

Chapter 18
Mining Taxes And Public Revenues:
Tax Revenues and Government Finances, Tax Showdown, County and Municipal
Property Taxes

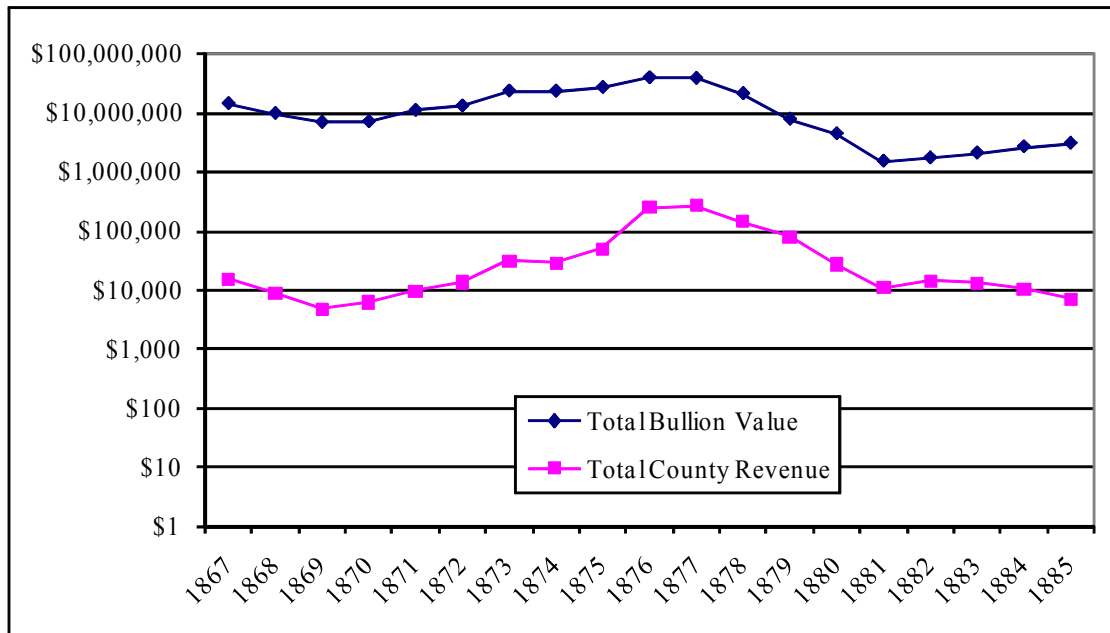
Total tax revenues from statewide mining can be assembled from the Biennial Controllers' Reports. Between 1867 and 1885 the counties reported the declaration of \$385 million worth of bullion of which \$176 million or 46 percent was assessed as taxable. On the assessed bullion the counties collected \$3.7 million or 2.1 percent, and on the total bullion 1 percent. Of the \$3.7 million the state received \$1.8 million (\$94,000 per year) or 49 percent and the counties \$1.9 million (\$102,00 per year) or 51 percent. From 1867 through 1875 the state and counties more or less split the bullion revenues, although in 1874 the state took more than 72 percent of the total. That led to a call for reducing the state tax in 1875, and after the state rate was lowered the county treasuries claimed half or more of the taxes on mining proceeds. On average the state treasury and the county government received \$114,000 per year through 1875, but after 1876 the state averaged \$76,000 per year and the counties treasuries \$124,000. In a state with a population of only several tens of thousands of taxpaying citizens the mining-proceeds taxes became the most important component of the financial structure. In the seven years from 1872 to 1879 the median revenue per year from taxes on proceeds was nearly \$300,000. The peak years, not surprisingly, were 1876 with \$531,000 and 1877 with \$572,000 and corresponded with the peak years on the Comstock. When the decline set in after 1879, it was severe and sharp. From 1880 through 1885 mining-tax revenues dropped 75 percent. In the final year, 1885, the state treasury gained only \$6,300 from mining taxes, the equivalent of what the state earned in interest from various bonds that it owned. Although mining had spread across the state with new camps being opened and abandoned with regularity, the bullion-tax revenues were driven in large measure by events surrounding the Comstock industry. No other camp came close to matching the performance of the Comstock, and therefore no other camp could match the impact that the Comstock had on overall revenue levels.¹

Story County earned the most tax revenue from the bullion tax because it had the state's most productive mines. It also had the highest maintenance and infrastructure costs because its population reached tens of thousands during the Comstock's peak years. Whether the services were adequate or inadequate, efficiently managed or corruptly mismanaged, necessary or unnecessary is not my concern. What is of interest is how much the county raised through the taxes on companies' net proceeds. Between 1867 and 1885 taxes on mining proceeds generated \$2.3 million (Story was 2 percent of the counties with 62 percent of the bullion tax), and of this amount the county received \$992,000 (44 percent) and the state \$1.3 million (56 percent). On average the county collected \$52,000 per year and the state collected \$67,000. The combined impact of the bullion tax on the declared valuation (without any deductions as permitted under the law)

¹ Biennial Controllers' Reports began with the 3rd Legislative Session (1867) and continued through the 13th Legislative Session (1887), and they may be found in *Appendix to Senate Journal* through the 6th Legislative Session (1873) and then in *Appendix to Journals of Senate and Assembly* through the 13th Legislative Session (1885). Copies of the *Appendices* are housed in the Nevada State Archives and Library, Carson City, NV.

was less than 1 percent, more precisely 0.91 percent. The county took 0.40 percent of the declared value and the state 0.51 percent. Bear in mind that because county rates changed frequently, county tax-revenue levels could be highly variable. Over the long term, of course, the ultimate determinant of tax-revenue levels was the state of mining in the county. Figure 1 (in logarithms) shows that the total bullion declarations of the county's mines (and mills) and total tax revenues generated by those declarations followed similar paths. The trends correlate at about 80 percent, a fairly high result. Unless rates dropped as output increased (an inverse relationship) one could expect that higher mineral output led to higher tax revenues, and that is what Figure 1 demonstrates. Since county tax rates could change from year-to-year or from quarter-to-quarter within the mining jurisdictions movements in rates could have an impact on revenues from bullion beyond the cyclical phase in mineral production. According to the coefficient of variation, a measure of variation within a series, county tax revenues compared to total bullion declarations (not assessments) were almost twice as great (154 versus 88 percent). In other words tax-rate changes imposed by the county were more variable than production cycles associated with the Comstock. Over the period for which tax data exist the average county tax rate on total bullion declarations was 0.40 percent or 40 cents per \$100 of mining proceeds.²

FIGURE 1
COMPARISON TOTAL BULLION VALUE AND TOTAL BULLION-TAX
REVENUE, STORY COUNTY
(in logarithms)



Sources: See footnotes 1 & 3.

² The median is even lower at 23 cent per \$100, but it is a less useful measure with these variables. The percentage would be higher if I measured proportion of tax revenue from assessed valuations, but I do not always know how assessments were determined prior to the 1871 amended law on mine proceeds or what assessments were for every quarter between 1871 and the fire of 1875.

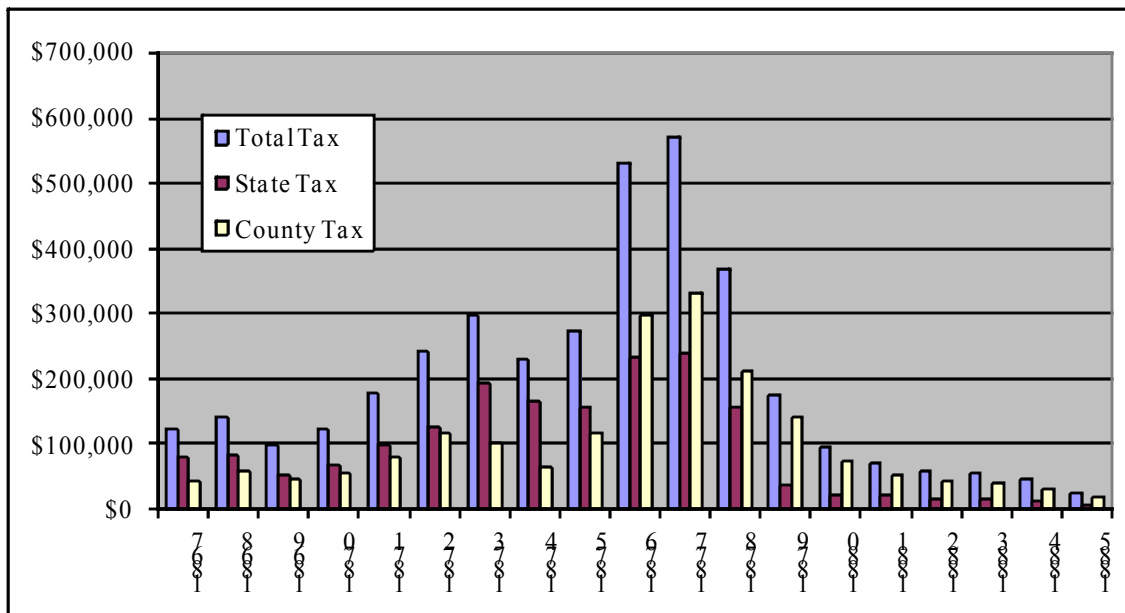
Tax revenues from mining proceeds as a percentage of the total bullion value averaged out at 11 cents per \$100 (.11 percent) through 1875 and then jumped to 66 cents per \$100 dollars (.66 percent) after 1875. The highest point was reached in 1879 when county taxes absorbed \$1.05 of every \$100 of mine proceeds or 1.05 percent. Had the actual county tax rates been applied not to the assessed values (which included deductions for expenses, etc.) but to the declared valuations the county receipts from mine proceeds would have averaged closer to \$100,000 each year. But one must recall that the county tax rates were set where they were because of the use of assessed value rather than declared values. General property-tax rates were also applied to assessed values rather than market values (in most jurisdictions). The debate concerned the level of deductions (which general property owners could not take) in determining the assessed values against which tax rates were applied. Even in the years (1876-1879) with highest yields from tax revenues – on average \$182,000 per year – the revenues amounted to less than three-fifths of 1 percent of the total value of the declared bullion. That mining companies fought hard to preserve what others saw as unjustified tax breaks can be fully appreciated in light of the numbers analyzed above. The profitable companies benefited more than the unprofitable companies. Marginal or unprofitable mines wanted to eliminate any expense they could in order to eliminate the red ink. It was unlikely that the elimination of all tax payments by marginal or unprofitable mines would have made much difference since the taxable product was so small because of the deductions (up to 90 percent) granted companies with low-profit ores. More likely the anger or concern was directed at the bonanza companies, even the cost-efficient ones, which could deduct millions of dollars in expenses before taxes were levied. Companies also paid taxes on their surface properties under the same procedures and rates that other property owners paid. These general property taxes to be discussed briefly later were modest compared to the mine-proceeds taxes.³

Since all mining companies paid the same rates within their respective jurisdictions, the companies declaring the highest yields paid the most in taxes. This may seem self-evident, but it needs to be emphasized in order to clarify how the tax on mines' net proceeds was structured. The higher the yields, the lower the deductions and the greater the taxes. From the third quarter of 1875 through 1884 (1885 assessment rolls ignored) over 38 quarters 56 different mines, mills and individuals declared bullion worth \$128 million of which \$73 million (57 percent) was taxed. These figures agree with totals in the Controllers' Reports except for a few minor variations stemming from errors in arithmetic or transcription. The taxes paid on mining proceeds to the state and the county totaled nearly \$1.6 million. The county quarterly assessment rolls did not consistently specify how much of the tax collected was forwarded to the state and how much was retained by the county, although that percentage can be calculated for each company in each quarter by subtracting the state's rate (which was indicated in the Controllers' Reports) from the total and using the difference as the county's rate. The county rates could differ because the millage in Virginia City and Gold Hill could differ quarter by quarter. To avoid numerous calculations I have computed a ratio between the county's

³Story County Assessment Rolls survive from the third quarter 1875 (post-fire) through 1885 both in their original form at the Assessor's Office in the Story County Courthouse, Virginia City, NV and in The County Records Microfilm Project, ST 67 Story County, Special Collections, Library, University of Nevada, Reno.

share and the state’s share 75 percent to 25 percent. I then applied the 75 percent figure to total taxes paid by each company to illustrate how much the county collected from each company.⁴ These estimates are not perfect, but they present a fair picture of the distribution of the county tax burden among the companies. The county was entitled to about \$1.2 million of the \$1.6 million raised by the bullion tax. Many of the companies or individuals who made declarations and paid taxes were marginal producers. Of the 10 largest taxpayers nine were mining companies and one was a tailings mill. Five of the nine were on the northern branch of the Comstock Lode in Virginia City and four were on the southern branch in Gold Hill. Half of the 10 were owned or controlled by Mackay, Fair *et al.* The top 10 accounted for 96 percent of the declared bullion valuations and 98 percent of the county bullion taxes. They paid 0.95 percent in taxes of the declared value and 1.62 percent in taxes of the assessed value. They generated \$1.2 million for the county coffers compared to only \$29,000 total from the remaining 46 companies and individuals. As with so many other comparisons relative to the Comstock mining industry, fiscal wellbeing also depended on a precious few operations.

FIGURE 2
TOTAL BULLION TAX REVENUES AND TOTAL STATE AND LOCAL SHARES OF TAX REVENUES.



Sources: See footnote 1.

The list of contributing taxpayers can be narrowed to individual companies. The two behemoths, Consolidated Virginia and California, paid 87 percent of county taxes. Mackay and Fair’s Pacific Mill and Mining Company owned the tailings mill Omega, and they also acquired an interest in the mines Ophir and Union so that their total county tax payments may have reached 92 percent. The other taxpayers – the remaining five in the top ten and the balance of 46 – combined to pay 8 percent of the bullion tax receipts.

⁴ It is also possible to calculate the county’s share from the Controllers’ Reports but not each company’s share.

To be sure, Belcher, Crown Point, Yellow Jacket and Kentuck were high- flyers from the period prior to the fire and the destruction of the assessment rolls. They may well have played the same role with respect to tax generation prior to 1875 that Mackay & Fair's companies did after the fire. The mines of Gold Hill, although still operating on a modest scale, only contributed between 3 and 4 percent of the collected taxes in the Comstock's final decade.

FIGURE 3
PERCENTAGE CHANGE IN BULLION VALUES &-TAX REVENUES FOR
STATE AND STORY COUNTY, 1867-1885

[1]	[2]	[3]	[4]	[5]	[6]
1867	\$13,853,348		\$75,951		0.55%
1868	\$9,441,717	-31.85%	\$52,629	-30.71%	0.56%
1869	\$6,684,065	-29.21%	\$28,918	-45.05%	0.43%
1870	\$6,859,699	2.63%	\$34,781	20.27%	0.51%
1871	\$10,644,704	55.18%	\$58,045	66.89%	0.55%
1872	\$12,630,675	18.66%	\$81,917	41.13%	0.65%
1873	\$22,657,724	79.39%	\$185,341	126.25%	0.82%
1874	\$22,529,615	-0.57%	\$171,314	-7.57%	0.76%
1875	\$26,023,051	15.51%	\$176,840	3.23%	0.68%
1876	\$38,038,146	46.17%	\$466,349	163.71%	1.23%
1877	\$37,062,252	-2.57%	\$475,264	1.91%	1.28%
1878	\$20,436,685	-44.86%	\$258,057	-45.70%	1.26%
1879	\$7,557,712	-63.02%	\$96,534	-62.59%	1.28%
1880	\$4,280,907	-43.36%	\$34,981	-63.76%	0.82%
1881	\$1,468,919	-65.69%	\$13,759	-60.67%	0.94%
1882	\$1,675,098	14.04%	\$17,455	26.86%	1.04%
1883	\$2,024,558	20.86%	\$16,284	-6.71%	0.80%
1884	\$2,584,580	27.66%	\$14,799	-9.12%	0.57%
1885	\$2,952,499	14.24%	\$8,361	-43.50%	0.28%
Total	\$249,405,954		\$2,267,579		0.91%
% Tot Tax					
Mean	\$13,126,629		\$119,346		
[7]	[8]	[9]	[10]	[11]	[12]
\$60,556		0.44%	\$15,395		0.11%
\$43,857	-27.58%	0.46%	\$8,772	-43.02%	0.09%
\$24,129	-44.98%	0.36%	\$4,820	-45.05%	0.07%
\$28,457	17.94%	0.41%	\$6,324	31.20%	0.09%
\$48,370	69.98%	0.45%	\$9,674	52.97%	0.09%
\$68,264	41.13%	0.54%	\$13,653	41.13%	0.11%
\$154,451	126.26%	0.68%	\$30,890	126.25%	0.14%
\$142,762	-7.57%	0.63%	\$28,552	-7.57%	0.13%
\$127,325	-10.81%	0.49%	\$49,515	73.42%	0.19%
\$213,444	67.64%	0.56%	\$252,904	410.76%	0.66%

\$208,652	-2.25%	0.56%	\$266,611	5.42%	0.72%
\$116,126	-44.34%	0.57%	\$142,931	-46.39%	0.70%
\$17,265	-85.13%	0.23%	\$79,269	-44.54%	1.05%
\$7,516	-56.47%	0.18%	\$27,465	-65.35%	0.64%
\$2,778	-63.04%	0.19%	\$10,981	-60.02%	0.75%
\$3,456	24.41%	0.21%	\$13,998	27.47%	0.84%
\$3,377	-2.29%	0.17%	\$12,907	-7.79%	0.64%
\$4,329	28.19%	0.17%	\$10,470	-18.88%	0.41%
\$1,467	-66.11%	0.05%	\$6,893	-34.16%	0.23%
\$1,276,581		0.51%	\$992,024		0.40%
	56.30%			43.75%	
\$67,188			\$52,212		

Notes: [1] Year; [2] Total Bullion Value; [3] % Change; [4] Total Tax Paid; [5] % Change; [6] % of Total Value; [7] State Share; [8] % Change; [9] % of Total Value; [10] % County Share; [11] % Change; [12] % County Share; [13] Year

Sources: See footnote 1 & 3.

FIGURE 4 MINING COMPANIES, DECLARED BULLION, ASSESSED BULLION, STORY COUNTY TAXES

Mines	[1]	[2]	[3]	[4]	[5]	[6]	[7]
Con Vir [VC}	\$51,252,898	\$33,334,008	\$738,712	\$554,034	1.08%	1.66%	46.52%
Calif (VC)	\$46,830,260	\$31,556,875	\$648,204	\$486,153	1.04%	1.54%	40.82%
Belcher (GH)	\$6,059,755	\$1,583,017	\$35,377	\$26,533	0.44%	1.68%	2.23%
Ophir (VC)	\$5,390,720	\$2,165,279	\$48,247	\$36,185	0.67%	1.67%	3.04%
Cr Point (GH)	\$4,123,907	\$765,315	\$22,012	\$16,509	0.40%	2.16%	1.39%
Justice (GH)	\$3,476,607	\$747,992	\$16,202	\$12,152	0.35%	1.62%	1.02%
Omega (VC)	\$1,597,114	\$474,088	\$11,577	\$8,682	0.54%	1.83%	0.73%
Yel Jacket (GH)	\$1,341,847	\$261,227	\$9,677	\$7,258	0.54%	2.78%	0.61%
Union (VC)	\$1,285,873	\$450,053	\$14,206	\$10,654	0.83%	2.37%	0.89%
Choll Pot (VC)	\$1,273,069	\$254,059	\$5,191	\$3,893	0.31%	1.53%	0.33%
Total (10)	\$122,632,049	\$71,591,912	\$1,549,406	\$1,162,054	0.95%	1.62%	97.57%
Others (46)	\$5,160,645	\$1,197,533	\$38,553	\$28,914	0.56%	2.41%	2.43%
Grand Total	\$127,792,693	\$72,789,446	\$1,587,958	\$1,190,969	0.93%	1.64%	%

Notes: Con Va=Consolidated Virginia; Calif=California; Cr Point=Crown Point; Yel Jacket=Yellow Jacket; Choll Pot=Chollar Potosi

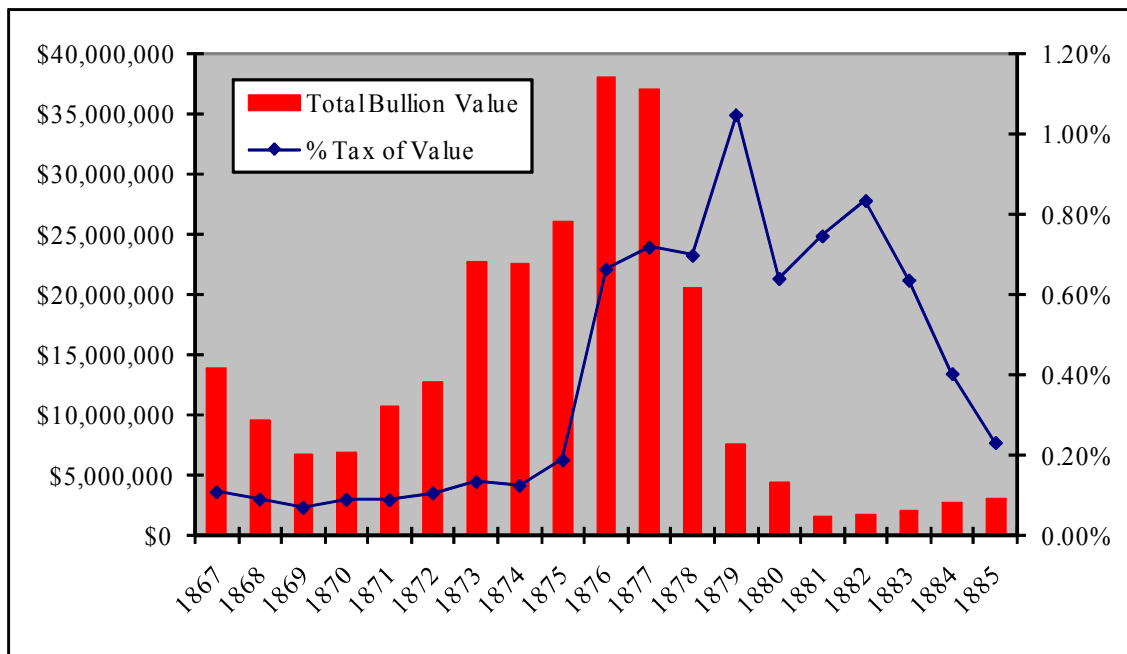
[1] Companies; [2] Declared Value; [3] Assessed Value; [4] Taxes Paid; [5] Estimated Tax Due County 75%; [6] % County Tax Declared; [7] % County Tax Assessed; [8] % Total Tax

Sources: See footnote 1 & 3.

To what extent did county taxes place a burden on mining operations? A financial burden, of course, would depend on the overall health of the mining enterprise. If operating in the black, taxes may have had little impact; if operating with losses, they could only make the red ink redder. It is worth recalling that even when their costs

exceeded their per-ton yields companies still paid taxes on any bullion that they declared, and like all property owners they paid general property taxes on all surface structures. At the same time, when companies were hemorrhaging red ink, they usually had high costs on low yields and that meant, given the permissible deductions of 80 to 90 percent before any taxes were levied, their tax bills were modest. Consolidated Virginia and California paid county taxes of more than \$1 million from 1875 to 1881. Against declared bullion values of just under \$100 million their county tax bills were slightly above 1 percent; against assessed values of more than \$64 million their bills were about 1.6 percent. Inasmuch as their dividend payouts amounted to more than 50 percent of their bullion declarations taxes represented a minor outlay. Because of the richness of their ores they seldom could qualify for assessment deductions and therefore had to pay taxes on what was called the “net” – the difference between bullion receipts and mining costs. On the other hand, Yellow Jacket, which tried to make a comeback in the early 1880s, paid county taxes of about \$7.200. Its expenses substantially outpaced receipts, and its yields were range-bound in the low teens. It qualified for deductions of up to only 80 percent so that the tax bite against assessed ores was 2.78 percent, the highest of the ten, but against the declared bullion value the tax bite was among the lowest at 0.54 percent. To be sure, had it been excused from taxes because it was basically a money-losing operation it could have improved its balance sheet slightly. The real problem was more fundamental than a tax burden: Yellow Jacket simply lacked profitable ores. From the public perspective its presence in Gold Hill, even though it added to the local labor force, imposed certain costs on the municipality and the county. The day of tax incentives to attract business whatever the cost had not yet arrived in Story County.

FIGURE 5
BULLION VALUE AND PERCENT OF BULLION VALUE PAID IN BULLION TAX, STORY COUNTY



Sources: see footnote 1.

It is well known among Comstock enthusiasts that Mackay and Fair refused to pay taxes on proceeds from their flagship mines, Consolidated Virginia and California, beginning in the third quarter of 1876. Perhaps the most colorful account appears in Ethel Manter's "story" of John Mackay, *Rocket of the Comstock*. She opened her narrative with a description of Mackay and Fair and their San Francisco routine as told by a Comstock miner: "They are like two buckets on the end of a rope. When one comes up [to Virginia City], the other goes down." It turned out, however, they both showed up in San Francisco at the Palace Hotel during the same week because, according to Manter, they had been quarreling about the tax-evasion issue.⁵ Mackay's reputation, as it had evolved on the Comstock, would not have suggested that he was prepared to initiate or to execute a tax-evasion plan. Fair, on the other hand, was certainly not above such scheming. Why, after having dutifully paid taxes in prior years (even if they might have disagreed with the policy), should they consider such a course of action that in all likelihood would fail and certainly had the potential of sullying their image? It is not clear from what has been reported that what angered Fair in particular was the tax itself. Rather it may have been the change in the rate for the year 1876. I noted earlier that mining companies with their hefty deductions had only paid a fraction of what owners of real and personal property paid to the county prior to 1876. According to county property assessment rolls the rate of taxation on real and personal property had reached \$2.25 per \$100 in Virginia City. The rate may have been higher in Gold Hill. After deducting the state's share of 90 cents per \$100 (on properties as well as proceeds), the actual county rate was \$1.35 per \$100, or \$1.00 per \$100 higher than what the mining companies paid. Originally the companies only paid 25 cents per \$100 to cover county government expenses, but the rate had risen to 35 cents per \$100. In an appeal to the elected officials in 1875 local property owners including merchants and farmers persuaded county officials to equalize the rates, as required under the State Constitution. Real and personal property and mining proceeds would be taxed at the same rate, which in 1876 would be \$1.95 per \$100. After subtracting 90 cents for the state the county would receive \$1.05 per \$100 in order to cover county costs at 40 cents per \$100, school appropriations at 15 cents per \$100 and Virginia and Truckee Railroad bonds at 50 cents per \$100. The petitioners argued that the mining-proceeds tax was already generous enough because it allowed mining companies to reduce their taxable proceeds by subtracting expenses from receipts, an exemption not extended to other properties. The lawmakers "placed a tax on a farmer's crop without any regard to his seed and labor, taxed the product of the mechanic's skill without deduction for time or cost, taxed the merchant according to his goods, and the laborer according to his wealth and possessions."⁶ The change went into effect in 1876, and Fair went into action to undo this violation of a long-standing fiscal principle.⁷

The tax-rate issue in 1876 was a more complicated issue than the foregoing suggests. Under a law approved by the Legislature on 25 February 1873 county commissioners were to set tax rates "on or before the first Monday of March in each

⁵ Ethel Manter, *Rocket of the Comstock (The Story of John William Mackay)* (Caldwell, ID: Caxton Printers, 1950), 137.

⁶ Manter, *Rocket of the Comstock*, 138.

⁷ Grant Smith believed that the rate change propelled Fair to action. His earlier description presented some of the same details that appeared in Manter's account. See *The Comstock Lode*, 204-206.

year” for that calendar year.⁸ These taxes would be paid at various intervals (quarterly for mine proceeds) through the first quarter of the next year when the rates would be reconsidered. In 1875 the tax rate that mining companies paid to cover state and county taxes was \$1.25 cent per \$100, but the other county tax payers paid \$2.25 per \$100 on their properties. Since the mining companies paid 90 cents to the state they only 35 cents to the county. (Both classes of taxpayers paid a state tax of 90 cents per \$100 so that the county’s share was \$1.35 per \$100 - \$2.25-.90=\$1.35.) One would expect the October 1875 fire to have caused havoc with tax collections and to have necessitated a rise in tax rates to meet any fire-induced government outlays, at least in Virginia City. In March 1876 the county had the opportunity to raise tax rates. Here, the tax-rate picture becomes blurry. In the first quarter of 1876 the county tax rate levied against mine proceeds, based on assessor’s records, was set at \$2.50 per \$100 but the rate against general property, based on the general tax ledgers, was set at a lower rate. Rates in Virginia City and Gold Hill were comparable in the first quarter of 1876, but they fell farther in Virginia City than in Gold Hill in succeeding quarters (even though Virginia City suffered directly from the fire). The state rate of 90 cent per \$100 was unchanged and can be ignored. Whether fire-related or not, the fact is that mining companies paid higher rates on mine proceeds than other property holders paid, a reversal of the situation in previous years. However the anomaly arose, it was temporary. What was not temporary was that beginning in the second quarter of 1876 a uniform tax rate was applied to all property holders, and that meant for the first time that mining company proceeds were levied at the same rate as every other class. Their tax bill rose not just because of higher rates but more importantly because of uniformly applied rates. For mining companies in Virginia City the tax rate excluding the state rate of 90 cent per \$100 was set at \$2.50 per \$100 for the first quarter and then it dropped to \$1.05 per \$100 for the remaining three quarters. In effect to meet all its current expenses the county approved rates that all its property holders would pay with no exceptions granted to mining companies. Companies like Consolidated Virginia and California were faced with higher local tax bills. That mining companies should be treated on par with other property owners apparently deeply offended James Fair. Even though mining companies kept their assessment deductibles, they no longer enjoyed other waivers. During 1876, then, Consolidated Virginia had a tax bill to the county alone of about \$220,000 and California of about \$103,000, for a total of \$323,000. In 1875 California had paid no taxes to the county, and Consolidated Virginia had paid under \$40,000. This was probably the biggest quarterly tax bill that The Firm or any other mining company had ever received. Although taxes due in 1876 were 1.1 percent of the total bullion value and less than 2.0 percent of the dividends paid to the stockholders (of which Mackay, Fair *et al.* owned 75 to 80 percent of all the stock), the outlay for taxes in 1876 did not escape notice. The Firm was assuming a public burden that no previous bonanza company had been asked to bear.⁹

For Fair (if not Mackay) the shift in taxing procedures could be not treated strictly as a matter of equity in tax policy. Long-time friction between the Mackay-Fair crowd and the Sharon-Ralston crowd contributed to the decision to take a stand against the

⁸ “An Act to define the time for levying and assessing taxes for state and county purposes,” *The General Statutes of the State of Nevada*, 359.

⁹ Microfilm copies in The County Records Microfilm Project, ST 67 Storey County, Special Collections, Library, University of Nevada, Reno.

change. To be sure, the death of Ralston and the collapse of his banking monopoly, Bank of California, in 1875 left the mining empire of Sharon and Ralston in tatters, but, even so, Sharon was still a figure to be reckoned with. In fact Fair was alleged to have framed the issue about taxes in terms of Sharon's past role as entrepreneur and politician. Because of higher rates beginning in 1876 mining companies, especially those under the control of The Firm, now at its zenith, had to make substantially larger contributions than ever required of Sharon and his investors. Sharon had been instrumental in persuading (perhaps coercing in the eyes of some) the county to keep taxes on mining proceeds low with the customary argument that mining was a risky business and could not thrive if overburdened with many fixed costs. For most of the productive years of his mines the county taxed proceeds at 25 or 35 cents per \$100. In response to Sharon's assertion that the new taxes were just, Fair may have retorted that Sharon favored increased county taxes "because the interest on the bonds issued by Ormsby and Story counties for the construction of Sharon's railroad is long overdue."¹⁰ The railroad was the Virginia & Truckee that Sharon and his associates built with contributions from the mining companies and from Story and Ormsby counties. Virginia & Truckee also enjoyed exemption from property taxes that residents and businesses alike paid, partly in order to cover the interest and retire the bonds sold to raise money to build the railroad. From the outset the county had struggled to meet these obligations. Prior to 1876 the bullion tax had not been used to cover these annual county expenses, but under public pressure to moderate the property-tax burdens the county added levies, calculated separately for the school fund and the sinking fund (that had responsibility for paying the interest and the principal on the bonds), to the tax bill for the mining companies. Previously the mining companies had been exempt from contributing to these county programs. The Firm was not only paying higher taxes per \$100 of assessed bullion value than Sharon ever paid but was also contributing to the cleanup of a financial mess that Fair believed that Sharon helped to create and from which he still benefited. Fair failed to mention, of course, The Firm used the Virginia & Truckee Railroad and received substantial rebates from doing so. Nor was there any mention that the holders of real and personal property had been paying 50 cents per \$100 more since the bonds were issued. But Fair, if not Mackay, was preparing for a battle royal mainly because it involved William Sharon.

While the Bonanza Kings may have had Sharon in mind as they launched their attack on mining taxes, they like most mine owners and investors had long opposed such taxes. Story County mining interests had managed to maintain the status quo with respect to county tax rates, and even though they opposed the tax in principle, they were capable of taking a pragmatic view that maintaining a relatively low rate was preferable to taking a harder line that might result in higher taxes. Moreover, the state had reduced its share from \$1.25 to 90 cents per \$100 in 1875. What happened in 1876 - the equalization of rates for all properties including mining proceeds - meant not lower rates in the aftermath of the state reduction but higher rates that exceeded any prior level. Whether these concerns resulted in a broadly based strategy embraced and supported by all mine-owners or became the obsession of Mackay and Fair and in particular Fair is not easy to answer. Mackay and Fair had allies among other mining entrepreneurs, but on the surface at least the campaign appeared to be primarily a one-company or perhaps even a one-man

¹⁰ Manter, *Rocket of the Comstock*, 138-139. I could not verify this remark.

crusade to settle some grudges. It was not a cause that rallied the mining interests into an implacable enemy of local or state government.

One line attack failed miserably. In the fall elections of 1876 a slate of candidates, who were allegedly supported by Mackay and Fair, failed to win a single seat. Shortly thereafter, according to some published accounts The Firm began to withhold taxes. Some essential details are still obscure: for example, precisely when did the withholding begin and how long did it continue. Ethel Manter, Mackay's biographer, claimed that by the end of 1876 \$52,000 from Consolidated Virginia and \$61,000 from California had been withheld, and this had caused the county assessor to seize bullion belonging to the mining companies, although she did not explain how or where the seizure took place. Apparently the assessor released the bullion after Mackay and Fair said under oath that they had the resources to pay the debt should that be required of them.¹¹

The withholding action apparently began in the second quarter of 1876, when in June Consolidated Virginia paid its first quarter taxes of \$227,180 but under protest. Taxes from the following three quarters (April-June, July-September and October-December) were withheld for both Consolidated Virginia and California. By the time that taxes were due during the second quarter of 1877 on proceeds from the first quarter of 1877 Mackay and Fair had ended their protest. In his Fourth Biennial Message to the 9th Biennial Legislature in January 1879 Governor L. R. Bradley discussed the legal and financial issues concerning Consolidated Virginia and California. He reminded the legislators that when the last legislative session ended (early March 1877) the two mining companies owed more than \$290,275.95 in mining taxes. The penalty for withholding taxes as provided by law amounted to \$101,596.57. The figure of withheld taxes, as cited by Bradley, squared with the totals owed by two companies but not paid according to the assessment rolls. The rolls included a column with the heading "Date of Payment". For the three quarters noted above (Apr-Jun, Jul-Sep, Oct-Dec) this column showed in the second quarter assessments that the past-due taxes were paid on 5 May 1877. The penalty, if paid in part or full, was not recorded by the assessor.¹²

One matter, not easy to explain based upon an examination of the assessment rolls and the Controllers' Reports, is how the state's portion of the taxes due from Consolidated Virginia and California was handled. The assessment rolls contained all the appropriate information regarding the companies' operations including the taxes that were supposed to be collected by the county treasurer and delivered to the state treasurer, but they also indicated that no taxes had been paid from the third quarter of 1876 to the second quarter (in May) of 1877. The Controllers' Reports did not show that any taxes had been withheld. One report presented to the 8th Biennial Legislature in 1877 included taxes collected during the second and three quarters of 1876, and the next report for the 9th Biennial Legislature in 1879 included the taxes collected for the fourth quarter of 1876. Since all withheld taxes had been paid by the 9th session, there was no reason to note any unpaid taxes. It was a different matter, however, for the 8th session. More than

¹¹ Manter, *Rocket of the Comstock*, 139

¹² "Fourth Biennial Message of...Bradley..." in *Appendix to Journals of Senate and Assembly*, 9th Legislative Session (1879) 6, and microfilm copies in The County Records Microfilm Project, ST 67 Storey County, Special Collections, Library, University of Nevada, Reno.

\$207,000 in taxes had not been paid, and of that amount \$93,000 or 45 percent was owed to the state. Was the county, as the official tax collector, obligated to pay the state's share even though it could not collect any of the taxes due from Consolidated Virginia and California? The assessor was said to have confiscated bullion in lieu of unpaid taxes but then to have released it when Mackay and Fair posted a bond with property as collateral. The posting of the bond simply gave the county a lien on property, which could be sold at a later date to cover back taxes. It did not generate any cash immediately. If the county had to advance the state's share regardless, where would it find the available funds in view of the fact that it had not been paid the \$114,000 that was the state's share? Consolidated Virginia and California combined represented 65 percent of the taxes due from the proceeds of the mines, and that was not an amount that be easily covered by other temporary actions. The withholding of tax payments by Mackay and Fair must have left county finances in disarray and perhaps, to a limited degree, state finances as well.

Withholding taxes was a prelude to a further confrontation with the government. Mackay and Fair launched a campaign to overhaul the 1871 amendment on mining-proceeds taxes at the 8th Biennial Legislation scheduled for 60-day session to start in January 1877. Setting up shop in rooms above the Carson City Savings Bank Fair readily dispensed champagne, cigars and probably cash to as many legislators and tycoons as he could find. That money may have exchanged hands was not what Mackay would have preferred, according to Manter. "John Mackay remained aloof, trying to reconcile himself to the actual posture of affairs. Fair [Mackay knew] could not be 'bossed'".¹³ For two weeks in February 1877 weekly mine reports from Virginia City to San Francisco noted that Fair was not in Virginia City tending to the business of the mines but was in Carson City tending to the business of the legislators. Fair had notified the Virginia City office that while there was opposition in the House he was confident ultimately of victory. The *Territorial Enterprise* reported in detail the daily progress of all the bills including the bill to revise the mining proceeds. The revision or compromise (Bullion Tax Compromise Bill) was to change the way in which assessments were made. Sixty percent of all milled ores were to be exempt if they yielded less than \$100 per ton and 50 percent if they yielded \$100 or higher. Instead of using costs to determine assessments or in the case of mines that had costs that exceeded receipts a graduated exemption schedule based on per-ton yields, all mines would be assessed after exclusions at either the 50- or 60-percent level. In the case of Consolidated Virginia and California the impact of the compromise would be significant. Because their costs were so low and their yields so high, they could only exclude a quarter or a third from taxation. Under the compromise the amount to be exempted nearly doubled. Even though both House and Senate members thought the compromise was unconstitutional, both chambers passed the bill by fairly close votes – 27 to 23 in the House and 14 to 11 in the Senate. Governor Bradley, who had already publicly proclaimed in his Third Biennial Message (January 1877) that the state had been generous enough to the mining sector, promptly vetoed the bill. Had it been allowed to become law the state and county governments would have had to raise rates on all other classes of property in order to make up for lost revenues.¹⁴

¹³ Manter, *Rocket of the Comstock*, 139.

¹⁴ Manter, *Rocket of the Comstock*, 140; "Nevada Legislature", *Territorial Enterprise*, 21 February 1877; Copy of Letter from James Fair to A. W. Havens, Secretary of the Board. [actually written by J. Minor Taylor], 18 February 1877, Letterpress Book, November 1876-August 1878, Consolidated Virginia Mining

But the story did not end with Bradley's veto. In spite of the veto of the Bullion Compromise Bill the Bonanza mines still owed several hundred thousand dollars in overdue taxes and penalties, and the county's fiscal shortfall was so great that a Temporary Relief Committee had to be organized to collect donations to finance certain much-needed public services. In the background were several judicial proceedings that included a soon-to-announced decision from the United States Supreme Court in a case known as *Forbes v Gracy*. This case like so many others challenged the constitutionality of mining taxes, and if mine owners prevailed in court the county and state governments would be faced with an enormous financial challenge. In light of a rising public outcry against the mining interests and their legislative friends, Mackay and Fair proposed a new strategy. Until the judiciary settled the matter of the constitutionality of any bullion tax, they proposed to advance \$80,000 to the county to cover current expenses except for the railroads. If Mackay and Fair lost the lawsuit and had to pay all past-due taxes, the \$80,000 would be deducted from the amount that they were required to pay. If they won the lawsuit, the county could keep the donation. In addition, if they won the lawsuit, they would make a contribution (one-half of 1 percent of all mining proceeds) each quarter to the county for various public uses but not for any state obligations. To many observers this offer constituted a bribe. Few citizens were prepared to grant mining companies, no matter how generous they tried to be, exemptions from taxes that other property owners did not enjoy. While this became a public-relations disaster for Mackay and Fair, who actually resided in Virginia City, the county with a mounting fiscal crisis had to weigh the options because it was unclear how soon the taxes in arrears would be paid if ever. Ultimately the county rejected the settlement because it was unpopular and would establish an unhealthy precedent. Within weeks after the county's rejection the Supreme Court issued a ruling in support of bullion taxes, and the county set about quickly to collect both taxes and penalties. Taxes of more than \$300,000 were paid to the county on 5 May 1877 with the matter of penalties to be negotiated.¹⁵

On the same day that the Firm paid its back taxes James Fair gave an interview to the *Territorial Enterprise*, what the paper called a "brief conversation". Although his tone was more moderate in comparison to earlier statements that he was alleged to have made, Fair made no apology for the strategy that he and Mackay had followed. Although invoking Mackay's name only twice in the published version, Fair wanted to leave no doubt that this was collaborative effort. They had not decided to end the protest and to pay the tax because they had concluded "the tax was just" or because their attorneys had advised them to do so. No, showing his combative side, he declared that "we know we could have worn out the State and country, and that, if we had not beaten the suits entirely[,] we would have eventually compelled a compromise upon our own terms." The reason for changing their minds, insisted Fair, was to come to the aid of the county and its citizens. The county's revenue shortfall could have a ripple effect across the economy. Being unable to fund its schools, hospitals and other services would mean bankruptcy for

Company, NC99/2/8, Bx 6, Special Collections, Library, University of Nevada, Reno; and Smith, *The Comstock Lode*, 204-220.

¹⁵ Manter, *Rocket of the Comstock*, 140-142; "Fourth Biennial Message of...Bradley..." in *Appendix to Journals of Senate and Assembly*, 9th Legislative Session (1879), 6-7; and "The Payment of Taxes", *Territorial Enterprise*, 6 May 1877.

“a score of merchants” who depended on business from the county and their employees. “In such an emergency, Mackay and myself could not resist the appeal” to loan the county \$100,000. Now that the times have grown worse “when there is so much despair and stress in the State, we have concluded if there was no levy against us, it would be necessary for us to donate to the people more than the difference between the taxes which we think would be just and the taxes actually levied against us.” Without acknowledging that their withholding of taxes might have actually precipitated the crisis Fair sought to align the partners’ actions with what all “fair-minded” citizens would have done in the face of unjust levies. He further reminded the reader that two years earlier (when the levy against bullion was 90 cent and 35 cents per \$100) the state and the county were far more prosperous than today (not unlike today – taxes hurt growth). In his final remarks Fair admitted that what he said in the interview would not placate their enemies and would probably not erase the divide that existed between their duties to their stockholders and to the “sorely-perplexed people of this State”. He lashed out at the “heavy San Francisco capitalists” who were more intent on breaking up the Comstock than holding it together. “We are carrying as many mines as we can, and employing as many men. We are doing the best that we can for the stockholders, and shall continue to do so for as long as we have charge of the mining properties.” But the desperate circumstances of the state and the county required that the course be altered. That desperation was also motivation for “Mackay and myself” to make a contribution to the county Relief Committee, the amount not specified.¹⁶

The *Territorial Enterprise* ended the article with its own comment. Without knowing how the public would react, the newspaper hoped that the conversation should “open the eyes of the most prejudiced enough to cause them to do justice to the Bonanza people, and to cause men generally to begin to understand who their real friends are.” The role of the *Territorial Enterprise* in the battle over bullion taxes was ambivalent. By and large in the commentary that followed the Fair conversation the *Territorial Enterprise* was mute on critical issues concerning private and public rights. In truth the *Territorial Enterprise* was not always uncritical of the mining interests and in particular of The Firm. It was perhaps more the crusader under its original owners Joseph T. Goodman and Denis T. McCarthy, but Goodman had sold the newspaper to William Sharon in 1872. Along with his many mining and milling properties Sharon had decided to acquire the *Territorial Enterprise* in order to advance his political career. His goal, to be elected to the United States Senate by the Nevada Legislature, was attained in January 1875. Because he did not wish to alienate legislators, who may have opposed special treatment for mining and railroad interests, he remained neutral on the emerging debate over the bullion tax. Its commentary did not address issues that Fair failed to address directly, i. e., the inequities that existed in the assessment procedures. Nor did he reveal that the Quartet owned a huge stake of Consolidated Virginia and California as well as the ancillary corporations like Pacific Mill and Mining, and therefore the stockholders, whom Fair wished to protect, were principally himself and the other three. In spite of expressions of support for ordinary citizens the Bonanza Kings like other mining entrepreneurs had long opposed any taxes on their operations or the products of those

¹⁶ “The Payment of Taxes”, *Territorial Enterprise*, 6 May 1877, and Manter, *Rocket of the Comstock*, 138-139.

operations. Fair spoke of sharing fiscal burdens with other taxpayers but left unclear how this burden should be shared. Local government could not meet its obligations even if some of those obligations in retrospect were entered into unwisely by depending on the charity of the citizenry. Fair appeared to understand that when local government lacked funds citizens and businesses suffered, but he seemed to be oblivious to the fact that the actions taken by him, Mackay and other owners were a source of that suffering. Grant Smith, citing standard histories of state politics, accepted the idea that Sharon had less to lose by dropping his opposition to the bullion tax (which he had fought many years earlier) and more to gain by accepting a broadly-based tax that insured the future of the railroad bond sinking fund. Although Sharon might well have launched an attack on his archenemies, who had no doubt about his perfidy on bullion-tax debates, through the pages of the *Territorial Enterprise*, he apparently chose a less vindictive course. In any event, Fair was allowed to make his case without much critical response from the newspaper.¹⁷

Not everyone saw the *Territorial Enterprise* as a neutral observer. Several months before Mackay and Fair paid up their taxes during the legislative debates in February 1877, the Reno *Gazette* lambasted Sharon's newspaper for supporting the Bullion Tax Compromise against the interests of the citizens in Nevada. The *Gazette* made the unequivocal pronouncement that the legislators should ignore the opinions expressed in the *Territorial Enterprise* because it was "the mouthpiece for Mackay, Fair, Sharon and others." There was no doubt in the view of the *Gazette* that the Comstock titans were prepared to modify the bullion tax in such a way that it would shift to the "rancher, mechanic and business man [sic]" tax burdens that were far heavier than these groups could endure.¹⁸ In a lengthy reply to the *Gazette's* charges the *Territorial Enterprise* began by describing them as "trash". It denied that it had ever received any instructions on what to write about the debate: "it is the plea of a baby and an ass to make such a charge against us. We have never whined against the present tax and have never had anything to say against it save that it was not framed by a miner, and that its scale of rates is not adjusted properly, as every mine and mill-man in the State knows." The *Territorial Enterprise* went on to espouse the opinion that it spoke for "more than half the men of the State" and may be speaking for "three-fourths of the taxpayers of the whole State." Of course, the *Gazette* had also claimed that it was voice of the majority of the citizenry. The *Territorial Enterprise* once again reminded the *Gazette* that its principal owner, William Sharon, had paid his bullion taxes "without protest or delay" (in the late 1860s) and had helped to lift "the State out of bankruptcy into solvency, and that the only instruction he ever gave in relation to the conduct of the *Enterprise* was that it 'should be true to the interests of the whole people of this State.'" Finally the *Territorial Enterprise* reminded the *Gazette* that the so-called people that it claimed to speak for would have property of far less value if the "millionaires" such as Mackay, Fair and Sharon had not assembled the capital and assumed the risk to make the Comstock into the economic engine that it had become for the region (including Washoe County, the home-base of the *Gazette*) and the state during the last decade. The rival newspapers continued to lob their salvos, and

¹⁷ "The Payment of Taxes", *Territorial Enterprise*, 6 May 1877 and earlier article reprinted in *San Francisco Chronicle*, 28 April 1877.

¹⁸ As quoted in a reprint of the article from Reno's *Gazette*, 21 February 1877, *Territorial Enterprise*, 21 February 1877.

without any modern polling data to back up their respective claims it is doubtful that either paper spoke for Nevada's majority. (One reason I seldom use newspaper sources.) The *Territorial Enterprise* presented a case that bore the trademark of the state's mining moguls who had long contended that they paid too much in taxes. It is worth pointing out that the Bullion Tax Compromise would not have helped mining operations with huge losses since they could no longer exempt up to 90 percent of their bullion receipts under the 1871 amendment, but the Compromise would have directly benefited low-cost and high-yield mines. And with the equalization of rates between mining proceeds and real and personal properties in Story County the tax burden borne by the highly profitable companies would have been markedly reduced. Notwithstanding the *Territorial Enterprise's* alleged objectivity the Bullion Tax Compromise favored a narrow segment of the mining community, its Mineral Millionaires.¹⁹

The Comstock boom had saddled Story County and its municipalities with real costs in the form of public services needed to support its large (by Nevada standards) and ever-changing population. The mining industry acknowledged (as evidenced in Fair's remarks to the *Territorial Enterprise*) that it should bear some of the tax burden to pay for the public services from which that its businesses benefited. But how much of that burden it might or should assume remained the flash-point in the debate. Based on the Controllers' Reports, which are complete from 1867 through 1885, taxes on real and personal property may have generated more income for the county than taxes on bullion. This cannot be tested definitely until a database of revenue received from property-tax collections has been constructed, and that task is made more difficult by the loss of all assessment rolls in the October 1875 fire. The documentation is complete for post-1875 years, but so far as I could determine these figures have not yet been assembled and analyzed. Even without a property-tax series comparable to the bullion-tax series some information is available to be examined.

I have not undertaken a detailed analysis of Story County taxes. The survival of the assessment rolls after the fire of 1875 would allow such a study for the last decade of the Comstock era. Few county financial documents survived the fire, and any effort to reconstruct tax policies before 1875 would have to depend on the information that could be dug out of the state archives. My aim is to evaluate the role played by taxes on the proceeds from the mines in the county's overall finances. It is understood that net-proceeds taxes were authorized in part because determining the value of mining property for tax purposes was more controversial and probably more difficult than other properties such as farm lands or retail stores or private residences, all of which had at the very least market values that could be related to sales of property. What was the market value of a mine with relatively little profitable ore compared to a mine with much profitable ore? And what was the value of the rich mine once the ores were exhausted? Net-proceeds offered a simple platform from which to determine how much a mine was worth. Under the procedures for residential, commercial and agricultural properties the assessor was charged with the power to determine the valuations for: "Possessory Claims" that is, properties that were in the possession of an individual or company; improvements to properties either by the owners or "others"; and personal property. A Board of

¹⁹ "The Compromise (?)", *Territorial Enterprise*, 21 February 1877.

Equalization reviewed the assessor's work when complaints were filed. What is not clear from the assessment rolls was the basis for the assessment of the property by the assessor. Was the assessment a reflection of a property's full value or a portion of the value (as is the case with most assessments today), and was the assessment of one type of property different from another type (farms versus banks, for example)? Fifty years after the collapse of the Comstock mining industry Romano Adams presented a long list of defects in assessments within counties and among counties.²⁰ Surely Story County's assessments suffered from many of the defects cited by Adams, although references to specific county defects were irregular and inconsistent. Whatever the basis for the valuation by the assessor a total figure was computed for each parcel or site and the prevailing rate was applied to determine the tax. It should also be understood that "real and personal" property on the surface even though it was connected to mining (mills for example) could be assessed in the same way as other businesses were assessed. Only underground mining operations were exempt from general property taxes. For the other property taxpayers the rub was that mining companies' assessments were arrived at after deductions to cover operational costs were allowed. Despite inconsistencies in assessments among categories of non-mining properties deductions like those enjoyed by mining companies that could reduce assessed valuations on bullion declaration did not exist.

Figure 6 above shows the Story County assessments and taxes as found in the actual ledgers for 1875, 1876 and 1877.²¹ I wish that I could report that the bookkeeping was straightforward and direct; unfortunately it was not. It proved to be harder to untangle than the accounts that contained the mining assessments. Let me take note of the fact (and repeat again) that in these three years the Comstock reached its apex in production - \$26 million in bullion, \$38 million and \$37 million respectively, that in 1876 the rates levied against general property and mining proceeds taxes were standardized and that in 1875 and 1877 Virginia City and Gold Hill had the same rates but in 1876 they had different rates with the result that their assessment and tax data were presented in separate entries. The county collected taxes for specific local purposes. In 1875 and 1876 they were listed as county government, schools and railroad, but in 1877 a levy for the construction of a new courthouse (post-fire) was added. (As noted above, the county also collected the state's share of property taxes at a rate set by the State Legislature.) In 1875 non-mine-proceeds assessments totaled \$6.1 million, in 1876 \$6.6 million and in 1877 also \$6.6 million. In those same years assessments on net-proceeds of the mines amounted to \$14.1 million, 23.7 million and \$23.2 million. Clearly the value of the taxable bullion far exceeded that of non-mining properties. Tax revenues generated by

²⁰ Adams, *Taxation in Nevada*, 54-63. When the Nevada's Citizens' Economy and Taxation Committee published its report on the state's tax system and in particular property assessments in 1913, it found a lack of uniformity in assessments across the state. In some counties 15 to 20 percent of the value of the property was taxed; in others it was 40 to 50 percent; and in still others it was 100 percent. Properties within a single classification like private residences could be subjected to different assessment standards: in some cases small residences carried a higher assessment than large residences.

²¹ I read the actual surviving ledgers (large leather-bound volumes) in which were recorded property assessments and taxes for 1875, 1876 and 1877 at the Assessor's Office, Story County Courthouse, Virginia City, NV. The discussion that follows is based on notes taken from these ledgers. The same information exists on microfilm in The County Records Microfilm Project, ST 67 Story County, Special Collections, Library, University of Nevada, Reno. Data on assessments and taxes on bullion were drawn from the microfilm version.

general property assessments for county projects were \$83,000 in 1875, \$78,000 in 1876 and \$76,000 in 1877 whereas bullion levies generated for the county \$28,000 in 1875, \$253,00 in 1876 and \$267,000 in 1877. The difference in bullion-tax receipts in 1875 compared to 1876 and 1877 underscored the importance of equalizing rates among all property classifications. Because the county could only collect \$0.35 per \$100 of assessed bullion instead of \$1.35 per \$100 (\$190,000) that other property owners paid, the bullion tax was 60 percent what others paid in property taxes. In 1776 and 1777, however, bullion-tax receipts were 3.5 times greater in 1876 and 1877. One can greatly appreciate the negative impact of declining gold and silver production on county revenues in subsequent years to the extent that they constituted a fraction (2 to 3 percent) of the total tax receipts even at the highest rates of the two decades.

FIGURE 6
PROPERTY –TAX ASSESSMENTS EXCLUDING MINING PROCEEDS FOR
VIRGINIA CITY AND GOLD HILL, AND TAX RECEIPTS FOR COUNTY AND
STATE, 1875-1877

[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]
1875							
VC/GH	\$1,278,955.0 0	\$2,935,245.0 0	\$44,490.0 0	\$1,855,328.4 9	\$6,114,018.49	\$137,565.41	\$2.2 5
1876							
VC	\$1,021,870.0 0	\$2,170,125.0 0	\$87,125.0 0	\$1,023,535.0 0	\$4,302,655.00	\$83,901.77	\$1.9 5
Mortg				\$344,157.39	\$344,157.39	\$6,711.06	\$1.9 5
GH	\$320,065.00	\$131,350.00	\$7,750.00	\$437,056.00	\$1,896,221.00	\$46,457.41	\$2.4 5
Mortg				\$62,000.03	\$62,000.03	\$1,519.00	\$2.4 5
Tot	\$1,341,935.0 0	\$3,301,475.0 0	\$94,875.0 0	\$1,866,748.4 2	\$6,605,033.42	\$138,589.24	\$2.1 0
1877							
VC/GH	\$1,267,615.6 3	\$3,789,135.0 0	\$87,336.2 5	\$1,425,427.0 0	\$6,569,513.88	\$134,675.04	\$2.0 5

Notes: VC/GH=Virginia City/Gold Hill; Mortg=Mortgage (certain assessments was assigned to values of mortgages.)

[1] Year; [2] Real & Possessary Property; [3] Property Improvement; [4] Others; [5] Personal Property; [6] Total Assessments; [7] Total Taxes; [8] Rate per \$100.

Sources: See footnote 21.

Separate assessment and tax accounts for Virginia City and Gold Hill in 1876 document what was well known: Virginia City had outpaced Gold Hill in size and wealth. By the middle 1870s Virginia City was not only the county seat but could claim the richest mines ever discovered on the Comstock Lode. The predominance of Virginia City was evident in property assessments. In 1876 if all mortgaged property, which was also taxable, was counted, Virginia City had nearly \$5 million in such properties compared to Gold Hill's \$2 million. Although both had mining and milling properties that were subject to taxation Virginia City could boast of larger and more modern and technically advanced facilities. Although population figures are difficult to verify perhaps 30,000 to 40,000 lived along and in the vicinity of the Lode with 20,000 (plus?) in Virginia City itself. The year 1876 is interesting for another reason. In the aftermath of

the fire Virginia City was quickly rebuilt. Improved properties accounted for almost half of the total assessment whereas in Gold Hill, which had escaped the fire, improved properties accounted for 7 percent of the total. Mortgaged properties were also five times higher in Gold Hill than Virginia City. For this particular year Virginia City residents paid in property taxes \$42,000 to the state and \$48,000 to the county whereas Gold Hill paid about \$18,000 to the state and \$30,000 to the county. The difference between county tax receipts was narrower than it might have been because Gold Hill residents paid a rate that was 50 cents higher per \$100 in the second, third and fourth quarter than residents of Virginia City paid. By the middle of the 1880s, however, while both municipalities experienced a loss of mining and population county tax rates had doubled or tripled with Virginia City residents paying 50 cent to \$2.50 per \$100 more than Gold Hill residents. More importantly, the burden for maintaining public services fell squarely on general property inasmuch as the tax on bullion yielded very little.

In addition to county property taxes the residents of Virginia City and Gold Hill could be liable for municipal property taxes. Municipalities could tax general property including surface properties owned by the mining companies but not underground operations or bullion proceeds.²² The actual assessment ledgers consulted for the years 1875, 1876 and 1877 contained information on Virginia City but not, so far as I could determine, on Gold Hill. Virginia City property assessments totaled \$5.8 million in 1875, \$5.4 million in 1876 and \$4.9 million in 1877.²³ Virginia City collected \$23,000 or 40 cents per \$100 of assessed value, \$27,000 or 50 cents per \$100 and \$30,000 or 60 cents per \$100 in the three years. For the 1877 the assessment rolls indicate that 22.5 cents of the 60 cents was to cover the expense of city government and 37.5 cents to cover the water bond.²⁴

The county and municipal assessment rolls provide a small window on how public services were distributed. County government had assumed responsibility for financing public education and rail construction while municipal government had taken

²² Gold Hill's Charter (1862) stated that the town trustees could enact a tax not to exceed one-half of one percent of the "assessment valuation" of all property except mines, "which shall not be subject to taxation." See "An Act to Incorporate the Town of Gold Hill, 17 December 1862, Chapter XXVIII, *Laws of the Territory of Nevada Territorial Laws...*, 2nd Legislative Session. (Virginia, NV: John Church & Co., Territorial Printers, 1862), 24-26. Virginia City, on the other hand, had a charter (according to the Nevada Supreme Court in 1865) that allowed it to tax mining proceeds as it taxed other properties. In the following year, however, the charter was amended to prohibit the municipality from taxing mining proceeds. but they were permitted to include on property-tax rolls the values of surface buildings such as hoisting shafts, assay and general offices, milling operations and storage facilities. And this meant that the county and each municipality could collect taxes on mining and milling properties. As I will discuss below, county and municipal assessment rolls could differ.

²³ When the 1876 Virginia City tax assessments are compared to Story County tax assessments for Virginia City specifically there was a discrepancy of about \$700,000: \$5.4 million versus \$4.7 million. Since a single assessment roll was used for all county and municipal property tax levies, the total value of assessed property in Virginia City whether used by the county tax collector or the city tax collector should be the same or at least close to the same. The discrepancy could be tracked down, I suspect, by rechecking totals for all categories of property assessments and tax payments or by comparing property lists to see if the county or city exempted certain properties, but that would be a sizable task not warranted by the intent and scope of this study. The discrepancy will simply have to remain unresolved for now.

²⁴ See ledger for 1877 in Assessor's Office, Story County Courthouse, Virginia City, NV.

charge of the local water system. Eliot Lord provided ample description of the history of the construction of the water system that not only served Virginia City but also Gold Hill and Silver City (south of Gold Hill).²⁵ A private company, Virginia and Gold Hill Water Company, built the facilities to transport the water from its sources. It was reincorporated as a California company in 1871. William Sharon was among the stockholders, but he quickly sold his stock at time that James Flood was buying up stock in the company. Eventually it became the property of the Quartet. One reason why the Quartet was interested in a water company was to assure a supply of water for their businesses. The arrangement between the city and the water company remains to be documented. One set of figures, according to the superintendent J. B. Overton, stated the cost for “flumes, dams, reservoirs, pipes, water-rights, litigation, &c” \$2.2 million.²⁶ Presumably the private water company had assumed or financed those costs. And yet of municipal taxes collected in 1875-1877 in Virginia City about two-thirds of the total \$80,000 was committed to debt obligations arising from the construction, repair (after the fire) and extension of the local water system. Whatever the relationship between the municipality and the private water company the municipality had a continuing financial obligation in the form of interest on and redemption of bonded indebtedness.

County and municipal property taxes had at most a marginal impact on company costs. Some fragmentary tax records among the Savage Mining Company financial papers permit a close look at the financial impact on that company in the late 1860s. To begin with I should note that tax structure, as it applied to mining camps, was different from what it would become after the 1871 amended law. The bullion tax was set at \$1.50 per \$100 worth of ore with \$1.25 for the state and 25 cents for the county. Municipalities were excluded from receiving tax dollars then (or later for that matter) from the product of the company. The Savage Company documents were for property taxes paid to Virginia City in 1868 and for those paid to Story County in 1869. The county and the city computed their taxes from the county assessments rolls, although some changes had occurred in certain categories between 1868 and 1869. Each document listed the lot, the block, the assessor's valuations for possessory claims, personal property and improvements and the tax. In Virginia City in 1868 the rate was \$1 per \$100 and in Story County in 1869 the rate was \$3.55 per \$100 of which \$1.25 belonged to the State Treasury. That left \$2.30 per \$100 for the county or about \$3,200 from Savage properties. For 1868 Savage paid \$1,447 in property taxes on real estate and improvements valued at \$144,725 to the city, and in 1869 it paid \$4,989 on basically the same parcels now valued at a lower figure of \$140,525 to the county. Savage owned several dozen Virginia City lots in Blocks numbered 173 to 183. This swath of land was between Howard Street on the west and M Street on the east, Flowers Street on the north and Silver Street on the south.²⁷ It also owned a lot (Block 193) across Silver Street between Howard and B Streets. The assessment rolls described the size of the lot and the value of the lot and its contents. It did not indicate how the lot was used or what the contents were. Approximations can be determined from other surveys and maps of Virginia City and the

²⁵ Lord, *Comstock Mining and Miner*, 323-333, which included a discussion of the impact of the fire. See also Smith, *The Comstock Lode*, 120-121 for a briefer discussion.

²⁶ Lord, *Comstock Mining and Miners*, 333. I cannot confirm the Superintendent's figures.

²⁷ Block and lot identifying numbers have not changed much in the original tract laid out in the 1860s. One can consult a current plat map (in the Story County Assessor Office) to identify the Savage properties.

Comstock Lode. In 1868 the company's most valuable lot was in Block 176, Lots 5-9. The land had a value of \$1,625 but the improvements were assessed at \$100,000 so that the total value (for assessment purposes) was \$101,625 with a tax (1 percent) of \$1,625. A year later when the county tax was paid this site was said to have no improvements with only the land being valued at \$1,625 for a tax (3.55 percent) of \$58.00. The most valuable plots had shifted to Block 178, lots 4-7, where the land was assessed at \$525, improvements at \$100,000 and personal property at \$26,800 for a total of \$127,325 and a tax of \$4,520. The year before this site was only worth the value of the land or \$525 with a tax of \$5.25. The company's hoisting works were known as the E Street Shaft and occupied a site (Block 177) between E and F Streets and Flowers and Silver Street.²⁸ On the two assessment documents Block 177 had Lots 3 through 14 with an assessed value of only \$2,200, hardly sufficient for a mine the size of Savage. A company mill was another possibility, but according to the superintendent, even though the company owned a seldom-used mill in Washoe County, it contracted with custom or independent mills to process its ores. Since the Blocks 176-178 were bracketed in the 1868 assessment document, the entire area irrespective of how the individual lots were used was the location of Savage's surface operations - hoisting works and attendant transportation facilities. Lots not noted above were modestly assessed at \$25 to several hundred dollars, and the tax due amounted to a few cents to a few dollars. In 1869 according to Grant Smith Savage declared \$1.2 million worth of bullion and paid dividends slightly less than \$300,000. Its local property taxes (not including the prevailing bullion tax) totaled over \$4,800 (\$3,200 to the county + \$1,650 to the city) or 0.4 percent of the total value of Savage's ores. It may be worth noting that the Superintendent complained to the Mineralogist that because costs for exploration and extraction were rising, company profits (per ton) were falling. While local taxes were an obligation that the company had to assume, they no doubt paled in significance to other costs directly related to mining operations. Even the bullion tax (at the time 50 cents per 100 pounds of ore) would have been two to three times higher than the local taxes.²⁹

By 1875 as the Comstock boomed with the recent opening of Consolidated Virginia and the soon-to-be-opened California mines county and city rates had been adjusted downward from the rate structure in effect for Savage in 1868-1869. The county rate was set at \$2.25 per \$100 and the city rate was set at 40 cents per \$100. Of the county rate the State's share was \$0.90 and when subtracted from \$2.25 the county was left with \$1.35 per \$100. (It should be recalled that this was the last year that the mining industry would be exempt from paying their full county tax rate, as discussed above.) The new behemoth being created by Mackay, Fair *et al.*, virtually in the heart of Virginia City, generated more revenue from property taxes than any other property owner in the

²⁸ See *Graphic Chart of the Comstock Mines, State of Nevada, 1876* [J. B. Treadwell, C. E.] issued with the *S. F. News Letter*, 3 June 1876.

²⁹ It is possible, of course that the assessment documents cited in the text were incorrect in their citations, or that the block and lot numbers for that part of Virginia City was revised. The documents themselves may be read in Savage Mining Company Papers (from Barry Cassidy[?]), NC62, Special Collections, Library, University of Nevada, Reno. References to the E Street Shaft in "Biennial Report of the State Mineralogist...1869 and 1870" in *Senate Journal and Appendix*, 5th Legislative Session (1871), 7. Also Grant Smith's Notes contain data on Savage ore production in NC229, Binder 1, Special Collections, Library, University of Nevada, Reno.

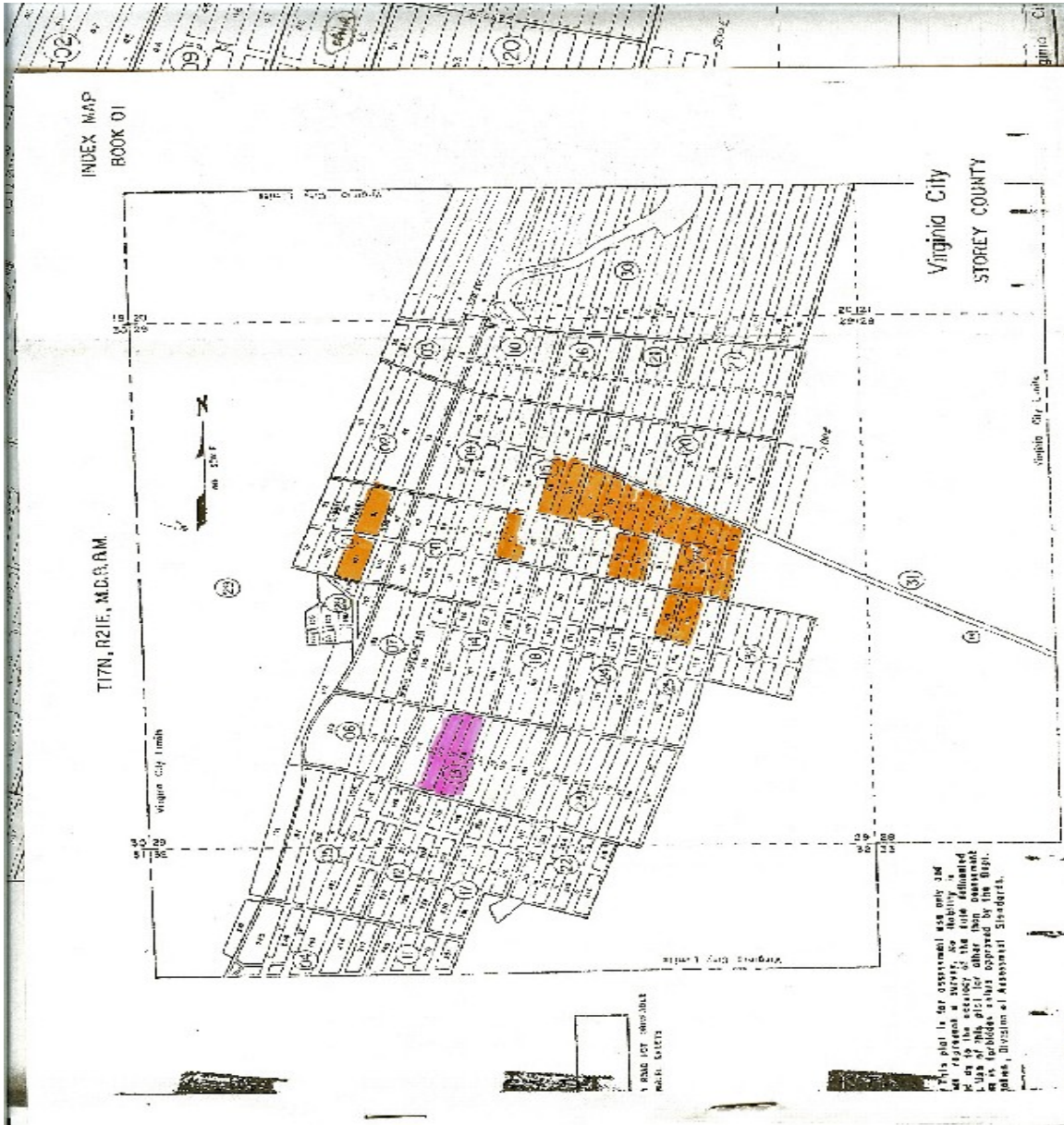
county or the city. The Firm's businesses (mines, mills, shafts, etc.) occupied approximately four-dozen lots scattered across the center of the city. The lots can be divided into three different property groupings: Consolidated Virginia Mine occupying lots in Blocks 81, 87, 95-97, 101 and 115-116; C&C Shaft occupying lots in Blocks 92-93 and 95; and Consolidated Mill occupying lots in Blocks 69-78. These Blocks could be found in an area bordered by Stewart Street on the west, Q Street on the east, Mill Street on the north and Taylor Street on the south. The lots associated with Consolidated Virginia were assessed at \$61,780 with a tax of \$1,390, the C&C Shaft \$15,490 and \$149 and Consolidated Mill \$142,234 and \$3,200 for a total of \$219,504 and \$4,939. Of this amount the county received about \$3,000. In addition the city received (based on 40 cents per \$100) about \$900. By almost any measure these were modest figures for the city's largest enterprise. The assessed properties were 1.5 times higher than Savage's properties, and yet taxes were less by several hundred dollars. County tax rates had fallen by a third since the late 1869, and city rates had fallen even more by 60 percent. Consolidated Virginia's tax burden will grow as city rates rose in subsequent years. County tax rates will fall for several years before rising again, but at the same time beginning in 1876 mining companies paid the full rather a modified county rate. Even though the fire damaged or destroyed some Mackay-Fair structures in central Virginia City their new valuations probably increased the company's taxes. (And of course California was ready to come on line and would have to start paying taxes.) Still the impact for Mackay, Fair *et al.* was small given the fact that the mines produced tens of millions of dollars over the next several years.³⁰

Consolidated Virginia's shaft and related operations were spread over a dozen or more lots situated in Block 87 between E and F Streets (north-south streets) and Union and Sutton Streets (east-west streets). This was also known as the E Street Shaft. Block 87 had at least 11 lots with lots 1 through 8 assessed at \$43,000 and lots 9 through 11 assessed at \$15,280 for a total of \$58,280 or 95 percent of all lots that fell under the ownership of Consolidated Virginia. Moving east from the shaft toward Q Street one encountered the new C&C Shaft being built by both Consolidated Virginia and California. Even though underground work in California, which lay to the north of Consolidated Virginia approximately under the city Blocks with numbers 65 to 70, was going on during 1875, the mine did not officially come on line in the spring of 1876. According to the tax rolls the lots with numbers 1 through 5 in Block 93 and numbers 1 through 4 in Block 95 had the highest values of \$6,000 and \$9,290. Finally on the north side across Sutton Street in Blocks 69 through 78 sat the sprawling Consolidated Mill. The main plant was located on lots 1 through 9 in Block 69 and lots 1 through 10 in Block 70. Of the total \$142,234 in assessed values for all lots connected to the mill, the lots in Block 69 and 70 were valued at \$106,000 or 75 percent of the total. The next highest valued lots were at the other end of the mill's properties next to Q Street in Block 78 was assessments of \$30,100. Compared to the total assessments – possessary, improvement, personal and other – in Storey County these mining and milling properties of Mackay, Fair *et al.* comprised 4 percent of the total.³¹

³⁰ Consolidated Virginia's property assessments and taxes were taken from the 1875 assessment roll in the Assessor's Office, Storey County Courthouse, Virginia City, NV.

³¹ See footnote 58 above.

**FIGURE 7
PLAT MAP OF VIRGINIA CITY PROPERTIES**



**CURRENT PLAT, VIRGINIA CITY, NV
PINK: LOCATION OF SAVAGE WORKS
ORANGE: LOCATION OF CONSOLIDATED VIRGINIA & CALIFORNIA
WORKS & C&C SHAFT**