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## Book Reviews

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## BOOK REVIEWS

STATE SALES TAX ADMINISTRATION, by John F. Due, Public Administration Service, Chicago, 1963, xiv + 259 pages. Price: \$8.00.

Sales and use taxes have experienced a rapid rise in popularity as state and local governments, hard pressed for revenue, have looked for a broad-based tax other than an income tax. Despite the charge of "regressiveness," which may be unmerited,<sup>1</sup> more and more states have enacted these complementary levies.<sup>2</sup> Many states already having the taxes have increased the rate.<sup>3</sup> There is little doubt that until the revenue squeeze on state governments is relieved, the taxes will be with us. It must also be obvious, however, that these taxes will not be effective unless through proper administration and enforcement their full revenue potential is realized.<sup>4</sup> While administration and enforcement are restricted by the legislative grants of authority, there is a fairly wide range of action available to the administrator. The analysis of experiences comparable to his should be rewarding for the administrator. Conferences of state tax administrators are helpful but often by necessity lack depth. Tax practitioners, legislators, economists, and others on the periphery of actual administration maintain an active interest in the problem but are even more restricted in their sources of reliable information. There is thus a real need for a good critique of sales-tax administration.<sup>5</sup> Since Professor Due is no novice in the sales tax field,<sup>6</sup> the announcement of the publication of his study was warmly received.

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1. RETAIL SALES AND INDIVIDUAL INCOME TAXES IN STATE TAX STRUCTURES (1962); Morgan, *Reappraisal of Sales Taxation: Some Recent Arguments*, 16 NAT'L TAX J. 89 (1963).

2. Sales and use taxes have been enacted by thirty-seven states. Those states which do not have such taxes are: Alaska, Delaware, Idaho, Massachusetts, Minnesota, Montana, Nebraska, New Hampshire, New Jersey, New York, Oregon, Vermont, and Virginia. Idaho considered levying a tax this year, but the state senate killed the bill. In some cases, e.g., Alaska and New York, there are city or county sales taxes in the absence of a state levy.

3. Among those states which increased their rates are Pennsylvania, Maine, New Mexico, North Dakota, Utah, Alabama, and Missouri. Other states, which did not raise the rate, broadened the application of the tax.

4. For a study of the sales tax in terms of revenue productivity see OSTER, STATE RETAIL SALES TAXATION (1957).

5. One study of local and municipal sales tax administration provided good review of selected existing practices with commentary, but no complete comparison and critique was attempted. MOAK & COWAN, ADMINISTRATION OF LOCAL SALES AND USE TAXES (1961).

6. Among his writings are several books including PROVINCIAL RETAIL SALES TAXES IN CANADA (1951), THE GENERAL MANUFACTURER SALES TAX IN CANADA (1951), and THE THEORY OF INCIDENCE OF SALES TAXATION (1942), and numerous articles in various tax, economic, and business journals.

In the preface, the author states that the purpose of the study is "to provide an intensive review and analysis of state sales-tax administration, the structure of sales taxes, and the significance of various structural features for effective operation."<sup>7</sup> Unfortunately, despite an excellent beginning, the analysis is not intensive enough and the conclusions are too general. There are, to be sure, a great many factors to be weighed in assessing administrative efficiency in any given area. Can differences in effect be traced to any given cause, statutory or administrative? Perhaps not, but what makes this study unsatisfying is the apparent lack of effort in the direction of such analysis.

A good amount of time and effort was evidently expended in planning the study. Although there are great and obvious similarities between the outlines of this study and that of Moak and Cowan,<sup>8</sup> this study seems to have been more profoundly organized. In this respect the adjective "intensive" is deserved. Surprisingly, it appears that after careful organization of the study and a fairly comprehensive collection of facts, Professor Due was content to stop. The study generally appears, therefore, to offer little more than a reporting of practices in the states, with a minimum of analysis. To anyone connected with sales-tax administration such a study is interesting, but solely at the superficial level of comparisons.

At times supported conclusions are drawn. For example, in dealing with the problem of payment with bad checks it appears that Pennsylvania's statutory penalty, coupled with good enforcement, has brought excellent results as compared to other states with lesser penalties.<sup>9</sup> On the other hand, suggestions for improvement are offered without any foundation or analysis by which to gauge their validity. For example, a great deal of comparative analysis of delinquencies is given.<sup>10</sup> Careful pre-study planning is evident from the scope with which the problem is pursued. After pages of comparisons, however, no conclusions are to the efficacy of statutory provisions or administrative procedures is given. Instead, Professor Due jumps to his recommendations for dealing with the problem.<sup>11</sup> We can assume that the recommendations are based upon those methods now in operation which have produced the most timely tax reporting, but although the procedures in their various stages are carefully listed, no overall summary is offered.

The study is also marred by some errors. Pennsylvania is said not to tax cleaning services<sup>12</sup> or fuel oil for home heating.<sup>13</sup> It is also said that

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7. DUE, *STATE SALES TAX ADMINISTRATION*, v (1963).

8. MOAK & COWAN, *op. cit. supra* note 5. Professor Due was engaged as a consultant by the study's sponsor to review the draft and offer critical comments.

9. DUE, *STATE SALES TAX ADMINISTRATION*, 94-96 (1963).

10. *Id.* at 85-91.

11. *Id.* at 90-91.

12. *Id.* at 164.

13. *Id.* at 192.

Pennsylvania has no maximum penalty for failure to file on time.<sup>14</sup> However, aside from a reference to the Secretary of Revenue as the "Supervisor of Revenue"<sup>15</sup> Pennsylvania's administrative process is accurately described.

Two areas of obvious interest are insufficiently treated perhaps because interviews with administrators will not produce the necessary data. First, there is the border-city problem and the effect on sales where a neighboring state has no sales tax. Second, there is the problem of guidance for businessmen.

The author admits that the border-city problem is acute for Pennsylvania with New York, New Jersey, and Delaware having no sales tax.<sup>16</sup> However, it is stated that "The state revenue department is convinced that the actual effects on sales are small, but has sought to lessen the complaints of retailers by active campaigns to increase use tax enforcement."<sup>17</sup> Apparently Professor Due did not interview any Easton, Pennsylvania, businessmen. It would be interesting to know how much use tax has been collected by the Northampton County Treasurer, from individuals, since June 1.<sup>18</sup> It may well be that nothing short of border and post office inspection will solve the problem, but assuredly the problem will not go away by our eliminating all discussion of it from audit narrative reports or by referring to "active" use tax campaigns.

The problem of informing both the businessmen who must collect the tax and the consumers who must pay is merely skimmed.<sup>19</sup> While Pennsylvania's practice could be better from the standpoint of uniformity of interpretation, no vendor can claim that he has not received cooperation from the Bureau of Sales and Use Tax. Perhaps centralization of *all* interpretations, coupled with the increased use of field auditors as tax advisors as well as tax collectors, would help. Not only is this study of little aid in evaluating this aspect, but there is a strong suggestion that efficiency is solely a matter of comparing administrative cost to revenues.

In summary, this study is an excellent start in a field worthy of attention. The number of facts presented, and their organization, bear witness to the enormity of the task.

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14. *Id.* at 70.

15. *Id.* at 125.

16. *Id.* at 215.

17. *Ibid.*

18. A new section authorizes the county treasurer of every county, except counties of the first class, to receive use tax due from any person other than a licensee. Tax Act for Education of 1963, PA. STAT. ANN. tit. 72, § 536 (Supp. 1963).

19. DUE, *op. cit. supra* note 9, at 221-26.

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AUTOMOBILE INSURANCE RATE REGULATION, by Frederick G. Crane, Bureau of Business Research, Columbus, Ohio, 1962, 161 + xiii pages. Price: \$5.00.

This is an analysis of public control of the ever-growing automobile insurance business. The work progresses most satisfactorily, presenting first the historical development and survey of the structure of the automobile insurance market, and second a survey of the types of insurers and the problems of controlling them.

The important characteristics of the insurance business are treated. Stock companies still dominate the field, though possibly two or three mutual companies have had substantial growth. The old fear of assessability in the mutual companies has tended to decrease in importance with the growth in size of mutuals in recent years. Attention is also devoted to the practical aspects of the business, such as its needs in the way of capital and manpower, and in the way of office space, accounting, and communications. There are a substantial number of tables, not unusual in connection with a study which relies upon mathematical results to make its points.

Significant space is devoted to price competition and the extent to which its regulation has added to the problems of control. Chapter 5 is given over to the effectiveness of state regulation of competition. Chapter 6 deals with alternatives to regulation, such as control of reserves, pure premiums, and the use of the multi-bureau system. The book points out the need for achieving a balance between public control and private control through competition.

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