

The sales tax, property tax, and tariff

THE SALES TAX

The sales tax, or a uniform manufacturers' excise tax such as that which, incredible as it may seem, is recommended by the National Association of Manufacturers, is a burden on consumption and a fine assessed against the consumer for being a user of a manufacturer's products. How the N.A.M. could recommend an excise tax on their own products is an example of flesh-flagellating masochism that can only be explained by the complete lack of understanding on the part of the Taxation Committee and its staff of the fundamental fact that a tax is a powerful economic determinant that should be scientifically approached.

It would seem as though the intelligent thing for the N.A.M. to do would be to employ a panel of tax experts which might put an end to the frequent loose and baseless observation that "no practical alternative to the present tax hodgepodge has ever been disclosed."

The sales tax is a burdensome impropriety which, like the income tax, has developed a maze of rulings, annoyances, complications of bookkeeping, and petty meddling by government officials without the justification of a proper relationship between the payer of the tax, who receives no *quid pro quo*, and the governing body that collects it.

The sales tax increases the cost of living most for those who can afford it least, and like any other legal ruling that offends justice, it begets its own brood of venalties. It drives business from the area in which it is levied and is resented not only by those who must pay it, but by those upon whom the task of collecting it is arbitrarily imposed. It allows the public to be cheated, often innocently by shopkeepers who cannot take time to calculate the tax precisely when they are ringing up a sale, and because of its complexity, opens the way for unscrupulous gouging. The following news item illustrates part of what I am trying to point out:

OVERCHARGES ON SALES TAX TOLD

SACRAMENTO, Dec. 17 (AP)—Are you being charged more sales tax than the law allows? Are the merchants pocketing the extra pennies?

State Consumer Counsel Helen Nelson says she has been getting many complaints to that effect.

She took the problem to the State Board of Equalization, which collects the sales tax. The Board said it

knew of some abuses, but is practically powerless to prevent them.

The Board decided to cooperate with Mrs. Nelson in drafting laws to cure the three main complaints:

1. Tax collected on untaxable items, such as most labor.

2. Charging tax on each individual item purchased rather than on the total.

3. Using inaccurate charts to determine the tax.

On the first point, Board Chairman John W. Lynch said the State is now suing one firm which collected between \$50,000 and \$100,000 on untaxable labor. But he noted that some labor is taxable, such as *making up drapes for a home*. (11)

On the second point he said present law doesn't prohibit collecting tax on individual items.

As to the tax charts, they are all unofficial, and Lynch said law doesn't permit the Board to distribute an official one. (11)

Mrs. Nelson noted that most charts call for 4 cents tax on an 81 cent purchase, which is 4.9 per cent.

THE PROPERTY TAX

Taxes on capital investments, like all other taxes, act identically as a fine, and we, by habit, follow the remarkable procedure of fining the people who, by investing their capital in buildings, tools, and inventories, improve our country. We seem to think that if we levy a tax without intending to punish, it will *not* punish, but if we levy it with intent to punish, it will punish.

It is true that all investments are served and protected by publicly financed agencies, such as the police and fire departments and the water and sewage systems, and that

without their operation would be hazardous and insurance would be prohibitive. But in the end it will be found that such services do not always increase the value of the building or inventory, which is fixed by its cost, but that they do increase the value of its location.

THE TARIFF

Tariffs on importation are, of course, frankly imposed to discourage importation. Many years ago the slogan of the Republican party, favoring a high protective tariff, was "Protection for American Industry." That of the Democratic party was "Tariff for Revenue Only." But each, of course, meant "prevent importation."

While we can differ on the merits of destroying trade with other countries, it is hard to understand those who see value in repressing our own industries. It would be infinitely more intelligent to lift the tax burden from our industry, whereupon perhaps we could compete with foreign manufacturers and maybe, in time, the absence of a tariff would reduce the general cost of living.

THE INHERITANCE AND GIFT TAXES

For many years the acquisition of wealth, based on a lifetime of service and not on privilege, was supposed to be an admirable achievement and the hallmark of good citizenship. Personal sacrifice on the part of the head of a family and often his wife to avoid becoming public charges and to protect their children was praised, and we used to approve the giving of gifts to those we loved and bequests to those we sought to provide for.

But we know better now. We know how to handle the kind of citizen that still thinks that way. We have the inheritance tax and the gift tax. And with them these virtues have become punishable offenses.

The inheritance tax has hatched a foul brood of Tax Commission rulings, of court decisions, of High Court reversals, of decisions one way by one United States Court while decisions another way were being handed down by another United States Court. We are reminded of the couplet, "Oh, what a tangled web we weave when first we practice to deceive!"

As to the gift tax, it is in force to insure that all that a person owns, or owned, will be taxed when or before he dies. If a father gives a home to a daughter he loves, the law can only see him doing it, "in contemplation of death" to cheat the tax collector. True, he built it, maybe with his own hands. True, he paid taxes on the income out of which he built it. True, she will pay taxes on it. But the great, dignified United States and also his home state select the time of bereavement for one of its harshest infictions.

The inheritance and gift taxes are evil and unjust under the present conditions, and the only thing that gives them a vestige of justice is that estates frequently carry the privilege of collecting a value that should justly be the property of the public. If this privilege were not present, such taxes would be, and are, stark, clear cases of strong-arm robbery. The government is degraded when it stands like a greedy ghoul at the side of the coffin.

Sales, personal property, gifts, and inheritances are not the just and proper sources of public revenue.