

THE REVENUE ACT OF 1932 AND THE PROPOSED
MANUFACTURERS' SALES TAX.*

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During the recent session of Congress, balancing the budget and raising money were the principal issues. The result of all this was the Revenue Act of 1932, a tax to raise money. During the formation of this act the nerves of the members of Congress and the people were taxed to their utmost. Since the bill was passed we have taxed the brains of the Treasury Department and the patience of the officers of the drug associations finding out just how this tax is to be interpreted and paid.

The Government must have money. No one enjoys being taxed, so each one is trying to have the amount needed extracted from the other fellow.

There are reasons to doubt that not any one estimate nor all together will bring in the dollars of revenue that was estimated, and therefore Senators and Representatives do not hesitate to say that there must be a revision of the 1932 Act. Newspapers throughout the country quote our Washington legislators as saying they favor adopting at this coming general session a manufacturers' excise or sales tax.

Title IV of the present law deals with a manufacturers' excise or sales tax, and undoubtedly all of those taxed under provisions of the other nine titles are going to relieve themselves by encouraging a sales or excise tax. All the interests taxed 10% or more under Title IV are going to ask that the percentage of their tax be reduced or taken off entirely.

This obviously will increase the amount of money that must be raised if a change is made when Congress meets this December. Looking at the whole list of millions of expected tax dollars you see that those items which are sold in the drug store make only a small per cent of the total and that those items which are taxed and are often bought in drug stores are likewise supplied in many other kinds of retail establishments as the 5 and 10 cent, beauty parlors and department stores. I call your attention to the fact that drug stores *were not singled out* and discriminated against. On the other hand only about 20% of the products in drug stores are now taxed under the *present* law.

Look carefully at the possibilities of what a general excise or manufacturers' sales tax may do. It may not increase the percentage numerically of the individual items taxed, but it will increase the kinds of items taxed. There seems to be little danger of any increase of the 10% tax on toiletries, nor the 5% tax on dental and other preparations. I fancy the specialty shops like barber shops, and beauty parlors will work hard to get a general sales tax, such as has been suggested to be 2 $\frac{1}{4}$ % and this would lower for them the tax on creams and cosmetics, the few kinds of goods they sell, from the present 10% to a 2 $\frac{1}{4}$ %.

Any manufacturers' excise or sales tax will probably eliminate food and clothing and medicines so long as we have a large number of unemployed. Food and clothing interests are lobbying in Washington and are demanding that their items be exempted. Every item that is deleted from the list of manufactured products that may be taxed, increases the rate finally decided upon. It is up to those who

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are dispensing and prescribing medicines to espouse the cause of their customers, the sick and helpless.

The amount *needed* by our Government will be the factor dictating the rate fixed and not any idealized figure. Government expenses have been decreased temporarily. The present amount fixed as Government expenses is not apt to be permanent. These expenses gradually increase with the growth of the nation. Government departments and employees are asking that cuts and reductions be canceled. Every time you ask for a favor or service from any department you are told that the service you ask for must be limited on account of department appropriations that have been cut by Congress. This curtailing of needs, in time, may wear away political opposition to the continual reduction in governmental expense and increases will come again.

In the history of taxation there have been many different kinds of taxes to raise Government funds. Taxes were put on real estate; there were revenue taxes, tariffs; manufacturers' excise or sales taxes were tried on some things which were of questionable benefits to humans, items which are considered by many to be harmful. Belonging to this type are cigars, liquor, playing cards, oleomargarine, etc. An income tax for a while was and still is one money-raising measure. Now we are trying out a sales tax on needed and desired items as a definite plan.

A general manufacturers' excise or sales tax as a definite plan for the Government to raise money is a new principle of taxation even though we have had it in times of emergency. If the principle of sales tax becomes established for the national Government as a good kind of tax, states and local bodies will adopt it. Some state legislators are already at work drafting this new type of legislation and three of the states now have sales tax laws.

'Tis said, two things are certain, taxes and death. Although a sales tax has been called the painless tax, and undoubtedly costs the governments less money and trouble to collect, it may in time become the last straw to break business and cause death.

Inasmuch as the tax, if imposed, must be paid, I propound for your consideration this question: Will not the Government have to delve deeply into private business in order to be assured that the tax is paid and before long governmental parental supervision of business will have become a fact? This parental power by the Government is one of the things business has been fighting for years.

Inasmuch as any endorsement of a manufacturers' excise or sales tax is an endorsement of the *method* of taxation by the Government, the rate of taxation must be fixed by the money *needed*, and as Government expenses always increase, whatever rate is first agreed upon will go up and not down as years follow. It will stay up until it reaches the breaking point as it has already on real estate. If $\frac{1}{10}$ of 1 per cent is endorsed now, when that is not sufficient to meet needs, the rate will be raised and you who have endorsed the principles of the sales tax are committed to the increase.

Associations are prone to endorse legislative remedies which they do not fully understand. Remedies for grievances fancied to be severe, and relief for present ills are often hastily adopted. Therefore, I warn you that it behooves the drug associations to thoroughly understand a manufacturers' excise or sales tax before endorsing

it as a remedy for fancied objections to Sections 603 and 615 in the present Revenue Act of 1932.

ESTIMATED REVENUE FOR FISCAL YEAR 1933, IN MILLIONS OF DOLLARS.

	Millions of Dollars.
Title I, Income tax:	
Individual.....	178
Corporation.....	41
Title II:	
Estate tax (collections begin after June 30, 1933)	
Title III:	
Gift tax.....	5
Title IV, Manufacturers' excise taxes:	
Lubricating oil, 4 cents per gallon.....	33
Brewers' wort, 15 cents per gallon.....	
Malt syrup, 3 cents per pound.....	82
Grape concentrates, 20 cents per gallon.....	
Imported gasoline, crude oil, etc.....	
Coal, lumber and copper.....	6.5
Tires and tubes, 2 $\frac{1}{4}$ and 4 cents per pound.....	33
Toilet preparations, 10% except dentifrices, soaps, etc., 5%.....	13.5
Furs, 10%.....	12
Jewelry, 10% on amounts over \$3, plated silverware exempt.....	9
Passenger automobiles, 3%; tires and tubes exempt.....	32
Trucks, 2%.....	3
Parts and accessories, 2%; tires and tubes exempt.....	7
Radio and phonograph equipment and accessories, 5%.....	9
Mechanical refrigerators, 5%.....	5
Sporting goods and cameras, 10%.....	5
Firearms and shells, 10%.....	2
Matches, wood, 2 cents per thousand; paper, 1/2 cent per thousand.....	4
Candy, 2%.....	4
Soft drinks, various rates.....	7
Electrical energy, 3% on sales for domestic and commercial purposes.....	39
Gasoline, 1 cent per gallon.....	150
Total, Title IV.....	456.0
Title V, Miscellaneous taxes:	
Pt. I. Telephone, telegraph, etc.....	22.5
Pt. II. Admissions.....	42
Pt. III. Stamp taxes.....	45.5
Pt. IV. Oil transported by pipe line.....	8
Pt. V. Leases of safe-deposit boxes.....	1
Pt. VI. Checks, 2 cents each.....	78
Pt. VII. Boats.....	0.5
Total, Title V.....	197.5
Total additional taxes.....	958.5
Title VIII, Increased postage rates and other postal provisions, increase 1 cent first class.....	
	160
Total additional taxes and postal revenue.....	1,118.5