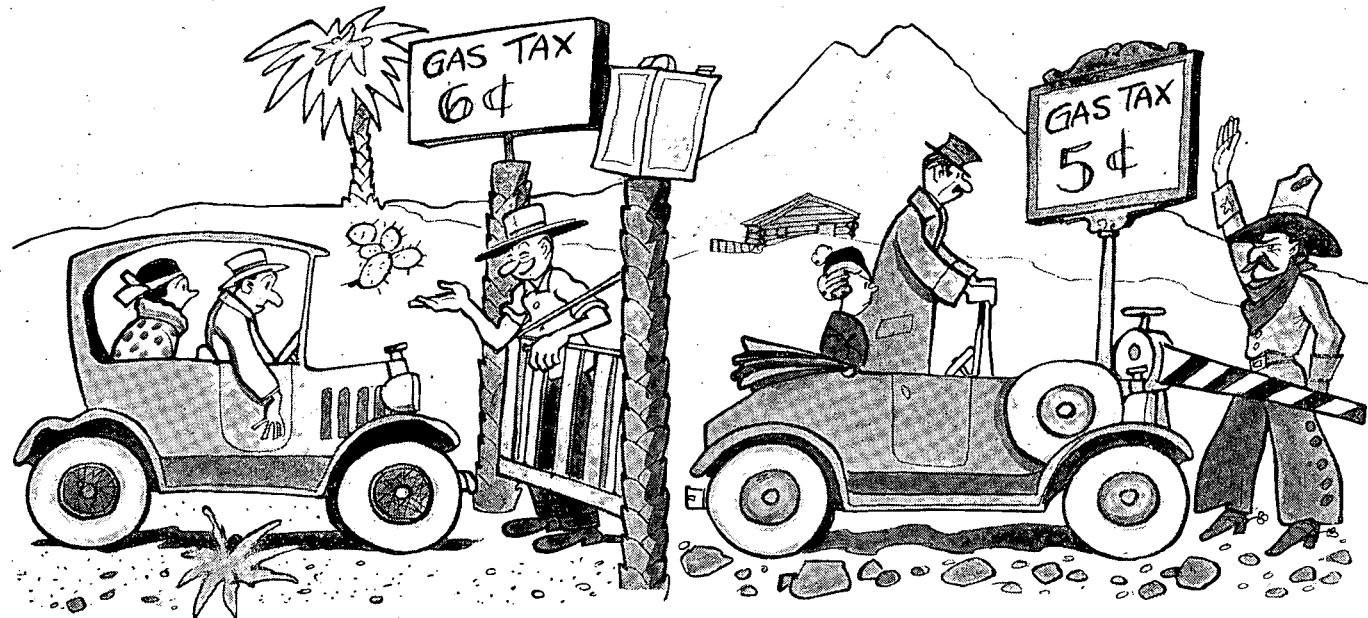


Bootleg Gasoline

All our bootleggers don't deal in liquor. Varying state taxes have set up some of the easy-money boys in the gasoline business. And now that the sales tax is receiving official consideration here's a chance to see how one works

By John T. Flynn



AS YOU leave New York City to start on your trip to the Pacific Coast in your automobile you will be stopped at the Holland Tunnel and asked to pay fifty cents. This is a toll, the money being used to pay for the building and upkeep of the tunnel. This is a modern survival of the old-fashioned tollgate system which was fashionable in the old days when the roads were owned by private persons and they charged you for the privilege of riding on them. As you pay your fifty cents at the Holland Tunnel you say to yourself, "That's the last I have to pay in road tolls. Thank Heaven, the days of the old tollgate and toll collector are gone. Now I can ride the rest of the way free."

But do not deceive yourself. You still have 3,000 miles to travel before you reach San Francisco. What would you say if I were to tell you that there are scores of tollgates to be passed and that as you travel you will be stopped by a tax collector at least every hundred miles and compelled to hand over from thirty to fifty cents and more as a toll or tax for the privilege of using the roads? Well, if I were to tell you that you wouldn't believe it. In order to go to the coast from New York you must pass through New Jersey, Pennsylvania, Ohio, Indiana, Illinois, Missouri, Kansas, Colorado, Utah, Nevada and California. You must drive distances up to 450 miles through each of these states.

You will have to pay tolls for the privilege of driving across each state. To drive across New Jersey will cost twenty cents. To drive 400 miles across Pennsylvania will cost you a dollar. You will have to pay a dollar in Ohio, sixty cents in Indiana, forty cents in Illinois, forty cents in Missouri, a dollar in Kansas, \$1.35 in Colorado, a dollar in Utah, seventy cents in Nevada and fifty cents in California. The toll collectors after you have left the Holland Tunnel will get \$8.15 in all. And assuming that there is one every 100 miles, you will be stopped thirty times between here and the coast.

A Windfall for Tax-makers

But, says the much-traveled motorist, I have been back and forth between here and the Pacific Coast many times and I have never seen these tollgates you speak of and do not recall paying these various sums you list. Ah, that is the very point! The tollgates are there, but you do not see them. You pay the money but you do not notice it. As a matter of fact, instead of thirty tollgates, there are perhaps 20,000. For every gasoline station is a tollgate where the state collects from every mo-

torist who buys gasoline a tax for riding on the roads.

Back in 1919 the states of Oregon, Colorado and North Dakota imposed a tax of one cent a gallon on every gallon of gasoline sold in those states. Immediately tax-hungry legislators all over the country sat up, rubbed their eyes and said: "Well! Well! Well! What do you know about that? We certainly have been asleep. Just look at this nice juicy melon patch we have been overlooking all these years. My! My! We must get busy."

And they did. Kentucky adopted the tax next year and in 1921 Oregon made it two cents for good measure. In 1921 thirteen states had gasoline taxes and were collecting \$5,382,111 in that year. Two years later eight states had raised the rate to three cents. Florida, Arkansas, Nevada and North Carolina saw Oregon's three cents and raised her one, while South Carolina made it five in 1925. South Carolina, Florida and Georgia raised the rate to six cents in 1929. Meantime all the states were gathering around and getting into the game.

There is perhaps no record in history of a tax rising in yield at so rapid a rate. In 1921 the collections amounted to \$5,382,000. Two years later they were \$38,566,000. Two years later still they were \$148,358,000. In another three years they were \$305,000,000. Last year they were \$495,000,000. So you see it's getting to be a pretty big game. Now every state in the Union has a gasoline tax. There are no more one-cent taxes. Only five are as low as two cents. Only eleven are as low as three cents. Four and five cents seem to be the popular rates. As a matter of fact, the average rate for all the states during 1931 was a little over four cents. But there are at least five states with six-cent taxes and one with seven.

The tendency is upward everywhere as you move south and west, particularly south. The motorist traveling south to Florida for the winter drives along a rising curve of gasoline taxes. In New York the tax is two cents. When he gets over to Jersey it is three. In Pennsylvania he finds it three but runs into a four-cent tax as soon as he enters Maryland. In Virginia the rate soars to five. When the motorist gets to North Carolina the rate is six and remains at that level through South Carolina and Georgia. When he finally arrives in Florida he is rewarded with a seven-cent tax for his pains.

Of course the inevitable result of this tax in this land of the racketeer and home of the grafter is the tax evasion racket—the greatest perhaps since pro-

hibition. Who knows but what the bootleg liquor racket may yet have to take second place to the bootleg gasoline racket!

For instance, take Mr. Samuel Lavin of Chicago. Mr. Lavin was a businessman, nothing less than president of the Consumers' Oil and Gas Company of Chicago, Illinois. Then one bright July day Mr. Lavin, the oil magnate, disappeared from the Windy City. He was, in fact, taken for a ride—undoubtedly in a car driven by bootleg gasoline. But he was not put on the spot. It was just a little kidnapping party all carried out in the best of spirit, such as any group of gentlemen bootleggers might employ in this intense competitive era of ours. Mr. Sammy Lavin's kidnappers merely wanted \$25,000. Evidently the sum was quickly forthcoming, for in a few days Sammy reappeared, reassured everybody everything was "Oke" and refused to disclose any of the particulars of the little business transaction. The police—those innocent fellows—seemed quite helpless to make head or tail of the matter. But a Chicago newspaper got busy and soon revealed that the whole comedy was part of the bootleg gasoline business of Chicago.

A Rich Field for Racketeering

Then the newspaper proceeded to reveal that, a long time before, thirty-eight firms were indicted for heavy tax evasions—which is the most important tool in the kit of the bootlegger—and that these thirty-eight firms had caused a loss in taxes to the state of over two million dollars; that only two of the indicted men had been tried and they were acquitted while most of the others were still moving merrily along in the old gas racket, collecting three cents on every gallon sold and salting it away for themselves.

Now then, of course, you ask how this racket is worked. After all, the tax on gasoline in Illinois is only three cents a gallon and a man will never get very rich evading that. You will soon see that the sums which can be made make this a singularly attractive business for an up-and-racketeering young man.

The gasoline tax is imposed by the states, though some cities also try their hand at it and this tendency is growing. The tax is of course paid by the man who uses gasoline in his automobile. He pays it to the gasoline filling station. Sometimes the filling station advertises its gasoline at the price of the gas and specifically names the tax. Thus in Oklahoma it is not uncommon to see signs reading, "Gasoline 5 cents and we must have another 5 cents for Governor

Bill"—Bill being no less a personage than the famous "Alfalfa William," who stopped oil production in his state with the militia. Most gasoline stations merely add the tax to the price which they charge for gas. In any case every time you buy a gallon of gasoline you hand over from two to seven cents for the state.

Short Hauls and Long Profits

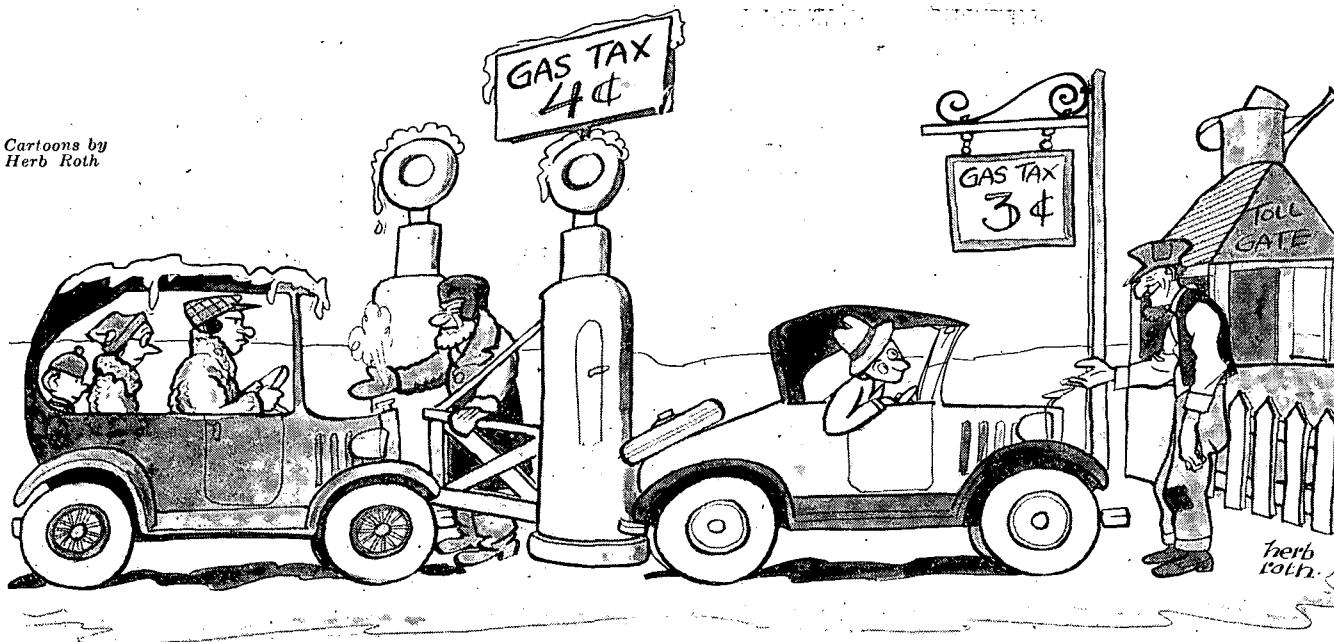
Now then, how does the government get this tax? In some states the retail gasoline filling station pays it over directly to the tax collector. Every month or every three or four months he must make a report to the tax gatherer of the number of gallons he has sold and send his check along for this amount. This was the universal way formerly. Now, however, most states collect the tax from the distributor or the refiner or whoever makes the first sale in the state. The distributor adds the tax to the price charged the filling station and the filling-station man collects it from the consumer. With this explanation we are prepared to have a look at the racket in motion.

Now let us take the states of Illinois and Indiana, which adjoin each other. There are plenty of refineries in Indiana. A distributor with a tank truck goes into Indiana and buys a tank load of gasoline—say 1,500 gallons. When he buys this, ordinarily he would have to pay four cents tax to the distributor. But he makes a declaration that the gasoline is for export—that is, for sale in another state—which automatically relieves it of the tax. He then drives the gasoline into Illinois. There he sells it to a gasoline station. In Illinois the tax is three cents on each gallon. He takes the filling-station man into his confidence and explains that the gas has been bought without paying taxes; that the filling-station man can sell it and collect the tax from his customers and put it into his pocket.

As a rule, however, the two—filling-station man and bootlegger—can split the tax between them on some basis considered to be fair between gentlemen. Neither Indiana nor Illinois gets the tax. And, what is more serious, the filling station handling the gas, because it has an advantage of three cents over its competitors, can undersell them and thus commit a crime against the honest gas dealer.

This practice goes on to a greater or lesser degree in almost every state in the Union. Down in Louisiana, for instance, Mr. J. T. O'Sullivan, executive secretary of the Louisiana Code Committee, says: "At almost any hour of the night tank trucks and trailers may be seen

Cartoons by
Herb Roth



moving along the dark roads which run into Shreveport from East Texas. Some of these trucks haul as much as 2,500 gallons of gasoline. Is it not peculiar that most of the gasoline should enter Shreveport after dark between 9 P. M. and 4 A. M.? The reason given for this is that traffic is lighter during the night and because the trucks are needed for local distribution during the daytime. But it is a very strange thing that these same trucks which enter Shreveport under cover of the darkness full of gasoline go out again the next day back to Texas through the heavy day traffic and when they are supposed to be needed in local distribution. The truth about the matter is that these trucks move at night to escape the inspectors and this gas coming into Shreveport, without paying tax in either Texas or Louisiana, has demoralized the honest gasoline industry of the state."

River Pirates—1931 Style

In Pennsylvania the racket is carried on in places by water. The Delaware River runs between Pennsylvania and New Jersey. The racketeer buys a boatload of gasoline in Pennsylvania "for export to New Jersey." Thus no tax is paid. His boat—minus the warning flag which it should fly—floats up or down the Delaware ostensibly bound for some New Jersey port. But Pennsylvania is on one side of that same river and there is nothing to stop the vessel from putting into a Pennsylvania port at night and unloading its gasoline and thus escaping a three-cent tax on each of 10,000 gallons—a tidy sum of \$300.

The bootlegger does not always buy his gasoline "for export." There is in this a certain risk of detection by the tax inspectors who in some places patrol the roads. And so in some places they buy the gasoline in states where the tax is low and sell it in states where the tax is high. For instance, the tax in Missouri is two cents. But the state is surrounded by states with higher rates—Iowa with three cents, Illinois with three cents, Nebraska with four cents, Kansas with three, Oklahoma with five, Kentucky with five, Tennessee with six and Arkansas with six.

The bootlegger can buy a wagonful of gasoline in Missouri, pay the two-cent tax on it and then cart it unobserved into Arkansas where he sells it to the retailer without reporting to the state authorities. Thus he makes four cents on each gallon in taxes. And, of course, he may pocket it all or split it with the retailer.

In some states the retailer still pays the gasoline tax directly to the government. This opens the way for another

neat little racket. Thus Mr. Stanislas Yoroski operates a filling station. He sells an average of 500 gallons of gasoline a day. That makes 3,500 gallons a week. He makes a gross profit of three cents on each gallon which is \$105 for the week. From this he must pay his rent, light, help and take his losses. At the end of the week the best he can do by working about fourteen hours a day is \$35 clear profit for himself. He is required under the law to pay quarterly the gasoline taxes which he collects. And he is allowed sixty



Extortionate taxes have always led to dishonesty and evasion.

days after the end of the quarter to make a settlement. Now at the end of the quarter he finds he has sold 45,500 gallons of gasoline, on which he has collected four cents tax per gallon, or \$1,820. This is due the state government. For himself he made \$35 a week, or \$455 for the thirteen weeks.

Mr. Yoroski Sees the Light

Being human, Mr. Yoroski can hardly be expected not to sit down in the quiet hours of the evening beside his pumps and ponder this fact—that out of his three months' hard work he has made \$455 for himself and \$1,820 for the government. It doesn't look fair to him. Now, however, he has to pay the tax. But he won't have to settle for another eight weeks. In that time he will make another \$280 for himself and will collect another \$1,120 in taxes—\$2,940 in taxes altogether.

So just before the expiration of the time for making settlement Mr. Stanislas Yoroski closes up his gasoline station, disappears from the highway and is heard of no more. By doing this he pockets a profit of \$3,675 instead of \$735; \$175 a week instead of \$35 a week. Then in a few weeks or so Mr. Yoroski appears under another name as the owner of a gasoline station upon another highway.

Now to end this sort of thing the states are abandoning the collection of taxes from the retailers. Pennsylvania, for instance, changed over last year and thus finds she can watch 800 distributors better than she can 28,000 retail stations. But that doesn't end the racketeering. For the distributor can do the same thing as the retailer. He has learned that he can just simply get away with the failure to pay his taxes.

It must be remembered that this is not like ordinary tax-dodging. In this case the taxes are paid by the consumers and the dealers actually collect them. If they do not pay them they are just that much ahead in actual cash. And in the case of distributors the tax runs into large figures. In Ohio an oil company collected \$39,979 in taxes. The tax official simply failed to certify this little item. It was found out and now the governor is asking the tax official's removal. In Indiana a single company was found owing the state \$125,000. In California the state is trying to get about \$2,500,000 in taxes due it by some twenty-eight oil companies.

An Incentive to Dishonesty

California distributors were allowed two and a half months after the quarter to settle for taxes. That gave them five and a half months in all to collect taxes. Running down the list of companies and the taxes they failed to pay, one sees a number of concerns which collected and pocketed sums well over \$100,000 and at least one over \$200,000. Now California has changed her law to require monthly settlements. What else are we to expect when we make it possible for unscrupulous men to make more money—two or three times more—by evading taxes than from the ordinary profits of their business?

Another method of evasion is to dilute gasoline with various distillates which are tax-free and thus cut the tax in half. The possibilities of this, where taxes are as high as four or five or six cents, can easily be seen.

Thus one great sales tax—for the gasoline tax is a sales tax—works. And the proposals for sales taxes on all sorts of merchandise are growing in popularity all over the country. If they succeed we may prepare to see the country flooded not merely with bootleg gasoline and bootleg liquor but also with

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When you carry the Star

By Ernest Haycox

A friend is a precious thing, and it's bitter to let him down, but what could the sheriff do?

SHERIFF HENRY LINZA was taking the evening's ease on the porch of his ranch house, ten miles out of Bonita, when he saw the rider come beating across the prairie; and even at that distance he knew. His face settled a little and he tapped the bowl of his pipe against an arm of his chair as if to signal the end of twilight's long peace. "It's Bob Boatwright," said he to his wife. "Funny how he likes to lug bad news to me."

"How can you tell?" asked Miz Linza.

"He's sittin' all over the saddle," chuckled Linza. "Kind of a St. Vitus' dance catches him when he gets excited." But when Boatwright, marshal of Bonita, came abreast the porch, Linza was quite grave. Indian summer's cloudy beauty lay over the land and it was hard to think of the crimes of men.

"This is bad, Sheriff," said Boatwright. "Will Denton—he's turned wild."

"Will Denton!" exclaimed Miz Linza. "Why, I don't believe it!"

But Henry Linza shook his head slowly and, leaning forward, prompted Boatwright. "As how, Bob?"

"He walked into Neal Sampson's store an hour ago, pulled the gun and asked for the extra money Neal keeps to accommodate ranch hands after the bank closes. Wouldn't been nothin' but ord'nary robbery but Neal is rattled, makes a move toward the counter and gets a bullet in the heart."

"What then?" grunted Linza.

"It was all over in three minutes," said Boatwright. "Last we saw of Denton he was goin' due west into the heat haze. I couldn't get a posse organized so I come here. The boys are shy of Denton's educated rifle, Sheriff."

"I don't believe it," repeated Miz Linza. "Why, he ate supper with us two weeks ago."

"I hated to come here," said Boatwright, "knowin' he was a friend of yours." And after a lengthening silence he spoke again. "What'll you do, Sheriff?"

Linza's head fell thoughtfully forward. Lines curved down from his lip

corners into a squarely definite chin, thus creating an aspect of doggedness, of biting into difficulties and hanging on. Without alleviating humor, that cast of jaw and mouth would have seemed unforgiving and almost brutal; but it was Linza's eyes that gave him away. Candidly blue, they mirrored the shrewdness of a full life and the inevitable compassion arising therefrom.

AS AN observer and dealer in the misdeavors of men he had grown great without becoming hard; of that splendid line of southwestern peace officers which had left its impress on an unruly land, there was in him always a puzzlement that certain things had to be.

"Go after him," said he, following a long spell of silence.

"Now?" pressed the marshal.

"Mornin's soon enough," replied Henry Linza. "He's got twelve hundred square miles to roam in and one day makes no difference. Light and rest, Bob."

"Thanks, no, I've got to get back," said Boatwright and cantered away into the deepening dusk.

"He sat here on this porch two weeks ago," murmured Miz Linza. "It don't seem possible."

"He was on the border line then," reflected Linza. "I saw it in him. He wasn't the same. He held a little off from me. He was debatin' the jump whilst he ate my beef."

"But what could make him?" pressed Miz Linza.

Linza shook his head. "If anybody knew the answer to that they'd have the answer to all things. Wild blood, a dark thought, a bad day, a tippin' of the balance in a man's mind, a sudden move—and then it's done and never can be undone. One more rider in the wild bunch."

"Your own friend," said Miz Linza.

"Was," agreed Linza, rising. "But it's himself that took the step across the line, and he'd be the first to realize I've got to go after him. Such," and a deepening regret came to his voice, "is the constituted order of things in a

mighty queer world. We better turn in, Henrietta. I'll ride early."

It was, in fact, still short of daylight when Henry Linza pulled out from the ranch, riding one horse and leading another. There was a single gun at his hip, a rifle in its boot, a few necessities within the saddlebags, and some quick grub inside the blanket roll tied to the cantle strings. In addition he carried a pair of binoculars. "Can't say when I'll return," he told his wife. "My intention is to take Will peaceably. Knowin' his disposition I dunno if he'll agree. But don't worry."

She had been a peace officer's wife too long to show her concern outwardly. All she did was to touch him gently and return to the porch. A hundred yards off he swung in his saddle and raised his hand as a farewell; it was a comfort to know she'd be there waiting for him to come back.

He swung wide of Bonita and thus when day fully arrived and a splendid sun swelled through the sky with a rose-red light, he came to a bridge over a dry river bed, crossed it and stood on the edge of his venture. The leagues rolled away to the distance, southwesterly into a horizon unbroken, northwesterly to a line of hills even now beginning to fade behind an autumn haze. Somewhere yonder Will Denton rode. Halting a moment, Linza was summing up as follows: wherever Denton went the need of food and water and rest would inevitably bring him to certain crossroads.

IT BECAME a matter of guessing who, out of Denton's many stanch friends in the country ahead, would shelter the man. As for the first crossroad, the dimmed smudge of Joe Waring's ranch in the distance seemed most likely. Hungry and worn, Will Denton would seek that friendly shelter while debating whether to turn to the southern open or to the northern hills. Waring's was the jump-off.

The day's course outlined, he pushed forward at a gait designed to protect both himself and his horses over a continued trail. It was not one that would have overtaken any hurrying fugitives,

but Linza, having twenty years' tracking to his credit, knew wild ones seldom if ever retreated in a straight line after the initial dash. They shifted, they halted, they doubled from point to point. As those more gentle, abiding men whose ranks they forsook, outlaws liked home soil best of all.

For the most part it was a trackless, lonely land and as he plodded on, Linza relapsed into the protection of his thoughts. "Punched cattle with him, ate and sleep' with him under the stars. Knew him well, but apparently never knew him at all. He was a laughing man. Now he's got a price on his head. Good wine can stand in the keg too long." Beyond noon he camped under a scrub oak.

AFTERWARD, riding the second horse, he pressed through heat haze as heavy as fog; and around six o'clock he crossed the Waring front yard to find the owner standing in wait for him—a big, broad man with fat cheeks and a pair of blandly observant eyes.

"Saw you comin', Henry," said he. "Glad to have your feet under my table again. Get down."

"Your conscience is clear, I take it," drawled the sheriff cheerfully and allowed an arriving puncher to take his horses away.

"Why shouldn't it be clear?" retorted Waring; and the both of them grinned.

There were punctilios in this matter that had to be observed, a kind of code grown up from the common mingling of honesty and outlawry. Waring, himself straight as a string, was a friend to both the sheriff and Denton. More than that, there was in him a wide streak of sentiment for the under dog, and many men on the dodge had received casual aid from him. But what he knew he kept strictly behind his smiling eyes. Comprehending this, Linza maintained his peace, ate and returned to sit on the porch with a cigar between his teeth while purple dusk deepened and a faintly stirring breeze brought the fragrance of sage across the yard. The thing went even deeper. Waring's sympathy for the under dog might well lead him