

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

## **4. Interstate Railroad Bonds**

by Michael Mahler

### **Summary.**

**Bonds** secured by **mortgage of property** lying **partly within and partly without the state** of New York—typically those of **interstate railroads**—were subject to that state’s **Mortgage tax** by virtue of the portion of the property **within the state**, but only in proportion to the value of that portion relative to that of the entire property. They were **likewise subject to its Secured Debts and Investments taxes** of 1915–20 by virtue of the portion of the property **outside the state**, again only in proportion to the relative value of that portion.

**Paying both proportional taxes** would have imposed an **unreasonable burden** on the **bondholder**, and processing them would have been similarly **inconvenient and costly for the state**. 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. 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. There was no coordination between the two collecting agencies.

Accordingly policies were adopted **allowing bondholders to pay the full amount of one tax or the other** and receive the associated full benefits.

**Before 1916** this was **not sanctioned by the statutes**, but was **allowed in practice**. In **October 1915** full payment of the Mortgage tax was **expressly forbidden** by an Opinion of the Attorney General insisting on strict interpretation of the law. This brought matters to a head, and by **April 1916** the **statutes** had been **amended to allow full payment** of the **Mortgage tax** on interstate mortgage bonds.

When the **Investments tax** was enacted in 1917 a **similar provision allowed full payment of that tax** on such bonds.

This paper details the **development of these various policies**, both extralegal and legal, dealing with the stamping of **interstate mortgage bonds**, illustrated by **examples** of bonds stamped accordingly.

In a few cases **bondholders elected only proportional payment** of the **Investments tax**; so far this has been recorded only on bonds of the **Lake Shore and Michigan Southern Railway**. This paper describes all such usages, including a new find of **\$1000, \$5000 and \$10,000** bonds on which the appropriate **90% proportional payment** was paid with **Secured Debt stamps in 1917**, then the **full payment** with **Investments stamps in 1918**.

Even more spectacular are **\$10,000 and \$20,000** bonds bearing combinations of **both Mortgage Endorsement and Secured Debt** stamps, the latter paying **\$90 or \$180** at the **90% rate for five years**.

For **additions, corrections, or comments**, or to **buy, sell or trade** bonds bearing these stamps, please contact the author at [mikemahler@roadrunner.com](mailto:mikemahler@roadrunner.com).