid for **five years** in 1919 by **Investments \$10.**









## **Rare Five Year Payments**

For **\$500** bonds, five years tax was **\$5**. Two such usages are known.

For **\$5000** bonds, five years tax was **\$50**. Four such usages have been recorded. Two bear the very rare **Investments \$50**.

The Atlantic Coast **\$10,000** bond of the same series is known with five years tax paid by either **Secured Debt \$100** or **Investments \$100**.





Northern Pacific  
Railway Co. 1896  
**\$500** bond with  
Investments tax paid  
for **five years** in 1917  
by **Secured Debt \$5**,  
with **Netherlands**  
**embossed 1g** added  
in 1940.







Atlantic Coast Line 1902 **\$5000** bond with **five years** Investments tax paid **December 1917** by **Secured Debt \$50**, an extraordinarily late use of a Secured Debt stamp.





Michigan Central 1890 **\$5000** bond with Investments tax paid for **five years** in 1917 by **Secured Debt \$50**.





New York Central 1915 **\$5000** bond with Investments  
tax paid for **five years** in 1918 by **Investments \$50.**





Close views of **Secured Debt \$50** and **Investments \$50** with **FIVE YEARS** cancels shown in the two preceding slides. One of **two recorded examples** of the **Investments \$50** on an intact bond (the other faulty).





Atlantic Coast Line 1902 **\$10,000** bond with **five years**  
Investments tax paid **December 1917** by **Secured Debt**  
**\$100**, extraordinarily late use of a Secured Debt stamp.





Atlantic Coast Line 1902 **\$10,000** bond with **five years** Investments tax paid by **Investments \$100.**





Close views of **Secured Debt \$100** and **Investments \$100** with **FIVE YEARS** cancels shown in the two preceding slides. The latter has been recorded on only **two different bonds**, and a total of **nine examples**.





New York Central 1915 **\$5000** bond with Investments  
tax paid for **five years** in 1917 by **Secured Debt \$50**.



## The Mysterious Unframed Cancells

Close view of stamp shown on preceding slide.



**“TAX EXEMPT FOR FIVE YEARS”** in an **unframed circle**, not the usual framed square.

**Agent’s initials** not incorporated into cancel, **“AAK” added by hand.**

Color **red violet**, not seen on framed cancels.

Early date **July 18, 1917.**





Norfolk & Western 1896  
\$500 bond, Investments tax  
paid for **five years** in 1917  
by **Secured Debt \$5.**

Again **unframed circular**  
cancel in **red violet, ms.**  
“**AAK,**” date **July 20, 1917.**







**Secured Debt \$1 (x2) with unframed circular cancel in red violet dated July 15, 1917, manuscript “AAK,” now “ONE YEAR.”**



Pruess (1969) formalized such observations, listing **five more cancels**, which appear to have been **rarely used**.

**Type III.** Design like Type II [the “TAX EXEMPT FOR FIVE YEARS” **unframed circular datestamp** used 1915–6], but **without initials**. **Manuscript initials** in space provided on stamps.

- A. “TAX EXEMPT FOR ONE YEAR”**
- B. “TAX EXEMPT FOR TWO YEARS”**
- C. “TAX EXEMPT FOR THREE YEARS”**
- D. “TAX EXEMPT FOR FOUR YEARS”**
- E. “TAX EXEMPT FOR FIVE YEARS”**

Pruess had seen only A in blue and red violet and C in blue; the others were assumed to exist. (Previous slides show E in red violet.)



## Not a Forerunner

Type III cancels were clearly **patterned after the 1915-16 Type II cancels** used in conjunction with the Secured Debts tax, with **changes in wording** accommodating the new durations, but **without the useful agent's initials.**

They are just as clearly **less suitable** than the Type IV framed cancels, on two counts: the necessity of **adding initials by hand;** and the fact that the **duration of payment** was apparent only on **close examination.**

These characteristics would fit a **forerunner used briefly and discarded,** but the dates of usage are not consistent with this: Type III **July 15-20, 1917,** dates are **early but not the earliest:** Type IV **framed cancels** dated **June 27, June 29, July 2, July 3** and **July 6** have been recorded. (The tax commenced June 1, 1917.)



## **An Albany Cancel?**

Neither was this a cancel that could be pressed into service and used without thinking; one had to be **cognizant of the necessity of adding one's initials.** It is provocative that **all recorded examples**, dated four months apart, were **initialed by the same party, "AAK."**

Were the Type III cancels used in Albany, and Type IV in New York? Secured Debts tax **receipts at Albany** had accounted for **only about 2%** of the total, a figure consistent with the relative frequency of Type III.

A **completely unexpected answer** emerged from a familiar source, the archives of the *New York Times*.



## **Mystery Solved: the Traveling Agent**

The following notice appeared in the *Times* on July 13, 1917:

### Investment Tax Payments.

ALBANY, N. Y., July 12.—**Payments under the new Investment Tax** law, which supplanted the old Secured Debt Tax law, **may be made in the cities in which the investors reside** instead of at Albany, State Comptroller Eugene M. Travis ruled today. Coincidentally, he announced the appointment of **A. A. Kemter** of Syracuse as collector for this class of taxes. Mr. Kemter will **visit the various cities** at stated periods to receive the payments.



## More Traveling Agent's Cancels

A. A. Kemter's use of the Type III unframed cancellers may have been restricted to 1917, but his work as traveling agent of the Comptroller's Investments Tax bureau was not. Proof is provided by **cancels** in the **usual Type IV framed style**, but with his **incorporated initials "A.A.K."** instead of the usual "AB".





The **circular ONE YEAR “A.A.K.”** cancel has been recorded on the **Investments \$2** on five different bonds, with dates **between July 1918 and November 1919** and on the **Investments \$10** on a sixth, dated **October 1918**.

The **square FIVE YEARS “A.A.K.”** cancel has been seen on one bond, stamped in **March 1919**.

These cancels were **previously unreported**.

In four of these six cases the bonds **also bear Secured Debt stamps** affixed the previous year with **Kemter’s Type III cancels and manuscript initials “AAK”**.



## Agent J.G.M.



Close examination of Type IV cancels yields another surprise: they can also be found, albeit very rarely, with **initials “J.G.M.”** (no final period).

The “J.G.M” cancel has been seen thus far on just **two different bonds**, in both cases struck on the **Investments \$2**, in **October and December 1919**, among the latest recorded examples of the Investments tax.



## **“Rosetta Stone” Bonds**

Two Lake Shore and Michigan Southern 1903 bonds serve as **philatelic rosetta stones linking A. A. Kemter and agent J.G.M.** Each bears:

Secured Debt \$1 (x2) with faint **Type IIIA** cancels dated November 1917 with **ms. “AAK”**;

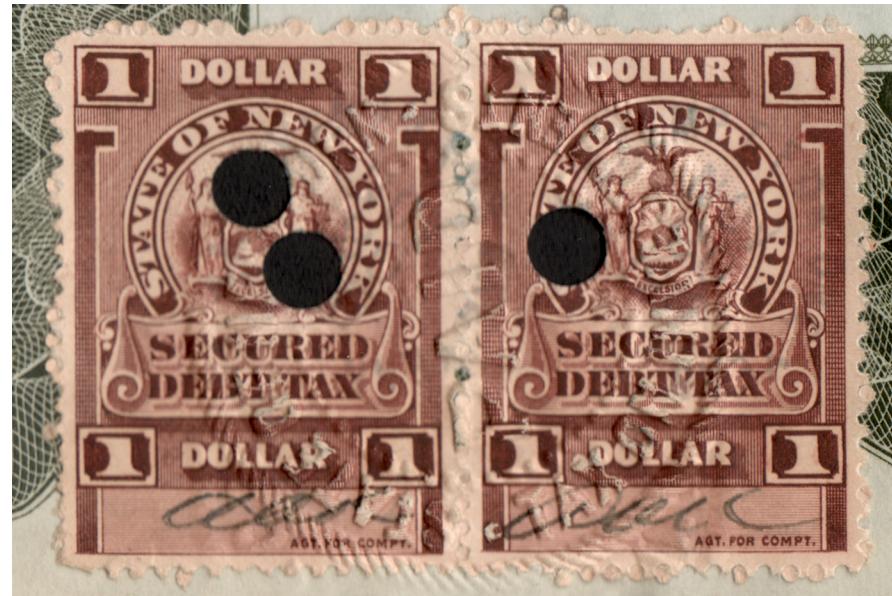
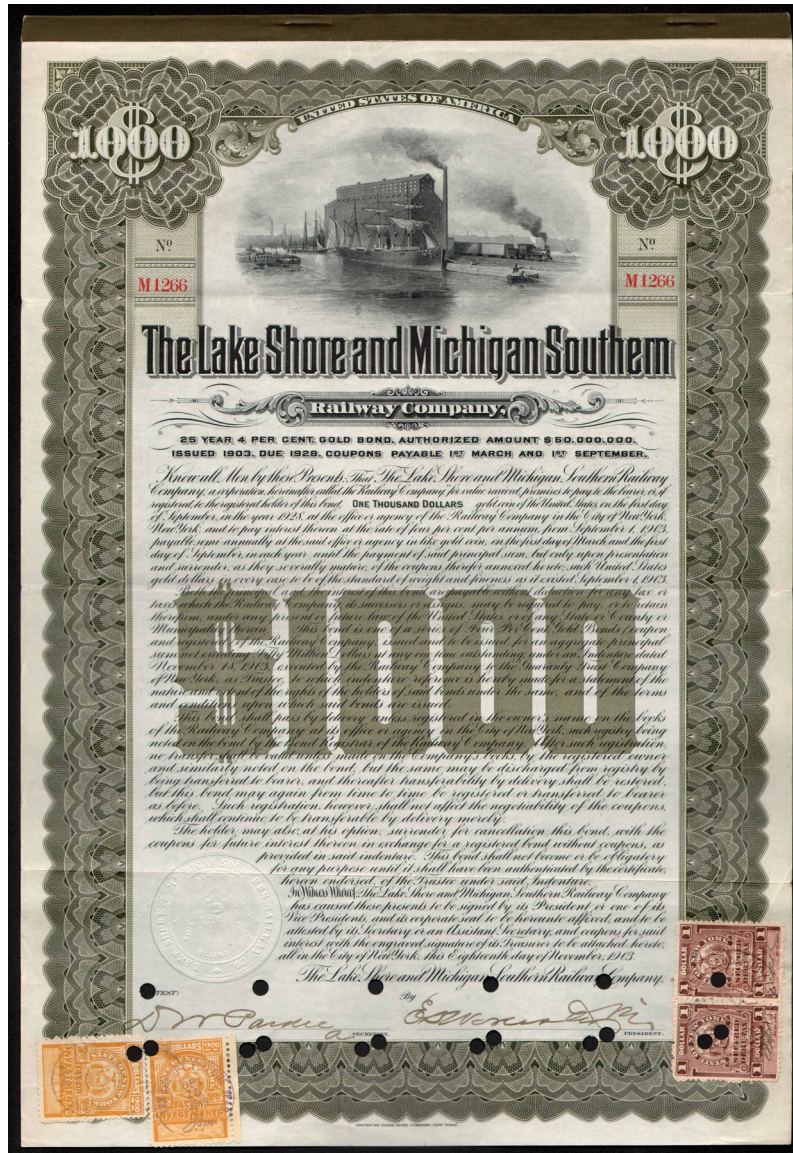
Investments \$2 with **Type IV** cancel incorporating **initials “A.A.K.”** dated November 28, 1918;

finally Investments \$2 with **Type IV** cancel **incorporating initials “J.G.M.”** struck December 15, 1919.

The only sensible interpretation is that these stamps were affixed during successive visits of traveling agents, and thus that **J.G.M., like Kemter, must have been a traveling agent.**



## “Rosetta Stone” composite







The \$2 with "J.G.M" are doubly rare, showing the **rare perforation 11** as opposed to the **usual 11x12** (right).



For the **Investments stamps**, the **11x12 perforation** used for the 1916 Secured Debt issues was retained for **just two denominations, the \$2 and \$10**. All **others** appear to have been **perforated 11**;

The **\$2** can also be found **perforated 11**, in roughly **10–15%** of examples.

The **\$2 and \$10** taxes were by far the **most common** in the Investments schedule. Since these were the denominations for which the **need was greatest**, it makes sense that they would have been the **first produced**. Presumably the **11x12 perforation** used only about a year earlier for the 1916 Secured Debt issues was **retained simply out of inertia**, before it occurred to someone to **simplify matters by switching to uniform perforation**, and **gauge 11** was adopted.



The **\$2 perf 11** were evidently from a **subsequent printing(s)**. Those recorded on intact bonds appear in **two clusters**:

the first **September 27–October 11, 1918** (three different bonds, five examples), shoehorned in between long runs of 11x12;

and the second **late in 1919** (three different bonds, four examples), on stamps used by the **traveling agents**:

“**A.A.K.**” September 25, 1919

“**J.G.M.**” October 6 and December 15, 1919.



## Type IV “WBL” Cancel of Albany

Close examination of Type IV cancels yields one more surprise: they can also be found, again very rarely, with **incorporated initials “WBL”** (left). These initials are unmistakably those of **W. B. LeRoy** which were likewise incorporated into the **Type II cancels used in 1915–16** (right).



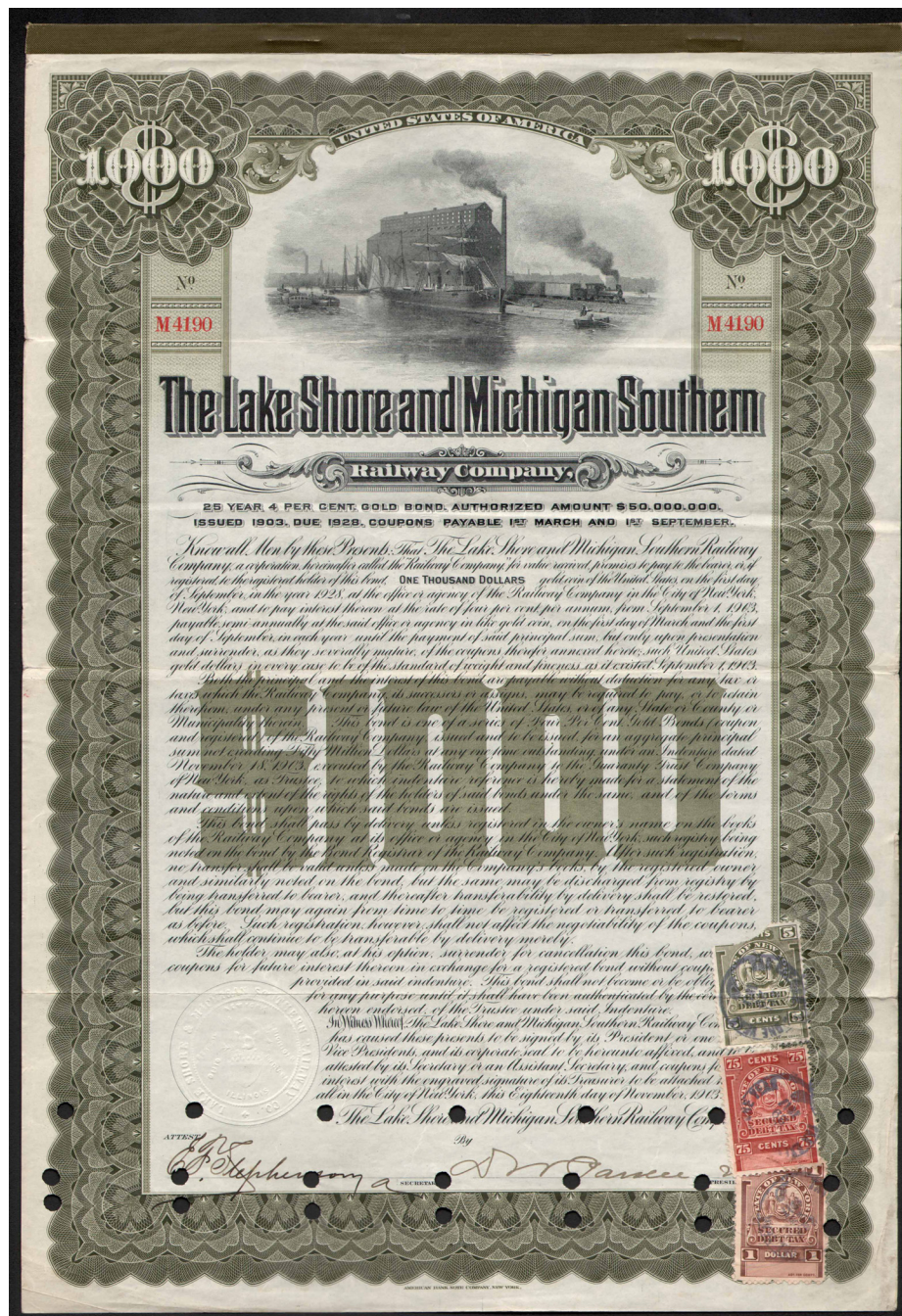


From stamped Comptroller's certificates bearing **LeRoy's** signature, we know he was **Agent for the Comptroller at Albany**, and the Type IV "WBL" cancels were presumably used there.

To date **only the FIVE YEARS cancel has been recorded**, on just **two different bonds** (and a total of five examples), in both cases on the **Secured Debt \$10**, in **July and August 1917**, quite early during the Investments period.

The rarity of such cancels would be consistent with the fact that **bonds stamped in Albany** accounted for only **about 2% of total receipts**.





## The Curious Case of the Lake Shore & Michigan Southern

1903 Lake Shore \$1000 bond with **Secured Debt \$1, 75¢ & 5¢** affixed September 1917 paying **Investments tax for one year**. The usual tax was \$2; each stamp is tied by the requisite "PAID" embossed seal, and there are **no stamps missing**.

One of **three recorded usages of the 75¢** on an intact bond.



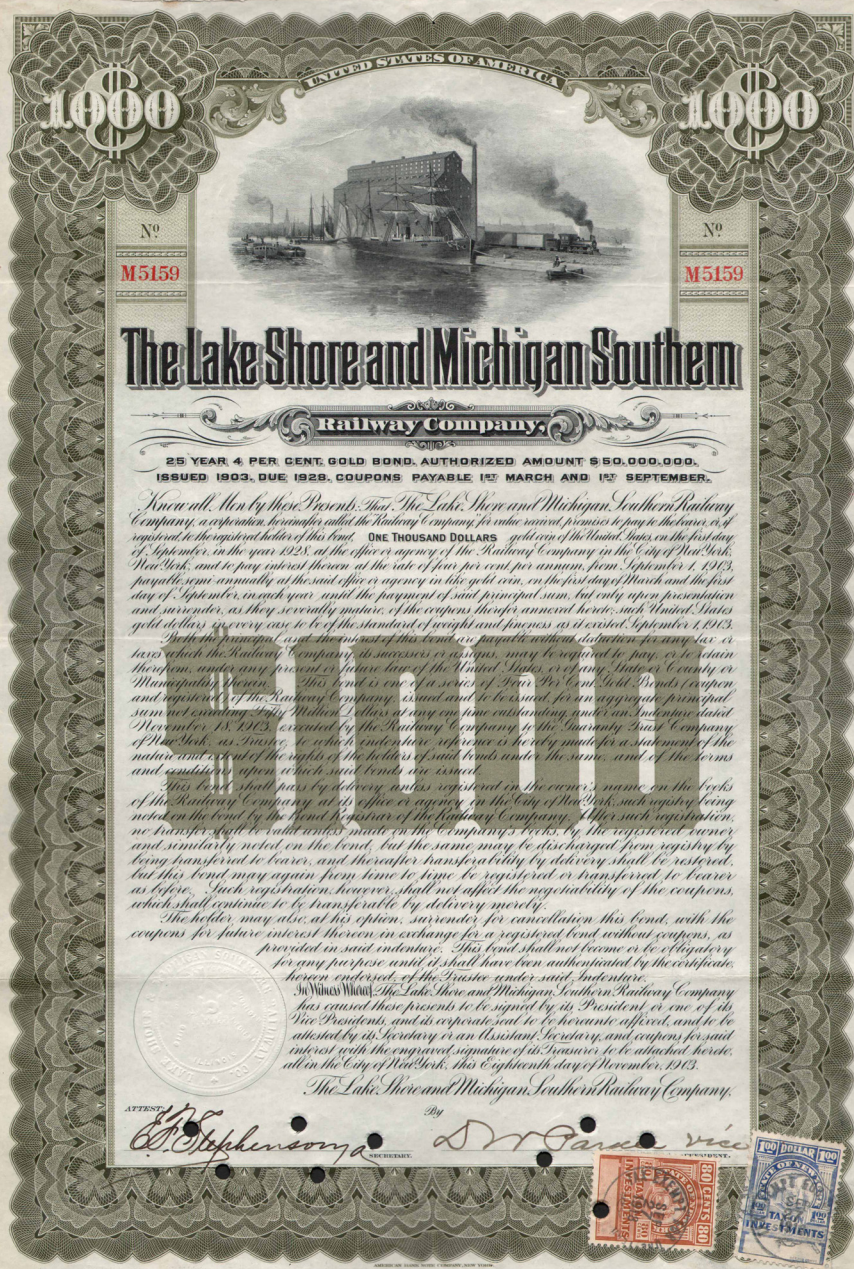


Close view of stamps shown in the preceding side.

### **Underpayment?**

Once it is realized that **stamps were affixed**, not by the bondholders, but **by agents of the Comptroller**, the notion of underpayment becomes implausible, and recently a cache of similarly stamped Lake Shore and Michigan Southern bonds surfaced that **definitively shut the door on this possibility.**





Similar Lake Shore  
\$1000 bond with **\$1.80**  
**tax** paid instead of \$2,  
this time by  
**Investments \$1 & 80¢**  
affixed September 1918.

This and five similar  
bonds are the **only**  
**recorded usages of the**  
**Investments 80¢.**

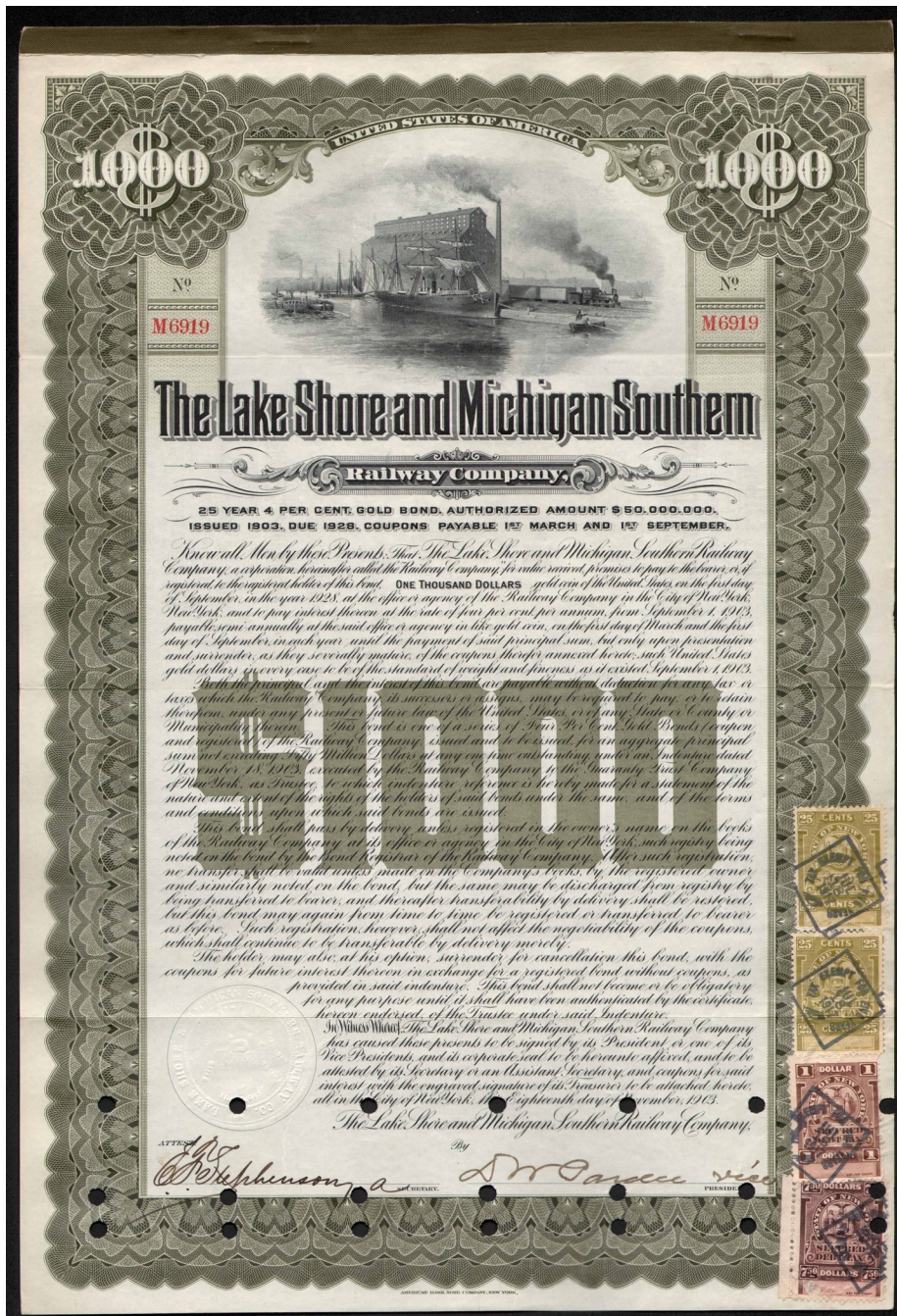
The **Investments \$1** is  
only slightly less rare,  
recorded on **only eight**  
**bonds.**





Close views of stamps shown in the preceding slide.





Lake Shore \$1000 bond  
with **Secured Debt**  
**\$7.50, \$1 & 25¢ pair**  
affixed July 1917,  
paying **Investments**  
**tax for five years**, a  
payment of **\$9 rather**  
**than the expected**  
**\$10.**

Five more consecutively  
numbered essentially  
identical bonds  
surfaced along with this  
one.





Yet another Lake Shore \$1000m bond with **\$9** paid for **five years** exemption, this time by **Investments \$8 and \$1** affixed November 1918.

The **only** recorded usage of the **Investments \$8.**

Another of the **eight** recorded bonds bearing the **Investments \$1.**





Close view of stamps shown in the preceding two slides.

By now the conclusion is inescapable that the **tax on these Lake Shore bonds** was **officially construed to be 90% of the normal levy**, and a review of the statutes furnishes a satisfying explanation.



## **Split Taxes on Interstate Mortgage Bonds**

If a bond was secured by mortgage of property situated **partly within and partly without the state** of New York, a **portion** of the bond was **subject to the Mortgage tax**, based on the value of the property **within** the state relative the value of the entire property;

**the remaining portion**, based on the value of the property **outside** the state, was **subject to the Investments tax**.

The **Lake Shore and Michigan Southern** ran from **Buffalo**, along Lake Erie (the “Lake Shore” in the company name), all the way **to Chicago**, with branch lines in several states. A map of its holdings is perfectly consistent with an assessment that **10% of their value lay within New York**, and that the applicable **Investments tax was thus only 90% of the usual levy**.



## **Proportional Payment is Rare**

During **1915–16** the **Secured Debts** statutes had also included a provision for **proportional payment**.

Yet **these Lake Shore bonds** correctly taxed at a portion of the full Investments rate are the **exception** to the rule: **20 different bonds of four interstate roads**, comprising well **over 500 individual examples**, many of the Lake Shore itself, have been recorded showing **full payment** of either the **Mortgage, Secured Debt or Investments taxes**.

To date **fewer than 40** bonds showing **proportional payment** have been recorded, **all of the Lake Shore**, all of the **Investments tax**.



## **The Grail Defined**

In the case of the Lake Shore bonds correctly taxed at 90% of the full Investments rate, **only 90% of each bond was exempt** from property tax.

To secure full exemption, **payment of the Mortgage tax on the remaining 10% was also required.**

Bonds showing **proportional payment of *both* taxes,** with **both Mortgage Endorsement and Secured Debts or Investments stamps** affixed, are the **figurative Holy Grail** of present-day collectors.



## **And Why It Will Remain Elusive**

Alas, such usages are likely to remain elusive. **Paying both taxes** imposed an **unreasonable burden** on the bondholder in the time and effort required, and processing partial payments would have been **similarly inconvenient and costly for the state.**

The **Secured Debts and Investments taxes** were paid to the **Controller at Albany**, his deputy in **New York**, or a **traveling agent**, and transmitted by them to the state treasurer.

The **Mortgage tax** was collected by the **county clerks** and paid over to their county treasurers, who in turn delivered half the proceeds to the state treasurer. There was **no coordination** between the two collecting agencies.



## **Waiving the Determination, Paying in Full**

**Bondholders** were presumably not particularly concerned with the fine points of the tax code, but wanted and **expected a simple method of making their bonds fully exempt**, and it was in the state's interest to accommodate them.

The Act of June 1, 1917, which established the **Investments tax**, accordingly gave bondholders **another option** in such cases, to “**waive such determination** [of the proportional tax] **and pay the tax upon the full amount** of such investment, and thereafter the **whole amount of investment shall be exempt** from taxation...”

This may explain why **many Lake Shore bonds** are known with **Investments tax paid in full**.









Lake Shore \$10,000 bond with **full Investments tax** paid in **1917** and **1918**.



A new find included three different Lake Shore 1903 **registered** bonds showing **Investments proportional payment** in 1917, **then full payment** in 1918, with **spectacular combinations** of stamps.

Two **\$1000** bonds have **\$1.80** paid by **Secured Debt \$1, 75¢ & 5¢**, then **\$2** by **Investments \$2**.

A **\$5000** bond has **\$9** paid by **Secured Debt \$7.50, \$1 & 25¢ (x2)**, then **\$10** by **Investments \$10**.

Five **\$10,000** bonds have **\$18** paid by **Secured Debt \$10, \$7.50 & 25¢ (x2)**, then **\$20** by **Investments \$20**.

They reinforce the conclusion that **proportional payment** was **not the typical choice** of bondholders; even here, after it was **initially chosen** it was **abandoned in favor of full payment** the following year.



\$1000



\$1000

# THE LAKE SHORE AND MICHIGAN SOUTHERN Railway Company.

No RM535

Twenty-Five Year Four Per Cent Gold Bond.

No RM535

Know all Men by these Presents: That The Lake Shore and Michigan Southern Railway Company, a corporation hereinafter called the "Railway Company,"  
for value received, promises to pay to Joseph P. Chamberlain,

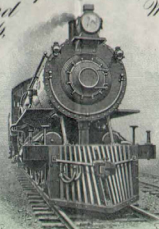
ONE THOUSAND DOLLARS

or assigns, the sum of One Thousand Dollars in gold coin of the United States, on the first day of September, in the year 1928, at the office or agency of the Railway Company in the City of New York, New York, and to pay interest thereon at the rate of four per cent per annum from the first day of March, or the first day of September, as the case may be, next preceding and nearest to the date of this bond, payable semi-annually at the said office or agency, in like gold coin, on the first day of March and the first day of September, in each year, until the payment of said principal sum; such United States gold dollars or coin to be of the standard of weight and fineness as established September 1, 1902. This bond is one of a series of Four Per Cent Gold Bonds (coupons and registered) of the Railway Company issued and to be issued for an aggregate principal sum not exceeding Fifty Million Dollars at any one time outstanding under an Indenture dated November 18, 1903, executed by the Railway Company to the Guaranty Trust Company of New York, as Trustee, to which indenture reference is hereby made for a statement of the nature and extent of the rights of the holders of said bonds under the same, and of the terms and conditions upon which said bonds are issued. This bond is transferable by the registered holder thereof in person or by attorney duly authorized, on the books of the Railway Company, at its office or agency in the City of New York, upon surrender and cancellation of this bond, and thereupon a new registered bond will be issued to the transferee in exchange herefor, as provided in said Indenture, and on payment of the Railway Company shall so require of the charge which is provided for. This bond, also, as provided in said Indenture, may be exchanged for a coupon bond or coupon bonds for an equal aggregate principal sum. This bond shall not become or be obligatory for any purpose until it shall have been authenticated by the certificate herein endorsed, of the Trustee under said Indenture. Michigan Southern Railway Company has caused these presents to be and its corporate seal to be hereunto affixed, and to be attested by its Secretary, this 7th day of July, 1909.

ATTEST:



[Signature]  
SECRETARY



[Signature]  
VICE-PRESIDENT

The Lake Shore and Michigan Southern Railway Company.

UNITED STATES OF AMERICA

AMERICAN BANK NOTE COMPANY, NEW YORK.



Secured Debt \$1, 75¢ & 5¢, then Investments \$2.





Secured Debt \$7.50, \$1 & 25¢ (x2), Investments \$10.





**Secured Debt \$10, \$7.50 & 25¢ (x2), Investments \$20.**



## **The Grail, Approximately**

Another sensational recent find, again of **Lake Shore registered bonds** shows the **long-sought** payment of **both Mortgage Endorsement and Investments taxes.**

**\$10,000** bonds bear an **orange Mortgage Endorsement** stamp plus **Secured Debt \$50, \$25, \$10 & \$5** paying the now-familiar **90%** of the full **\$100 Investments tax** for **five years.**

**\$20,000** bonds each bear an **orange Mortgage Endorsement** plus **Secured Debt \$100, \$50, \$25 & \$5** paying **90%** of the full **\$200 Investments tax** for **five years.**





**Mortgage Endorsement orange plus Secured Debt \$50, \$25, \$10 & \$5 paying \$90 tax for five years.**





**Mortgage Endorsement orange plus Secured Debt \$100, \$50, \$25 & \$5 paying \$180 tax for five years.**



At first glance the **two payments appear** to be **complementary** as expected, with the Mortgage stamp indicating payment proportional to the 10% of the road within New York.

A closer look reveals otherwise. The **Secured Debt** stamps **did not complement** the **Mortgage** stamps, they **replaced** them!

The **Mortgage stamps** were affixed **May 3, 1917**, with manuscript notation **“Cancelled June 20/17”** alongside in red.

The **Secured Debt stamps** were affixed **July 2, 1917**, an **extremely early** payment of the **Investments tax**, and are simply additional examples of the now-familiar proportional payment of 90% of the full Investments tax, securing **only 90% exemption** from other taxes.





Close view of **Mortgage stamp** used together with Secured Debt stamps. Affixed **May 3, 1917**, with manuscript notation **“Cancelled June 20/17”** alongside in red, and original signature crossed out.



An explanation entails several points:

1. The **Mortgage tax option**. For **interstate bonds**, as with the Investments tax, bondholders had the option to **pay the full amount** of the **Mortgage tax** and **receive a full exemption**.
2. On **May 3, 1917**, when the Mortgage tax on these bonds was paid, it was the only way to secure exemption. The **Secured Debts tax had expired** (on December 31, 1916), and the **Investments tax** had **not yet been enacted**. (It would be passed June 1, 1917).
3. The **Investments tax** was accompanied by a novel **incentive to payment**: an additional **transfer tax of 5%** upon any investment held in an **estate**, on which **neither the stamp tax** nor the **personal property tax** **had been paid** during the year of the decedent's death.



4. The **Investments tax** and its accompanying estate tax **did not apply** to bonds on which the **Mortgage tax** had already been paid **prior to April 1, 1917**. Those stamped **between April 1 and May 31, 1917**, were in a **never-never land**, retroactively declared taxable as investments even though that tax would not be enacted or effective until June 1!

The **bonds at hand** fell into that **neverland**. The **Mortgage tax** on them had been paid **May 3, 1917**, before the Investments tax or the accompanying 5% estate tax existed. Yet on June 1 they would be declared subject to those taxes, thereby **liable to the estate tax** unless the Investments tax was paid. Evidently an **appeal** was made, and granted, whereby the **Mortgage tax** payment could be **canceled**, on June 20, 1917, and the **Investments tax paid instead**, on July 2.



The full **Mortgage tax** on a **\$20,000 bond** was **\$100**; why pay instead **\$180 in Investments tax**?

A plausible explanation is that it provided **exemption** from the **new 5% estate tax**, which amounted to **\$1000** on a \$20,000 bond, but paying the Mortgage tax did not.

But **why pay \$180** Investments tax as the 90% proportional rate, rather than the **full \$200**? The bond was then **only 90% exempt** from both property tax and the estate tax. And why was the **Atlantic Mutual Insurance Co.**, to whom all these bonds were issued, concerned about **estate taxes**?

Perhaps it is best not to wonder too deeply how these **fantastic combinations of Mortgage and Secured Debt stamps** came about, but simply to revel in their existence! A last look:





**Mortgage Endorsement orange plus Secured Debt \$50, \$25, \$10 & \$5 paying \$90 tax for five years.**





**Mortgage Endorsement orange plus Secured Debt \$100, \$50, \$25 & \$5 paying \$180 tax for five years.**