

TAXES

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Tax Problem Number One

While cutting taxes seems to be of major importance during a political campaign it is also of considerable importance any time that politics or economics is a topic of discussion. It is a popular belief that a dollar less paid out in taxes mean a dollar more to be spent on something else highly desired.

However there are other aspects of the tax problem that are far more important to the average individual than tax cutting. The most that taxes could be cut would be of slight benefit to most people and the harm done to governmental activities could be enormous if such tax cuts were not well considered.

In order to cut taxes it is necessary to cut governmental spending. In order to cut spending it is necessary to cut out some governmental activity or to sharply reduce some such activity.

The question then becomes: What activity do we want to do without? Shall we do without fire and police protection? That is ridiculous on the face of it for every one wants better fire and police protection, together with the resulting lower insurance rates, not less protection. The cost of protecting ourselves individually from the hazards now ward off by firemen and policemen would be infinitely greater than it now costs in taxes on a cooperative basis.

Shall we reduce our schools? Shall we do away with our public institutions for the sick, the handicapped, and the helpless? Shall we do away with our parks and recreational facilities? Shall we abandon our conservation programs and let our natural resources be wasted and lost.

Shall we repeal our pure food laws and other restrictive laws designed to make living conditions better just because we can thereby save the cost of enforcement?

If the usefulness of any governmental peace time activity is seriously examined it will become plain that its value to the country exceeds its cost. Usually such a careful examination will bring the

conclusion that the activity under study could very well be expanded and probably should be when financial conditions permit.

It is true that every penny of public money should be spent carefully and every public official and every citizen should make every effort toward this end.

Our problem then becomes one of electing **honest** and **capable** public officials so that the very most can be derived from every cent of tax money. Perhaps if all tax money is spent wisely it will not seem desirable to reduce taxes.

Tax Problem Number Two

If it can be agreed upon that the things provided for us by tax money are good things and that getting them through our government is the best and cheapest way then it becomes obvious that we do not want to cut taxes. When we decide to buy a car we do so because we want a car and we expect to pay for it. If we have only a little money we buy a little car and plan some day to buy a better one when more money is available. So it is with governmental activities. We want the best that we can afford.

Then our tax problem becomes the question: How can our government afford to spend more money? In Nebraska our State, County, City, and School District taxes are largely raised by a property tax either directly on his points in favor of this kind of taxation. Every one pays some property tax either directly on his own property or indirectly on his landlord's property. Taxes on real estate can always be collected because public officials can sell one's property to collect the taxes if need be. Property taxes are harder to collect during periods of depression but even if it works a hardship on the owner he must pay.

On the other hand the property tax has some faults. It has failed to provide the needed amount of money in many instances and it has often proved to be inequitable. The reasons are fairly easy to understand. First, some property is intangible, such as money, bonds, etc., and it offers people the opportunity to hide it and not pay the taxes due on it. Second, much tangible property such as watches, radios, pianos etc. are not turned in to the tax assessor and are therefore not taxed. This is due to the inclination some people have to be dishonest and to the inefficiency of the tax assessor. Third, real estate assessed valuations have not been equitable due to the original assessment being in error or to a change in real estate value without any change in assessed value. This is due partly to inefficient assessors, partly to dishonesty and partly to a faulty method of assessing property. People should not be too severely blamed for wanting to keep their assessed valuations low when other property of great

er value is assessed for less or perhaps is not turned in to the assessor at all.

This tax problem then becomes one not of raising tax rate higher to get more money but one of getting all assessed equitably. It should not be necessary to ask for higher rates in most instances if all the taxes legally due have been collected. An equitable tax assessment law with proper provisions for enforcement and penalties for officials and private parties who evade or contribute toward tax evasion would go far toward solving this tax problem.

Tax Problem Number Three

There are numerous theories of taxation which are the basis for suggested changes in our tax system. Usually any suggestion for a change is countered with the charge that such a program would mean additional taxes rather than a different form of taxation. This is not necessarily true though in some instances it might be true and might even be desirable.

In considering any tax, several factors must be given careful attention. 1. Will it raise the required amount of money? 2. Will the cost of collection be too high? 3. Can it be collected so effectively that evasion will not destroy its value? 4. Does it reach a reasonably large percentage of the people? 5. Is it equitable? 6. Does it collect most from those able to pay the most? 7. Does it collect most from those who derive the most benefit from governmental expenditures? 8. Will it support the government during times of depression? 9. Will it bear too heavily upon the people during depressions? 10. Can it be adjusted to raise more money during periods of prosperity? 11. Will it encourage or discourage savings and investment? etc.

The major forms of taxation to which these criteria should be applied are the property tax, the sales tax and the income tax. Each of these can be modified in many ways to meet the objections and the demands of the tax payer.

For instance in some States the property tax is modified to include a homestead exemption on the theory that this corrects an inequality between the person who own a small home which is an asset to the community but a continual expense to the owner, and another person who owns a small business of little actual worth but a source of considerable income to the owner. Also this is designed to protect the poor man, who has nothing but his home,

from taxes that might become confiscatory.

The income tax is another tax which is modified to place a higher rate of taxation on the higher income groups. The chief controversy usually develops over how low the tax shall reach into the lower income groups and how high the rate shall reach in the higher income groups.

The sales tax is also of a very controversial nature but it too can be modified on a graduated basis to meet one of the chief objections to it. That is it can be modified so that the bigger the sale the higher the rate of taxation. A flat sales tax would take more money from the rich man than from the poor man and that argument often wins the support of the poor man. However if a 2% sales tax is levied the man earning \$1000 per year would probably spend it all and pay \$20 tax while the man earning \$10,000 or \$100,000 will pay 2% on only a portion of his earnings as he is in a position to save a large part of his earnings. However if the rate of the sales tax was to be higher on higher priced items this would partially overcome this objection.

So it can be seen that any tax plan must be carefully analyzed and the bad points and the good points considered before judgment is rendered. Also it appears that the faults of most plans can be corrected if an honest and unselfish effort is made.

Such problems are the responsibility of all the people. It is the peoples' responsibility to see that taxes are properly raised and properly spent. Organizations dedicated to lowering taxes and to fighting all tax expenditures are not necessarily working for the benefit of the people. Let's be as well informed as possible. Let's be honest and unselfish and have a better community and a better country as a result of our efforts. Let's solve these tax problems so that we can pay our taxes gladly.

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