pany of California, which were inaugurated by the Boards of Directors of the two companies early in November, and which has received the wholehearted approval of an overwhelming majority of the stockholders.

The capital stock provision of Union Oil Company of California will not be changed by the merger. It will have exactly the same number of shares outstanding as it had prior thereto, and it will be benefited by the interest in its affairs of several thousand additional stockholders.

The Mounting Gasoline Tax

THE last session of Congress, faced with a huge treasury deficit—for reasons largely political—turned its back on a general sales tax as a revenue producing measure, but not until it had singled out the oil industry as one of its few exceptions, placing a tax of one cent a gallon on gasoline and four cents a gallon on lubricating oil. That act in itself would not have alarmed the industry had it not been that during the past decade the state legislatures of 48 states of the Union, and a number of cities and counties, had also been singling out the oil industry for special taxation. With the national deficit growing, the lame duck session now in progress, and the legislative bodies of most of the states in session or about to convene, the attitude of the legislators, as exhibited by Congress last summer, is truly disquieting.

For a long time the oil industry has acquiesced to the taxing of gasoline as a means of raising revenue to maintain state highways and to build such new roads as were essential to the proper development of the respective states, but it has been opposed to the use of revenue derived from the gasoline tax for general expenditures. The apparent ease with which the gasoline tax has been collected, however, has proven too great a temptation to local officials, and, as a result, some state, county and city governments, facing depleted treasuries, have dipped into the gasoline tax fund. With the national government setting a new example to the local law makers, the oil industry is particularly anxious that the general tax-making bodies, and the public at large, appreciate the position in which the industry is being placed by excessive taxation.

The history of the gasoline tax reveals that it has been progressing steadily upward. The first gasoline tax bill was passed by the Oregon legislature in February, 1919. The statute was drafted by Loyal M. Graham of Forest Grove, Oregon. A similar bill, introduced in 1917, had failed to pass. The 1919 measure called for a tax of one cent a gallon on gasoline. It was prompted by the fact that the demand for the extensive repairing of old highways and the construction of new ones, brought about by the increased use of automobiles, was greater than could be financed through regular revenue producing agencies. At that time, also, the price of automobiles restricted their use largely to persons whom the Oregon legislature felt could well afford to pay the tax.

While Oregon is credited with establishing the first gasoline tax, the Congressional records show that in 1915 President Wilson suggested a tax on gasoline as a means of raising revenue, and in 1918 it appeared in the first draft of the House revenue bill. However, it was stricken from the final draft.

Following the lead of Oregon, New Mexico taxed gasoline in March, 1919. Colorado fell in line in April of the same year. Kentucky adopted the tax in 1920, and in 1921 ten new states established gasoline taxes. In every case the levy was for one cent per gallon. In 1923, sixteen new states adopted the tax, and thirteen of the states that had previously established a gasoline tax increased the amount to be collected. The first three-cent per gallon tax was adopted by Oregon, Florida, North Carolina, Arkansas, Georgia, South Carolina and Virginia.

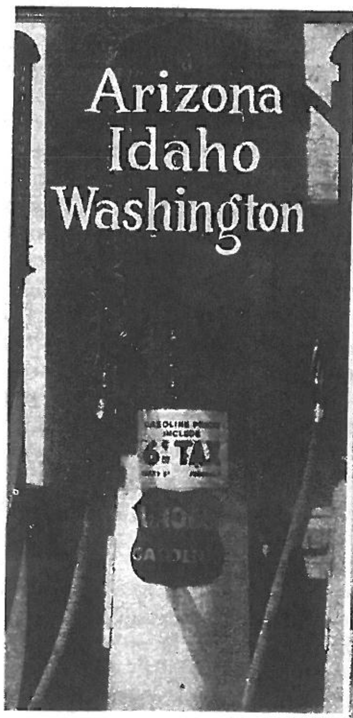
In 1925, nine states joined the gasoline tax ranks and sixteen increased their taxes; in many cases it was the second or third boost in the tax levy. Four-cent taxes appeared in Florida, North Carolina, Arkansas and Nevada that year, while in South Carolina the tax was increased from three to five cents.

Another peak was reached in 1927. Nineteen states raised their rates, and Illinois and New Jersey adopted the tax, leaving New York and Massachusetts the only states without a tax. The following year, however, Massachusetts adopted the tax, and in 1929 New York authorized the collection of a two-cent tax.

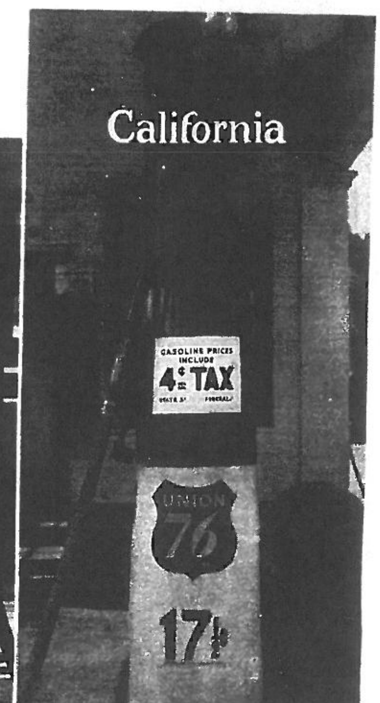
It is significant that as the number of states imposing the gasoline tax increased, the tax itself was boosted—100, 150 and as high as 500 per cent. In 1929, a six-cent tax appeared in Florida, Georgia and South Carolina, and in 1932, Florida and Tennessee enacted seven-cent laws.

Two years after Oregon took the lead in establishing the gasoline tax, it boosted its rate to three cents, and the same year two states in the Pacific Coast group, Arizona and Washington, entered the gas tax column. California, Idaho and Nevada made it unanimous for the coast group in 1923, when the legislatures of each of these states adopted a two-cent tax. From that point on the coast states alternately increased their tax rates: Nevada in 1925 to four cents; California in 1927 to three cents; Arizona in 1928 to four and in 1932 to five; Washington in 1929 to three and in 1931 to five; Idaho in 1927 to four and in 1931 to five cents.

These increases, giving no sign of being curbed, were naturally watched by the oil industry with growing concern. The few protests that were made, however, were directed largely against the misuse of the funds. It was appreciated, particularly in the Western states, that to meet the multiplying demands for better county and state highways, and roads to open up new scenic



New gasoline tax stickers remind motorists of the amount of tax they are paying.



Due to unsettled price conditions in the Northwest at this time, the gasoline tax in some places is equivalent to 50 per cent of the retail price paid by the motorists.

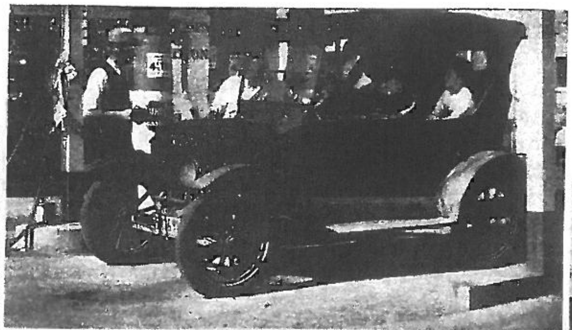
areas and parks to the motorists, the cost of the improvements should come from the persons using the highways. However, the feeling has persisted that yearly road expenditures should be governed by the amount of funds that could be raised by a conservative tax, rather than the taxes adjusted to road programs, frequently too ambitious for available revenue.

The increase in the gasoline tax rates of the various states has reached a point where it has made evasion profitable, and, as a result, has created a troublesome problem, not contemplated when the rates were ad-

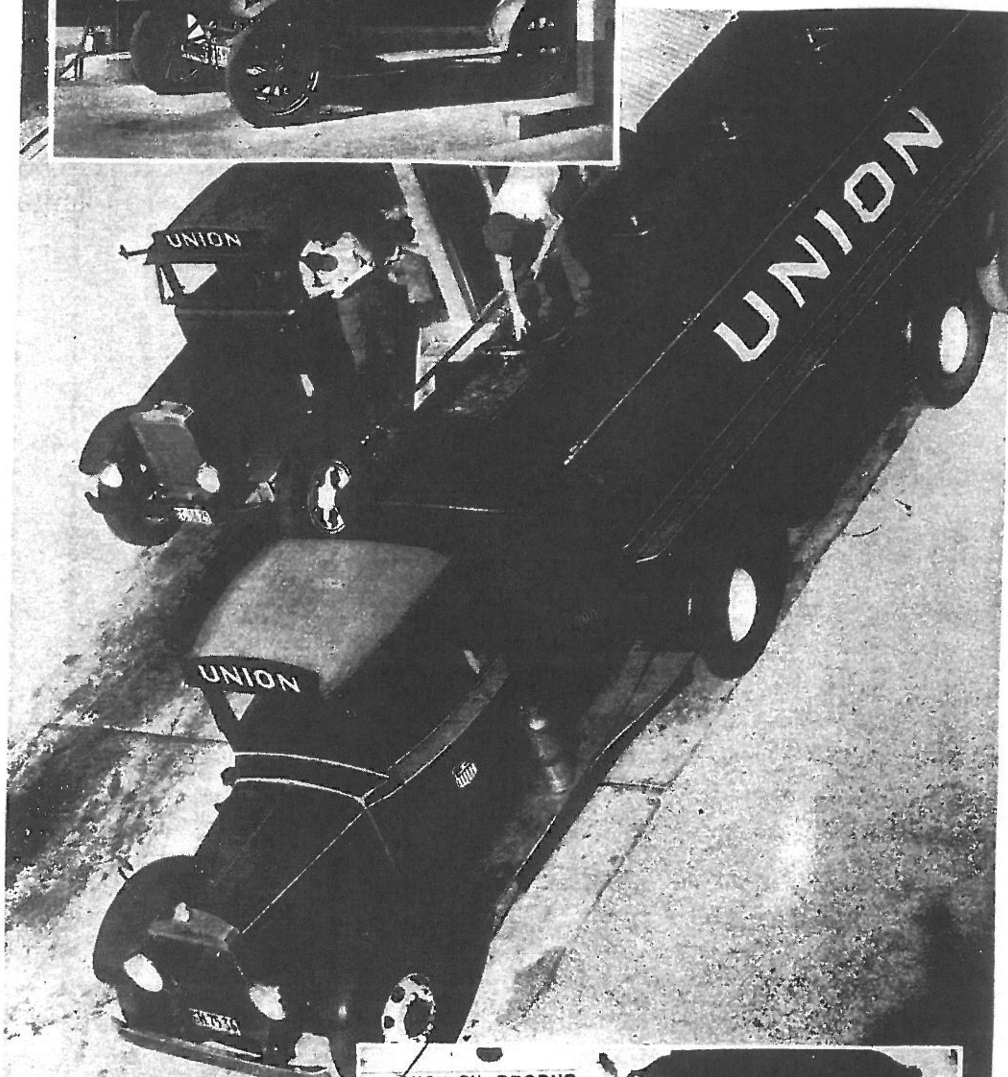
THE GROWTH OF THE STATE GASOLINE TAX

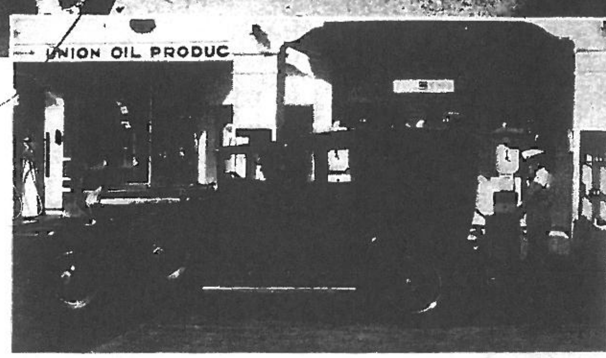
State	1919	1920	1921	1922	1923	1924	1925	1926	1927	1928	1929	1930	1931	June 21 1932
Ore.	1c	1c	2c	2c	3c	3c	3c	3c	3c	3c	4c	4c	4c	4c
Colo.	1	1	1	1	2	2	2	2	2	3	4	4	4	4
N. Dak.	1	1	1	1	1	1	1	2	2	2	3	3	3	3
Ky.		1	1	1	1	3	3	5	5	5	5	5	5	5
N. Mex.	2	2	1	1	1	1	3	3	5	5	5	5	5	5[1]
Ariz.			1	1	3	3	3	3	3	4	4	4	4	5[2]
Conn.			1	1	1	1	2	2	2	2	2	2	2	2
Fla.			1	1	3	3	4	4	4	5	6	6	6	7
Mont.			1	1	2	2	2	2	3	3	5	5	5	5[3]
N. Car.			1	1	3	3	4	4	4	4	5	5	5	6
Penna.			1	1	2	2	2	2	3	3	4	4	3	3
Wash.			1	1	2	2	2	2	2	2	3	3	5	5
Ark.			1	1	3	4	4	4	5	5	5	5	6	6
Ga.			1	1	3	3	3	3½	4	4	6	6	6	6
La.			1	1	1	2	2	2	2	4	4	4	5	5
S. Dak.				1	2	2	3	3	4	4	4	4	4	4
Md.				1	2	2	2	2	4	4	4	4	4	4
Miss.				1	1	3	3	4	4	5	5	5	5	5½
S. Car.				2	3	3	5	5	5	5	6	6	6	6
Ala.					2	2	2	2	4	4	4	4	4	5[4]
Calif.					2	2	2	2	3	3	3	3	3	3
Dela.					1	2	2	2	3	2	3	3	3	3
Idaho					2	2	3	3	4	4	4	4	5	5
Ind.					2	2	3	3	3	3	4	4	4	4
Me.					1	1	3	3	4	4	4	4	4	4
Nev.					2	2	4	4	4	4	4	4	4	4
N. H.					1	2	2	2	3	4	4	4	4	4
Okla					1	2½	3	3	3	3	4	4	5	4
Tenn.					2	2	3	3	3	3	5	5	5	7
Tex.					1	1	1	1	2	3	4	4	4	4
Utah					2½	2½	3½	3½	3½	3½	3½	3½	3½	4
Vt.					1	1	2	2	3	3	4	4	4	4
Va.					3	3	3	4½	4½	5	5	5	5	5
W. Va.					2	2	3½	3½	4	4	4	4	4	4
Wyo.					1	1	2½	2½	3	3	4	4	4	4
Wash. D. C.						2	2	2	2	2	2	2	2	2
Mo.						1	2	2	2	2	2	2	2	2
Iowa							2	2	3	3	3	3	3	3
Kan.							2	2	2	2	3	3	3	3
Mich.							2	2	2	3	3	3	3	3
Minn.							2	2	2	2	3	3	3	3
Neb.							2	2	2	2	4	4	4	4
Ohio							2	2	3	3	4	4	4	4
Wis.							2	2	2	2	2	2	4	4
R. I.							1	1	2	2	2	2	2	2
N. J.									2	2	2	2	3	3
Ill.									2	[5]	3	3	3	3
Mass.										2	2	2	3	3[6]
N. Y.											2	2	2	3[7]

[1]Municipalities may levy a tax not to exceed 1c.
[2]Until June 30, 1933, then 4.
[3]Until March 31, 1941, then 3c.
[4]Until October 1, 1935, then 4c.
[5]Illinois law declared unconstitutional in 1928; repassed in 1929.
[6]Until April 30, 1935, then 2c.
[7]Until June 30, 1933, then 2c.



The gas tax effects all alike—the man with a $25 car and the owner of an $8000 machine. Excessive taxes on gasoline place hardships on thousands of small salaried workers who must operate cars.





The gasoline tax on the contents of this 3500-gallon tank truck in California totals $140; in Nevada and Oregon, $175, and in Arizona, Idaho and Washington, $210. That is equivalent to 38 per cent of the net return to the company at the station, from which must be deducted distribution, transportation and manufacturing costs.

vanced, i.e., bootlegging. In the past few years the operations of the gasoline bootlegger has been conducted on almost as large a scale as the perveying of illicit liquor. States created a means of collecting the tax from companies operating on a legitimate basis, but did not create a means of coping with the evader.

Much of the bootlegged gasoline, which is usually of a distillate variety, is disposed of by dumping it (in the early morning hours) at stations handling gasolines upon which the tax has been paid. The illicit fuel is put into the tanks containing branded gasolines. Naturally, the operator of the station is in league with the bootlegger. He gets the gasoline less the tax, because the bootlegger has paid none, and sells it from his regular pumps, charging his customers full price. It is a quick profit that tempts many who are not anticipating the building up of permanent businesses on a quality and service basis.

The question is frequently asked: "Aside from their desire to stop bootlegging, why should the oil companies be concerned with the amount of the gasoline taxes? In the final analysis are they not paid entirely by the motorists? If so, what difference does it make how high the taxes go?"

While it is true that the prices posted at service stations show the retail prices as including the tax, under present economic conditions, price wars, etc., the industry itself is absorbing a considerable portion of the tax: witness the declining oil company profits and the reduced (in some cases omitted) dividends. Existing economic conditions put a limit on the amount that can be charged for motor fuels or lubricating oils (now affected by the federal tax), and when that price must include a high tax, it is obvious that the tax must be taken out of the legitimate profits of the product. That is why the industry as a whole views with considerable alarm the present session of Congress and state legislatures, hard pressed to obtain additional operating revenues, for it realizes that any new increases in gasoline taxes must of a necessity come out of the dwindling profits of the industry.

To appreciate this fact, one has but to review the prevailing prices of gasoline. The average f.o.b. refinery price in nine refinery districts in the United States, Nov. 26, last, was 5.335 cents a gallon, less than the combined state and federal tax in the states of Arizona, Idaho and Washington.

Each time one of the Union Oil Company's 3500-gallon tank wagons leaves a substation filled with gasoline, if it is in California, a tax outlay of $140 is called for. The state and federal tax on the same tank-load of motor fuel in Nevada and Oregon is $175, and in Arizona, Idaho and Washington $210. If the tank wagon happens to be filled with Union 76 gasoline, the amount of revenue that can be derived from the sale of the fuel to independent dealers, at the prevailing Los Angeles tank wagon price (the price paid by the reseller) of 14½ cents per gallon (this includes the state and federal taxes) is $507.50. Deduction of the tax from that leaves a return, at the station, of $367.50. On this basis the tax represents 38 per cent of the net returns at the station, from which, of course, must be deducted a multiplicity of expenses that narrow the profits to an extremely small margin, so small, in fact, that the tax looks big in comparison.

It is interesting in this connection to point out that at the time Oregon inaugurated the gasoline tax, the service station price of gasoline in Oregon was around 22 cents. In California it was 21 cents and up. The tax, on that basis, was less than 5 per cent of the retail price. Since then there has been a scaling down of the average retail price of gasoline and scaling up of the taxes.

The only commodities that have suffered at the hands of the tax makers to the same extent as gasoline have been so-called luxuries. Its universal use long ago took gasoline out of the luxury class.

There is a strange anomaly connected with the payment of the gasoline tax, and that is, that despite the size of the present tax, the motoring public pays it without being fully conscious of it. No doubt this is because the tax is universal and has been paid over a period of years. When the average motorist now sees the price posted on a gasoline pump he sees it only as the price he is paying to the company whose product he is buying. If the price appears to him to be high, he is likely to express his antagonism toward the oil company. He does not stop to figure, each time he buys 10 gallons of gasoline in California, that he is paying a tax of 40 cents; in Oregon and Nevada, a tax of 50 cents, or in Arizona, Idaho and Washington, a tax of 60 cents.

To make the motorists on the Pacific Coast more tax conscious, the Union Oil Company is placing gas stickers on all of the pumps selling its products.

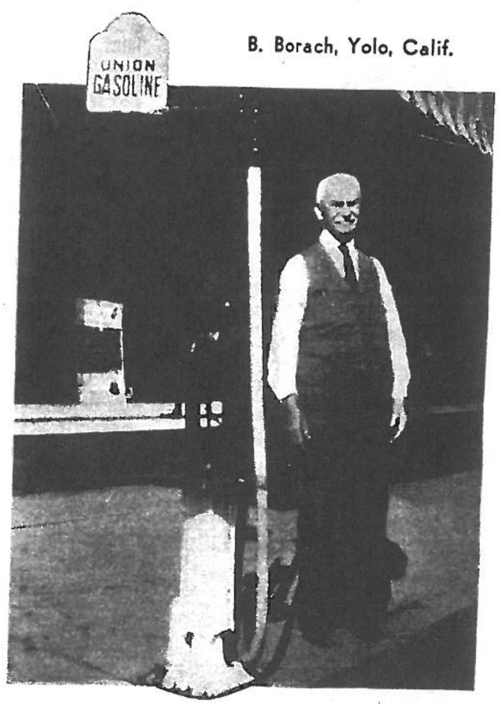
In the state of Maine, last September, when the question of increasing the gasoline tax was submitted to the voters it was defeated. The Maine voters in that election had become gasoline tax minded. It is believed that by making our own Pacific Coast motorists more gasoline tax minded they will be inclined to forestall any new efforts that might be made by Congress, or the state, county and city legislative bodies to increase the gasoline tax burden.

It was once popular and profitable to "soak" the rich oil business; but the industry can no longer take the tax blows it withstood a few years back. Its bonanza days have long since passed. On its total investment of $10,000,000,000 in 1930 its net earnings totaled only $165,000,000 or 1.65 per cent, while it paid taxes amounting to $668,000,000. The net earnings for 1931 were even lower, and those for 1932 are not expected to equal the figures for last year. In 1931 the state gasoline taxes totaled $536,000,000, and the property (taxes on oil lands, equipment, transportation systems, refineries, etc.), corporate, income, license and other levies, brought the total up to $709,000,000. To this must be added the 1932 federal tax on gasoline, lubricating oil, and pipe line transportation, which increases the total tax for the current fiscal year to more than $900,000,000.

The oil industry has provided the golden egg from which the state governments have been nurtured for the past decade, and it now hopes to escape the ignominy of being served on the platter with the egg.

Yolo, Calif., Merchant Oldest Union Reseller

GOING back over his records the other day, B. Borach of Yolo, California, in the Sacramento district, discovered that he has been handling Union Oil Company products, 100 per cent, for 25 years. This establishes him as the oldest reseller, by one year. Second to him is G. C. Christensen of the Penn Oil & Supply Company of Pasadena.



B. Borach, Yolo, Calif.

Borach has been engaged in the grocery business in Yolo since 1892, and a quarter of a century ago started handling Union products on the side, freighting them up from San Francisco.

He says he has continued to do business with Union because of its policy toward the independent reseller and the quality of its products, and adds: "you can say for me that if I'm doing business for another 25 years, it will be with Union."