

is to lessen the tax just so soon as it can be done without embarrassment to the Treasury.

Holding these views I shall recommend to the next Legislature a reduction in the present tax rate, such reduction to be based upon the amount of taxes applicable to any loan that is then due, the entire bonds of which, or their equivalent, shall by that time be in the Sinking Funds.

By the last call the Treasury Officers have secured the entire Maryland Hospital Bonds, amounting to \$465,000.00 and they are now in the Sinking Funds; a cancellation of these bonds would take off one cent that goes to make the $8\frac{3}{4}$ cents of State Tax.

We shall call in as soon as the condition of the Treasury will permit the Deaf and Dumb Loan authorized by the Act of 1874, Chap. 42, amounting to the sum of \$125,000.00, and this will enable us to take off in like manner one-half of one cent more.

I think then we can confidently rely upon the next Legislature making a reduction of one and one-half cents in the State taxes.

If this reduction is made as it should, and I believe will be, it will necessarily lessen the revenues arising from Loan taxes, and the increment from investments where those investments consist of the cancelled bonds, the annual increase of the Sinking Funds will be correspondingly reduced, and will therefore defer the time when the whole debt tax can be abolished, yet I think it is the course which justice to the taxpayers and the law creating the loans authorize and confirm.

But in this changed condition of things there is no cause for discouragement, for if the present policy is maintained there will be sufficient money, or its equivalent, in the Treasury, to pay the debt for which these Loan taxes are applicable, if not long before its maturity, certainly so soon as it shall become due and payable.

PRODUCTIVE ASSETS AND INVESTMENTS.

Statement I gives the State's productive capital and credits as of Sept. 30, 1886, to be \$5,302,285.70.