

*Corporation et al v. State Tax Commission*  
 It reaffirmed its prior decisions in hold-  
 payments" should be included in the  
 taxes should be deducted before com-  
 ore, the court held that if the taxpayer  
 d basis, it must allocate some of its net  
 erations before computing depletion;  
 ed to show that the commission acted  
 discretion in refusing to allow taxpayer  
 mula which had previously been used  
 sion. Rehearing pending at this writing.

*Estate of Robert L. Proudft.* Expendi-  
 ve the estate of a decedent, but rather  
 devisees, are not an allowable deduc-  
 of administration."

*Estate of Anna D. Walton v. State Tax*  
 e term "children" does not include  
 , the transfer of a life interest in prop-  
 nheritance tax.

*Corporation et al v. State Tax Commission*  
 payments received from the federal  
 uded in the taxpayer's base for the  
 "net proceeds tax" and the "mine

*v. State Tax Commission of Utah.*  
 inistration of personal property trans-  
 of the sale of an integrated business  
 l in the sales tax act.

*of Utah v. F. P. Linford et al.* The  
 right to accept as security for the  
 of indemnity signed by individuals.

*Manufacturing Company v. State Tax Com-*  
 e commission has destroyed its own

records and thereafter asserts a use tax deficiency, it has the bur-  
 den of proving that no use tax returns were actually filed, in order  
 to overcome the running of the statute of limitations.

*Orson Lewis, doing business as Lewis Brothers Stages, v. State  
 Tax Commission of Utah.* Fares collected in operation of urban  
 transportation systems are exempt from sales tax; however, an  
 interurban system has no such exemption.

*Whitmore Oxygen Company v. State Tax Commission of  
 Utah.* Where a taxpayer files a sales and use tax return, filling in  
 that portion pertaining to sales tax and leaving blank that portion  
 pertaining to use tax, the statute of limitations does not begin to  
 run on any use tax which may be due.

#### IN THE COURTS

The following cases are pending as indicated:

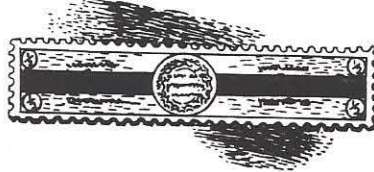
##### Property Tax

*Columbia Iron Mining Company v. Iron County and State  
 Tax Commission of Utah.* Pending before the Utah supreme court  
 on the question of whether the state tax commission, in determin-  
 ing the "net proceeds" tax, is bound by the contract price for the  
 sale of ore between parent and subsidiary corporations. The fifth  
 district court held in favor of the defendants.

*Kennecott Copper Corporation v. Salt Lake County and State  
 Tax Commission of Utah.* Pending before the third judicial district  
 court involving questions of valuation and taxation of "mines and  
 mining claims" and as to the property to which this term pertains.

#### RECOMMENDATIONS

##### Beer Tax



We respectfully recommend that:

1. The law providing for the imposition of a tax on beer be  
 so amended as to eliminate the requirement for stamps and crowns  
 as an enforcement measure, and to provide for the enforcement  
 of the tax by means of reports and audits.

The experience of the tax commission in the administration of the tax which is imposed upon the manufacture or importation of beer for use in Utah indicates that the means which are now provided for the collection of this tax, namely, through the process of requiring stamps or crowns indicating that the tax has been paid, are rather unwieldy and entail some unnecessary expense on the part of the state, as well as the taxpayer. It is the opinion of the tax commission that the beer tax law can be successfully operated through the process of reports and audits, at less expense to the state and to the taxpayer and with just as great effectiveness as the methods which are now used. As a matter of fact, the use of audits in collecting this tax now provides a more effective means of determining the amount of tax due, than does the provision for requiring the stamping of the beer containers. Quite a number of states have experimented in this field and found that the auditing method of checking on the tax is the best one.

#### Cigarette and Oleomargarine Taxes

We respectfully recommend that:

2. (a) The cigarette and oleomargarine tax laws be so amended as to reduce the 10% discount on cigarette stamps purchased in bulk to 5%, and to repeal the provision of the law permitting a discount on the purchase price of oleomargarine stamps.

(b) Furthermore, the law be so amended as to provide for a tax on the use and storage of cigarettes in such a manner as to make use of the so-called Jenkins Act, recently passed by Congress.

(b) Finally, the law be amended to provide for a penalty of \$50.00 for failure to affix cigarette stamps to packages of cigarettes.

(a) The original cigarette tax law, which was passed by the Utah Legislature, provided that stamps must be affixed to cigarettes before they were sold at retail. This was a very awkward administrative provision, because it made necessary the control of the cigarette tax in the many thousands of retail outlets. At the time the state tax commission was created, and when the administration of the law was placed in the hands of the state tax commission, the commission recommended to the legislature that



the law be so amended upon the manufacture or importation of cigarettes before they were sold to the wholesaler. Subsequent experience is entirely unfavorable. Cigarette packages are sold in bulk to the wholesaler. This is due, in part, to the fact that the discount now provided on the hands of the wholesaler is five percent and the jobber may

When the law was made to compel the dealer to care of this cost to the individual, the cost of so affixing stamps to the dealer.

If these two provisions are counted on oleomargarine to the state of

(b) Until it has been possible for the state of his state commerce. The situation is a parcel post states, that Co