

# Taxes on Tea-Bibbers

By C. O. STEELE

Once upon a time two tax collectors were sitting together chatting. Said one, apropos of nothing in particular, "Take Jewel Tea — ." He got no further. His companion transfixed him with a stare, stopped him in his tracks, as it were.

Now the speaker was not prescribing a diet or anything like that. It was not as if he had said, "Drink Jewel Tea three times a day. It is good for what ails you. It will take the warts off your nose; it will make your hair curly; it will make you look like Clark Gable."

Nothing of the sort. He was merely introducing a subject, more or less casually, with nothing special in mind. But his rather aimless remark held the germ of an idea. The speaker himself did not realize it but his friend caught it at once. That is why, after a moment of deep concentration, the friend whispered hoarsely, "I think you've got something there."

So the tax collectors began "taking" Jewel Tea, one of the country's larger chain store systems, and they have been "taking" it ever since. At first it was not so bad. For Jewel Tea, that is. It was pretty soft for the tax collectors right from the start. But even as recently as 1916, the "take" — taxes paid by the Jewel Tea Company — amounted to but 78,271.

That is a tidy little sum, to be sure, more than you would be likely to carry around in your vest pocket, but not so much for a concern that did a business of \$10,000,000 that year. True, it represented \$0.28 a share on the stock of the corporation, but who cares? Nobody loves a stockholder. Also, it was equal to \$23.79 for each of the 3,290 workers employed by Jewel Tea that year. But what of that? The company had to pay it — the workers didn't. They would tell you so themselves.

The next year Jewel Tea's tax bill took a jump to \$163,843 — more than double the figure of the preceding year. But that was 1917.

Taxes were down again in 1918,

and by 1919 had dropped so far that the company had to pay a mere \$28,770. That is only \$0.10 a share on the stock — and what is \$0.10 to a stockholder? ?And it is only \$8.58 for each worker, which, as the workers would tell you again if you asked them again, meant nothing to them. The company had to pay it — they didn't.

After that, Jewel Tea was pretty lucky. Taxes continued low for quite a spell. Even in 1932 they came to but \$248,457. Of course that was equal to \$0.89 on each share of stock, but every one knows that stockholders are no better than they should be, and it served them right. Also, it amounted to \$85.57 for each employe, but not a clerk in one of the company's stores, or a driver on one of the wagon routes, had to reach in his pocket for so much as a five-cent piece.

The year 1932, you will recall, was the year before the present administration took over to put an end to the profligate extravagance and onerous taxation that was bringing the country to ruin under Hoover. Something must have miscued. Taxes, instead of going down, went up. In 1934—the second year of the demonstration of how to reduce government expenses by spending more, Jewel Tea's tax bill amounted to \$589,069, more than twice what it was in 1932.

That was equivalent to \$2.10 on each share of stock, and \$176.13 for each employe. Think what it would have been but for the administration's unshakable determination to keep government spending at a minimum!!

But you should have heard the cries of dismay from the Jewel Tea people. Actually, though they did not realize it at the time, they were getting off easy in 1934.

In 1936 they had to dig up \$850,605, equal to \$3.04 on each share of stock. Each employe—you can figure it out for yourself — was ahead

of the game to the extent of \$246.52 by not having to pay his share of the tax levied upon the company he worked for. Pretty clever fellows, those employees, much too smart to let themselves be used as ratspaws by the company in trying to get its taxes reduced. They know which side of the butter their bread is on.

By 1938 the tax collectors must have realized that they had a gold mine in Jewel Tea. The mine produced a million dollars that year. In 1939 the yield was \$1,137,256, or \$4.06 for each share of stock, \$313.71 for each employe. Taxes took 45% of the company's earnings that year.

In 1940 taxes claimed 48% of net income before taxes, or \$1,440,470, which was equal to \$5.19 on each share of stock, and \$371.65 for each employe.

In 1941 there was a boost that was a boost. Taxes totalled \$2,430,381, 62% of net before taxes. As there had been a two-for-one stock split, the per share tax was only \$4.34, but on a comparable basis it was \$8.68, up from \$5.19 the year before. Average employment that year was 3,850, so that taxes represented \$615 for each worker.

Some people say that such taxes are always passed on, that the public pays the bill in the shape of higher prices. They say that a tax on economic rent — on the annual value of unimproved land — is one tax that cannot be passed on.

They say that the employees are right; that they suffer only from the higher living costs that result from a general application of heavier taxes, since it is extremely unlikely that their wages would be increased even if taxes were lowered.

They say that competition, if allowed to operate freely, would prevent the stockholders from reaping an inordinate profit from the business.

They say — but never mind what they say. Isn't Jewel Tea a jewel for the tax collectors?