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Business Insight: Mike Jerman

Many odd pairings, reasonings pop up in history of taxes

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History of taxes has many odd justifications and pairings

The 3 percent long-distance telephone excise, imposed to pay for the Spanish-American War, will end Aug. 1. How could such a longtime tax linger for more than a century?

Certainly, there is no connection between telephone use and the sinking of the USS Maine, which started the Spanish-American War. Nor is there a justification to impose a selective sales tax on telecommunications to fund the general federal government. Selective sales and excise taxes should be imposed only when a connection exists between the collection of the tax and its disposition. For example, the gas tax is a selective tax that is imposed on motor fuel purchases, and revenues from this tax can only be used for roads. Basically, the gas tax is a user fee. The more someone uses the roads, the more gas tax they pay.

Was the Utah state sales tax intended to be temporary?

Yes. The Legislature imposed the sales tax - 0.75 percent - in 1933 during the Great Depression, with the provision that it would expire in April 1935. Later in 1933 during a special session, the expiration date was repealed and the tax was raised to 2 percent. The state sales tax rate is currently 4.75 percent and has been as high as 5.09 percent - excluding local sales taxes.

Explain the evolution of utilities franchise fees.

Utility franchise taxes have been imposed on various utilities such as telecommunications,

energy, water, etc. for several decades. Originally, utility franchise taxes were intended to cover cities' costs of maintaining the right-of-way. However, in addition to charging utility franchise fees on utility bills, or municipal license tax in the case of telecommunications, cities also charge utility companies fees when they cut into roads. Along with cut fees, utility franchise taxes generate enough money to more than cover the cities' costs of maintaining the right-of-way. City budgets typically list utility franchise taxes as general fund taxes along with sales and property taxes. Utility franchise taxes also are subject to sales taxes. In other words, taxes on taxes.

What is the oddest tax you have encountered?

The liquor tax, which is earmarked for school lunches. And the restaurant tax, which is earmarked for tourism, recreation and convention centers. The premise for this tax is that out-of-state tourists eat at restaurants. However, the overwhelming majority of restaurant patrons are locals. Also, taxing phones to fund poison control and 911. Taxing people who use the phone when contacting poison control and 911 would be like taxing cars to fund parks because people typically drive in cars to get to a park. Most people never call 911 or poison control yet these taxes are imposed on phone bills as if they were user fees. The newest competitor for oddest tax is the proposal to tax tourists to fund [Real Salt Lake's] soccer stadium.