SooperKanoon - India's Premier Online Legal Search - sooperkanoon.com

Home of the Friendless Vs. Rouse

Home of the Friendless Vs. Rouse

SooperKanoon Citation : sooperkanoon.com/81716

Court : US Supreme Court

Decided On : 1869

Appeal No. : 75 U.S. 430

Appellant : Home of the Friendless

Respondent : Rouse

Judgement :

Home of the Friendless v. Rouse - 75 U.S. 430 (1869)
U.S. Supreme Court Home of the Friendless v. Rouse, 75 U.S. 8 Wall. 430 430 (1869)

Home of the Friendless v. Rouse

75 U.S. (8 Wall.) 430

ERROR TO THE SUPREME

COURT OF MISSOURI

SYLLABUS

1. A statute which, for the declared purpose "of encouraging the establishment of a charitable institution," and enabling the parties engaged in thus establishing it

"more fully and effectually to accomplish their laudable purpose," gave to the institution a charter, and declared by it

Page 75 U. S. 431

that 11 the property of said corporation shall be exempt from taxation,

and that an already existing statutory provision, that every charter of incorporation should be subject to alteration, suspension, or repeal, at the discretion of the legislature, should not apply to *it,* becomes, after the corporation has been organized, a contract; and its property is not subject to taxation, so long as the corporation owns it and applies it to the purposes for which the charter was granted.

2. A state which, after granting such a charter, passes a law, taxing property of the corporation, passes a law violating the obligation of a contract, and, consequently, such its law, is void, under the Constitution.

On the 3d of February, 1853, the Legislature of Missouri passed "an act to incorporate the Home of the Friendless, in the City of St. Louis." The preamble and one section of the act were thus:

"Whereas it is proposed to establish in the City of St. Louis a charitable institution, to be called 'The Home of the Friendless,' having for its object, to afford relief to destitute and suffering females, and the affairs of which shall be in the keeping of ladies, who contribute pecuniary aid to the institution; therefore, *for the purpose of encouraging said undertaking, and enabling the parties engaged therein more fully and effectually to accomplish their laudable purpose,* "

" *Be it enacted &c.;, as follows:* "

"SECTION 1. All such persons, of the female sex as heretofore have or hereafter may become contributors of pecuniary aid, as hereinafter specified, to said institution, shall be and they are hereby constituted a body politic and corporate by the name of 'The Home of the Friendless,' and by that name shall have perpetual succession, and be capable in law as well to take, receive, and hold, as to dispose

of, as they see proper, all and all manner of lands, tenements, rents, annuities, franchises, and other hereditaments and personal property which may be conducive to the objects of said institution; and all property of said corporation *shall be exempt from taxation;* and the sixth, seventh, and eighth sections of the first article of the act concerning corporations, approved March 19, 1845, *shall not apply to this corporation.* "

The sections thus referred to provided, that the charter

Page 75 U. S. 432

of every incorporation that should thereafter be granted by the legislature should be subject to alteration, suspension, and repeal, at the discretion of the legislature.

The corporation was organized and set in action, and by gifts, grants, and devises, had acquired a considerable amount of real estate in St. Louis. A constitution, adopted by the state, in the year 1865, authorized the legislature to impose certain taxes, and soon after, the legislature did impose a tax upon the real property of the Home. The corporation declining to pay, the collector of taxes for the county was about to levy on and sell its real estate, when the corporation filed a bill in one of the state courts, praying for an injunction against collecting the taxes, on the ground that they were illegally assessed, all property of the Home being, by its act of incorporation, expressly exempted from taxation at all times. The defendant interposed a demurrer, which was overruled, and the judgment on the demurrer made final. The cause was removed to the supreme court of the state, and resulted in the reversal of the judgment of the lower court, and the dismissal of the bill or petition.

The case was now here for review, and Supreme Court of Missouri certifying, as a part of the record, that in the determination of the suit there was necessarily drawn in question the construction of that clause of the Constitution of the United States, which prohibits a state from passing a law impairing the obligation of a contract, and that the decision was against the right claimed by the complainant, and was necessary to the adjudication of the cause, thus bringing the case clearly within

the 25th section of the Judiciary Act, which gives to this Court in such cases a power to examine and affirm or reverse the decision of the state court.

The question was, whether the act of 1853 was a contract never to tax. If so, the subsequent act was in violation of that clause of the Constitution which says, that "no state shall pass any law impairing the obligation of contracts."

Page 75 U. S. 435

MR. JUSTICE DAVIS delivered the opinion of the Court.

The case is relieved, by the certificate of the Supreme Court of Missouri, of all difficulty on the question of the jurisdiction of this Court, and the important question raised by the record is, whether the State of Missouri contracted with the plaintiff in error not to tax its property. If it did so contract, it is undisputed that the assumed legislation, under the authority of which the property in controversy was taxed, impaired the obligation of this contract.

The object for which the Home of the Friendless was incorporated was to enable those persons of the female sex, who were desirous of establishing a charitable institution in St. Louis for the relief of destitute and suffering females, to carry out their laudable undertaking.

It can readily be seen that a charity of this kind would

Page 75 U. S. 436

be of great benefit to the people of St. Louis, and that the legislature of the state would naturally be desirous of using all proper means to promote it. The purposes to be attained by such a charity are usually beyond the ability of individual effort, and require an association of persons who will themselves contribute pecuniary aid, and are willing to become solicitors for the contributions of others. Usually the initiation of such an enterprise is in the hands of a few persons who need to be clothed with more than ordinary powers in order to obtain the successful cooperation of others. In no way could this cooperation be better secured than by

conferring on the corporators the authority to say to the benevolent people of St. Louis, that their donations in money or lands, for the relief of the suffering female poor of the city, would be held by the institution undiminished by taxation.

It was doubtless under the influence of these considerations, and because every government wishes to encourage benevolent enterprises, that the legislature granted the charter for the Home of the Friendless, and said to the charitable persons engaged in this business, that if they would organize the society and conduct its affairs, would give themselves and solicit others to give for the common purpose, "that the property of the corporation shall be exempt from taxation." This charter is a contract between the State of Missouri and the corporators that the property given for the charitable uses specified in it, shall, so long as it is applied to these uses, be exempted from taxation. It follows, that any attempt to tax it impairs the obligation of the contract. It is proper to observe, that the immunity from taxation does not attach to the property after the corporation has parted with it, but is operative on it while owned by the corporation, and devoted to the uses for which it was originally given.

It is objected that there is no consideration stated in the act for the release from taxation, which it is claimed is necessary in order to uphold the contract. But this is a mistaken view of the law on this subject.

Page 75 U. S. 437

There is no necessity of looking for the consideration for a legislative contract outside of the objects for which the corporation was created. These objects were deemed by the legislature to be beneficial to the community, and this benefit constitutes the consideration for the contract, and no other is required to support it. This has been the well settled doctrine of this Court on this subject since the case of *Darmouth College v. Woodward.*

It is contended that the rules of construction applicable to legislative contracts are more stringent than those which are applied to contracts between natural persons, and that, applying these rules to this contract, it cannot be sustained as a

perpetual exemption from taxation.

It is true that legislative contracts are to be construed most favorably to the state if on a fair consideration to be given the charter, any reasonable doubts arise as to their proper interpretation; but, as every contract is to be construed to accomplish the intention of the parties to it, if there is no ambiguity about it, and this intention clearly appears on reading the instrument, it is as much the duty of the court to uphold and sustain it, as if it were a contract between private persons. Testing the contract in question by these rules, there does not seem to be any rational doubt about its true meaning. "All property of said corporation shall be exempt from taxation," are the words used in the act of incorporation, and there is no need of supplying any words to ascertain the legislative intention. To add the word "forever" after the word "taxation" could not make the meaning any clearer. It was undoubtedly the purpose of the legislature to grant to the corporation a valuable franchise, and it is easy to see that the franchise would be comparatively of little value if the legislature, without taking direct action on the subject, could at its will, resume the power of taxation. This view is fortified by the provisions of the general law of the state regarding corporations, in force at the time this charter was granted, and which the legislature declared should not apply to this corporation. The seventh section of the act concerning corporations, approved

Page 75 U. S. 438

March 19, 1845, provided that

"the charter of every corporation that shall hereafter be granted by the legislature shall be subject to alteration, suspension, and repeal, in the discretion of the legislature."

As the charter in controversy was granted in 1853, it would have been subject to this general law if the legislature had not, in express terms, withdrawn from it this discretionary authority. Why the necessity of doing this if the exemption from taxation was only understood to continue at the pleasure of the legislature?

The validity of this contract is questioned at the bar on the ground that the legislature had no authority to grant away the power of taxation. The answer to this position is, that the question is no longer open for argument here, for it is settled by the repeated adjudications of this Court, that a state may by contract based on a consideration, exempt the property of an individual or corporation from taxation, either for a specified period, or permanently. And it is equally well settled that the exemption is presumed to be on sufficient consideration, and binds the state if the charter containing it is accepted. *

It is proper to say that the present Constitution of Missouri prohibits the legislature from entering into a contract which exempts the property of an individual or corporation from taxation, but when the charter in question was passed there was no constitutional restraint on the action of the legislature in this regard.

Without pursuing the subject further, we are of the opinion that the State of Missouri did make a contract on sufficient consideration with the Home of the Friendless, to exempt the property of the corporation from taxation, and that the attempt made on behalf of the state through its authorized agent, notwithstanding this agreement, to

Page 75 U. S. 439

compel it to pay taxes, is an indirect mode of impairing the obligation of the contract, and cannot be allowed.

Judgment reversed and the cause remanded to the court below, with directions to proceed in conformity with this opinion.

THE CHIEF JUSTICE, with MILLER and FIELD, JJ., dissented; see the opinion of MILLER, J., infra, p. 441, in the next case.

* *New Jersey v. Wilson,* 7 Cranch 164; *Gordon v. Appeal Tax Court,* 3 How. 133; *Piqua Bank v. Knoop,* 16 How. 369; *Ohio Life and Trust Co. v. Debolt,* 16 How. 416; *Dodge v. Woolsey,* 18 How. 331; *Mechanics' and Traders' Bank v. Thomas,* 18 How. 384; *Mechanics' and Traders' Bank v. Debolt,* 18 How. 380;

McGee v. Mathis, 4 Wall. 143.

SooperKanoon - India's Premier Online Legal Search - sooperkanoon.com