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Salt Lake City, Utah.  
Permit No. 75.

Gemnell, R. G.  
% Utah Copper  
Salt Lake City

ECONOMY IN THE EXPENDITURE OF PUBLIC MONEY

# T = UTAH = TAXPAYER

DEVOTED TO THE INTERESTS OF UTAH TAXPAYERS

VOLUME ONE

SALT LAKE CITY, UTAH, JANUARY 18, 1923

NUMBER ONE

### *From the Official Records*

A pyramid showing the total taxes collected for all state purposes covering a period from 1916 to 1922 inclusive:

1916	8,857,095
1917	10,699,492
1918	11,721,097
1919	13,943,165
1920	18,311,967
1921	18,153,589
1922	17,183,949

In 1916 the per capita tax was \$21.08

In 1922 the per capita tax was \$37.06

That means that in 1922 the tax burden, if equally distributed would have required of every man, woman and child in this state a payment of \$15.98 more in 1922 than in 1916 for the purpose of keeping the State government in operation.

The tax apportionment to the average family of five in 1922 would be \$79.90 higher in 1922 than in 1916.

**How far did you, as tax payer, participate in authorizing this added burden?**

The Utah Tax Payer will tell you in its next issue where this money goes.

## Foreword

**T**HERE is an insistent demand throughout the state for a reduction in taxes. The imperative need for definite information as to what the real tax situation is and how to bring about a reform has led to the decision to issue regularly a publication to deal exclusively with taxation and to reach the tax payers of this state from all walks of life who are known to mold public opinion in their respective groups and communities. Hence the Utah Tax Payer, which makes its initial appearance today. It comes to your desk in the hope that it will meet the reception which a sincere desire to lay the facts before the public, merits.

The attitude of the Utah Tax Payer will be found impartial, impersonal and non-partisan. It will endeavor to be exact, painstaking and fearless in making its investigations, presenting its findings and offering its counsel. The facts and figures which will appear in the Utah Tax Payer will be authoritative as they will come only from official records.

It may not be possible to reduce materially the current expenses of state government, yet every step in that direction will bring us a little nearer the goal. But if the Utah Tax Payer proves an agency in checking a tendency to go beyond our means, and if it points a way to protect future generations from constantly increasing burdens, it will have accomplished the purpose designed by its sponsors. Probably the various financial, commercial and

agricultural groups in Utah may disagree at times as to methods and responsibilities, yet they all seem agreed that taxes are too high, that the public debt is too heavy, and that some sort of action should be taken to obtain the needed relief. Commercial clubs, chambers of commerce, luncheon clubs, and similiar organizations are with us in everything that we may be able to do for Utah, her name, her reputation, her prosperity, her credit and her future. Party platforms, civic resolutions, pointed criticisms and conversation, however, have affected no noticeable changes. Real facts to the tax payer himself must arouse him to the importance of intelligent action.

To declare for rigid economy in one breath and to advocate public improvements in the next; to demand a lowering in taxes and yet to favor bond issues for various purposes which, however desirable, may be found dispensable, seems inconsistent.

The Utah Tax Payer opens its columns for a free discussion of all these matters as they may be considered from the standpoint of public welfare. The cooperation of all citizens in the interest of a more intelligent conception of the tax question is sincerely invited by this publication. Your communications will receive careful consideration, and constructive criticism will always be welcome.

The Utah Taxpayer solicits your warmest support and cooperation, to that common end.

## Look at the Pyramid

The Pyramid which appears on the first page of this magazine shows the increase in taxation during the past seven years. The increase from \$8,857.095 in 1916 to \$17,183.949 in 1922 leaves a noticeable flatness in the pocket book. It means that, where the taxpayers of the state had to contribute \$21.08 each in 1916, they now have to put up \$37.06 each to keep the good ship going.

Is there any lesson in these figures? Do they mean anything to you, Mr. Taxpayer? Don't they suggest retrenchment in public expenditures, revision in some phases of the tax laws, readjustment of the system?

In ten years our taxes have more than doubled. To be sure we have pavements, and waterworks, and parks, and other municipal improvements and expenditures to show for the outlay. We demanded everything we got. We authorized the

outlay in every instance. We are still clamoring for improvements. We insist on our streets being kept clean regardless of cost, and we growl more at economy which overlooks a snowstorm than we do about the expense of removing the snow.

Some are inclined to blame our present form of government for the increased taxation. By the same token, the same system should be credited with the marvelous improvements which have taken place during the same period.

We vote bonds and we authorize indebtedness, and then abuse our officials because the interest on this indebtedness has to be raised from year to year by taxation. We are not reasonable. We are not fair. We must begin to realize that we cannot have everything we long for; that we will have to pay if we get it; that we must strive to get along without

some very desirable improvements until we can afford them; and that we ought to "stop, look and listen" whenever a campaign for new improvements is launched.

To join the hue and cry against our form of government, or our chosen officials, means nothing and gains nothing. That smacks of the soap box. We cannot evade responsibilities which are ours as citizens, as voters, as taxpayers.

Let us study the figures printed herein from time to time. Let us do a little thinking. Let us reason together. Let us exchange views. Let us get down to business together. Let us acknowledge our own faults and try to work out a plan for the financial salvation of Utah.

Now turn once more to the pyramid on the first page, and study it. What lesson does it hold for you, Mr. Taxpayer?

# UTAH TAXPAYER

Published by the Utah Associated Industries,  
ADVISORY COUNCIL

JANUARY 18th, 1923

Assisting the general tax committee of the Utah Associated Industries will be a group of representative taxpayers from the principal lines of activity in this state. Their names will appear in the next issue of the Taxpayer.

Address all communications to The Editor, Utah Taxpayer, McIntyre Bldg., Salt Lake City.

## FUNDAMENTALS IN TAXATION

Taxation is a serious subject. The purpose of this magazine is to discuss taxation. "The Utah Taxpayer" will, therefore, be a serious publication.

Sponsored by the Utah Associated Industries it will endeavor to review the questions involved, fairly and fully, to offer suggestions from time to time to provide an open forum for the discussion of tax problems and to erect a few signboards along the highway of progress that the people may know the road they are traveling.

Nor is the purpose of this publication to warn the public against this expenditure or that. The magazine is published merely to acquaint the taxpayers of the state with certain cold facts which are likely to be obscured or ignored.

A path may be well paved and beautifully bordered but may nevertheless lead to the edge of a cliff from which, if approached with caution, a grand vision may be seen; while to run heedlessly might lead to disaster. It is well to know where we are heading and to regulate our speed in time to stop at the brink.

Taxation is a topic everybody thinks about and few understand. We demand certain improvements and complain when we have to pay for them. We emulate wealthier neighbors and grumble at the expense of keeping up with them. It is a subject as old and as complicated as government itself. It has been the study of statesmen and the problem of the people of all ages since the organization of society for the protection and welfare of its membership. Some points have been settled but new ones arise to harass and embarrass political economists, legislators, and taxpayers.

The primary purpose of taxation is to provide the means of conducting, protecting and developing a government. No commercial nation, nor subdivision thereof, can maintain its credit or standing, develop its resources, encourage contentment, or support officials essential to the transaction of its business except at public expense to be met with public funds secured by contribution or levy. As voluntary contributions are uncertain and unequal the necessary money is raised

by taxes, which should be assessed and collected according to these rules:

1. Taxes should be levied according to the ability of the people to pay, or in proportion to the financial benefits derived from the government.

2. Taxes should be certain, clearly reckoned, equable, and not arbitrary.

3. Taxes ought to be payable at a time most convenient to the majority of those who pay.

4. Every tax should be so contrived as to take and keep out of the pockets of the people as little as possible.

5. Taxation should be restricted as to limits of property valuation, or the rate of levy defined by law.

Most people know that a tax is a pecuniary burden imposed primarily for the support of the government; it may be levied by legislative authority for any public need. While it must be orderly, definite and justly proportioned, it is void unless legally assessed.

The power to tax is vested entirely in the legislative department of the Nation or subdivision thereof having jurisdiction and authority. No matter how oppressive taxation may seem, the judiciary cannot change it; a court may only check abuse of authority.

Taxes are classified as direct—including those assessed upon the property, person, business, income, inheritance or occupation of those who pay them; or indirect—which are levied upon commodities before they reach consumers, who subsequently pay them as part of the market price. It is with the direct tax only that we are now concerned; with the assessment, rate of levy, collection and disposition of our involuntary contributions to state, county, city and school funds.

Taxes are always irritating. Frugality and economy in the administration of public affairs generally reconcile taxpayers to any reasonable burden they may be asked to bear. But, as Hallam, the historian says, "The sting of taxation is wastefulness, which mortifies the liberal hand of public spirit; and those statesmen who deem the security of government to depend, not on laws and armies and peace officers, but on the moral sympathies and prejudices of the people, will vigilantly guard against even the suspicion of prodigality."

The constitution of the State of Utah empowers the legislature to provide an annual tax sufficient, with other sources of revenue, to defray the estimated ordinary expenses of the state for each fiscal year. Also, for the purpose of paying the state debt, the legislature shall provide for the levy of a tax annually, sufficient to pay the annual interest and the principal at the end of twenty years. But the rate of levy for all state purposes shall not exceed 8 mills on each dollar of valuation. And whenever the total taxable property within the state shall amount to \$400,000,000 the rate shall not exceed 5 mills on each dollar of valuation. The amended constitution likewise limits the amount of aggregate indebtedness to be incurred by the state, county and city.

The Utah Taxpayer invites expressions of opinion, suggestions for legislation, inquiries and discussions of the various phases of the tax question in Utah. It will all prove illuminating. Obviously all should study issues which concern them so vitally. They ought to know which way they are heading and how far they can go in safety.

## Governor Mabey's Message

An excerpt from the message of Governor Mabey to the State Legislature now in session, should be read by all taxpayers. That the law should define the authority of counties, municipalities and school districts to expend public moneys, that it should require a sinking fund to be set apart for the discharge of the several bond issues, and that there should be independent audits of all these funds every year, must be apparent to every business man and woman. The governor discusses this matter as follows:

### Taxation

Chief among the thoughts of the average citizen of today is that of economy. Wherever he has spoken, his words have been unmistakably for rigid trim-

ming in every line of governmental activity. Two years ago it was the hope that the necessity for drastic cuts would have passed away, but the severe financial stress under which all classes of society have labored forces the conclusion that even more careful conservation of funds must be assured to live within the pocket-book of the taxpayer.

That this administration has striven to do this is evidenced by the figures already given. But the state's attempt to spend less money is futile without a similar resolve on the part of every tax-levying power. This truth is apparent even in the most casual study of the distribution of the tax dollar. From the graphs on your desks, taking 1922 as an example,

it will be observed that only 6.4 cents out of every dollar raised went into the state exchequer. This small percentage of the whole, though it were eliminated entirely, would not materially reduce the burden, unless every other body, charged with the duty of raising money, makes an essential reduction. In compliance with an insistent demand the state decreased its levy in 1921 approximately 12 per cent; yet in spite of this the general aggregate for that year was higher, because other taxing units failed to make similar reductions.

The constitution limits the state levy to 2.4 mills. The men who framed it had no hesitancy in thus keeping its officials within certain bounds. Ought there not to be similar definite restrictions against all others who have the authority to levy?

To a careful observer it would seem apparent.

I cannot leave this subject without advising you of another unwholesome tendency. The complaint is repeatedly made that government cost has expanded enormously during the last decade. The charge is true. But it must be patent that the demands upon government have been equally as great. Citing some instances in the seven-year period from 1916 to 1922, inclusive, a remarkable divergence in the percentage of increase among the various funds appears. While the growth in the general fund was 43 per cent, it amounted to 100 per cent for the district and high schools and 324 per cent for road purposes. Ten years ago we had no road program at all. Last year 26.9 per cent of all moneys received

went for this purpose alone, while 50.1 per cent was devoted to education and less than 6 cents out of every dollar for administrative needs. These are figures that pertain to state affairs alone. Investigation of other political units will prove this trend to be even more marked.

We have determined that this commonwealth shall have a strong educational system and a network of excellent highways, for these are the twin sisters of orderly progress. We have demanded protection to our citizenship as against the encroachment of wealth. We have beautified our cities and towns and made them better places to live in. But all these improvements have added heavier responsibilities upon government and have been the main cause for our ever-enlarging tax problem.

## *Economy to Begin at Home*

In every civilized community it has always been found necessary and desirable for the constituent members to organize themselves into some form of government for their mutual protection and well-being. In principle at least, all government exists for the sole purpose of performing those necessary functions which the individual, for one reason or another, is incapable of performing for himself. It is universally recognized as an essential duty of government that it should supply protection to the individual or to his property through the public exercise of the police power. It is in recognition of this obligation that the army and navy, the police and fire departments, the administration of justice, and related agencies of government have been created. The duty of developing a commonly owned system of communicating highways, of educational facilities and of provision for caring for the helpless members of society must necessarily devolve upon the public in general rather than upon the individuals as such.

In order to meet the expense involved in the discharge of the duties of government there must be levied upon the people a distributive tax sufficient in amount to defray all resulting costs. Government activities being in the nature of the exercise of a common joint function, there can be no valid objection on the part of the individual to the assessment upon him of his reasonable share of the necessary and proper cost of governmental administration.

The collection from the people however, in the form of taxation of a sum in excess of the reasonable and necessary expense of the conduct of government is absolutely unjustified since it deprives

the tax payer of income which is rightfully his to devote to the needs of his own personal requirements and diverts it to uses from which he derives no benefit.

The imposition of taxes for the purpose of financing activities of government which are paternalistic in their nature and which seek to introduce public control over individual effort is a direct violation of this primary principle of taxation. The present marked tendency of government, federal, state and municipal, to extend its functions well beyond the limits of absolutely essential requirements has already assumed alarming proportions and is diverting yearly enormous sums of money from the earnings of the people to non-productive and wasteful purposes.

The expense of government in this country has increased tremendously during the past twenty years. In the period from 1902 to 1921 the total expenditures for all governmental purposes rose from \$1,773,186,000 to \$9,373,595,000, an increase of 430 percent, although during the same interval the population of the nation increased only 39 percent. Unquestionably a very considerable portion of this increased cost resulted from the exercise of functions by government agencies not properly within the scope of essential public activities.

It should be noted that this great increase of \$7,600,409,000 in the cost of government represents the additional sum which has been taken from the yearly earnings of the nation's population and it has reduced by that much the amount which can now be applied to the individual needs of the people themselves.

We have already reached a point in our economic affairs where, because of this

great consumption of income by taxation, there remains an insufficient sum with which to maintain the accustomed standard of living for our population and at the same time to supply the necessary new capital for the creation of additional facilities which are constantly needed to meet the growing requirements of the people. In other words taxation in this country has now reached an amount in the aggregate which is in excess of our ability as a people to pay except at the sacrifice either of our present requirements of living or of our necessary provisions for the future needs of our growing population.

The large increases in the cost of state and municipal governments however, have not been due except in small measure to war expenditures, and it is principally within this field that we must look for any marked reduction in taxation. The right application of the budget principle to the revenue policies of the several states and municipalities in the same effective manner that it has recently been made to operate in our federal financial affairs would go far to correct the evil tendencies of governmental extravagances in these units.

During the twenty year period previously mentioned, taxes for the support of federal government have increased 750 percent, for state government, 400 percent, and for municipal government 500 percent. As already suggested, the possibility of any substantial reduction in the federal budget is greatly limited by the positive nature of its principal items. The reduction in the cost of state and local governments should and must be reduced if we are to escape the blighting consequences of excessive taxation in this country.