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INDIVIDUAL INCOME TAXES

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The individual income tax returns filed with the federal Department of Internal Revenue by North Carolina for the calendar year 1924 numbered 63,864. Of this total only 28,841 were within the taxable brackets while 35,023 returns filed by individuals, including partnerships, were not subject to an income tax. Only 2.35 percent of the state's total population filed federal income tax returns, and only a fraction more than one percent of our population actually paid a federal income tax. The state ranks very low both in percent of the population filing income tax returns, and in percent of the population paying income taxes. The percent of the population filing federal income tax returns is lower in only five states.

The following table is an analysis of North Carolina's individual income tax returns as compiled by the federal Treasury Department.

Number of returns.....	63,864
Returns subject to tax.....	28,841
Total ind. income.....	\$247,083,678
Net income.....	200,888,953
Taxed income.....	44,775,590
Ind. income tax paid.....	3,777,873

Sources of Income

Wages and salaries.....	112,905,891
Business.....	48,305,229
Dividends.....	27,598,184
Rents and royalties.....	20,296,162
Partnerships.....	17,507,405
Interest and investment.....	8,916,588
Profits from sale of real estate, stocks, and bonds.....	8,751,982
Capital net gain from sale of assets.....	1,734,720
Fiduciary.....	929,896
Interest on Gov't bonds not wholly exempt.....	137,631

\$247,083,678

The above includes individual income tax returns filed by sixty-five farmers, forty-six of whom paid a tax. Practically the entire individual income tax, federal and state, is paid by the urban, or non-farm, population.

INCOME RETURNS BY CITIES

Charlotte has a big lead over the other cities of the state in the number of individuals filing federal income tax returns. Asheville, although not second in size, ranks second in federal income tax payers, and Raleigh is third. We are not sure whether Winston-Salem is first or second in population, but she ranks fifth in number of federal income tax payers. We are presenting below a table showing how the cities and towns of the state rank in the number of federal individual income tax returns filed covering incomes made in 1924. Due to lack of accurate population data the cities cannot be ranked according to returns per unit of population. Only those cities and towns filing as many as two hundred returns are given in the following table.

City or Town	Number of returns
Charlotte.....	6,655
Asheville.....	4,115
Raleigh.....	3,940
Greensboro.....	3,865
Winston-Salem.....	3,760
Durham.....	2,960
Wilmington.....	2,980
Rocky Mount.....	1,635
High Point.....	1,800
Salisbury.....	1,020
Wilson.....	990
Gastonia.....	900
Fayetteville.....	885
Goldsboro.....	805
New Bern.....	770
Burlington.....	625
Kinston.....	605
Elizabeth City.....	570
Hamlet.....	570
Concord.....	520
Henderson.....	510
Statesville.....	510
Greenville.....	500
Hickory.....	450
Washington.....	450
Monroe.....	395
Lexington.....	370
Tarboro.....	370
Spencer.....	365
Hendersonville.....	360
Mount Airy.....	340
Shelby.....	270
Oxford.....	265
Sanford.....	265

Lumberton.....	255
Rockingham.....	255
Reidsville.....	250
Thomasville.....	230
Albemarle.....	225
Edenton.....	225
Leaksville.....	210
Lenoir.....	210

In addition to the above there are thirty-three towns with from one hundred to two hundred individuals filing federal income tax returns, and fifty-six towns with from ten to one hundred individuals filing federal income tax returns. There are approximately three hundred and fifty incorporated towns in the state with fewer than ten individual federal income tax returns each.

FEDERAL ESTATE TAXES

During the calendar year 1925 there were 141 estate tax returns of resident decedents filed with the federal Bureau of Internal Revenue. The estate tax is popularly referred to as the inheritance tax. Of the 141 returns filed, 124 were subject to a tax. Deductions and exemptions exceeded the gross estate in seventeen cases.

The gross estate of the 124 resident decedents whose estates were subject to the federal estate tax was more than forty-four million dollars. Deductions were almost exactly twenty million dollars, the net taxable estate being more than twenty-four million dollars. The net estate tax paid to the federal Government was \$2,392,198 and only seven states paid a larger estate or inheritance tax than North Carolina.

CLUB HEARS TAX TALK

The subject discussed at the last meeting of the North Carolina Club was that most baffling of all current issues—taxation. Miss Coralie Parker of the Research Institute, read a paper and led the discussion.

Miss Parker introduced the subject by citing Seligman's definition of a tax: "A tax is a compulsory contribution to the support of government." She then traced American taxation through the five stages through which it has passed. (1) In the colonial period taxes were based on polls exclusively. (2) Later the poll tax was reduced and the major portion of the revenue derived from a tax on land. Land was the principal form of wealth and was thus a fair measure of ability to pay taxes. (3) After trade and industry began to develop the land tax was supplemented by a tax on personal property, and after a while the general property tax resulted. (4) As the burden of taxation increased taxes were extended to items of consumption. These have usually taken the form of customs and excises. (5) The last stage appeared with the development of the income tax.

Theory of Taxation

The principle of benefit as a basis of taxation has been gradually abandoned because it is based on the wrong theory of the state. The ability or sacrifice theory is now in vogue. The application of the ability theory has led to progressive or graduated rates in many instances. Too often, expediency rather than sound economic theory has been the guiding principle in levying taxes. Taxes are levied where they arouse the least resistance. Because no single form of taxes is apt to bear on all with equity, a diversity of taxes is generally desirable. Some are direct, some indirect. Direct taxes are more elastic and usually more economically collected. Indirect taxes are usually regressive thus a violation of taxation according to ability; nevertheless, they are popular because they excite less resistance than direct taxes.

Taxes are not to be judged entirely from the point of view of revenue. They may be used as a means of social control. Inheritance taxes, for instance, while of some revenue value, are essentially a means of redistributing wealth.

Recommendations

The speaker did not attempt to offer a tax program for North Carolina, but simply pointed out the need for a scientific study of taxation. She urged that tax revision, whatever form it may take, be courageous and intelligent. Too

UNIFORM LISTING

There is considerable division of opinion over many of the tax problems confronting the state, but there is one point on which all heartily agree, namely that wealth listed for taxation should be listed at a uniform percent of its true value in every county in the state. There is no single reason why property should continue to be assessed as it is now assessed by the various counties and municipalities of the state. If, as is claimed, the obvious is often overlooked, then the glaring obviousness of the necessity for the uniform listing of property throughout the state may be the explanation for the existing indefensible practices. There are two factors in the property tax burden,—the rate and the value. And of the two the value is the more important factor.

often those who draft tax legislation are afraid to insist upon the application of sound principles. They are guided by political expediency. The speaker suggested that the inability to localize incomes and inheritances might eventually lead to their being limited to federal application. In local government the benefit principle can probably be utilized more fully than it has been of late.

Miss Parker pointed out the importance of just and efficient administration of the tax machinery. Any tax becomes unfair unless it is equitably and vigorously applied. Especially is it important that there be expert appraisal of property if the property tax is to remain as our major tax.

UNIFORM VALUATION

The solicitude for local government units being manifested in Raleigh might well take the form suggested by Representative Winston and others, and do that for the counties which they cannot do for themselves.

This is to exercise supervision over property taxes, thereby establishing uniformity of valuations. If the state did its duty well and thoroughly, many injustices and much confusion would be appreciably diminished. In the first place, there would be established a uniformity of relationship of tax value to sale value, so that the tax rate in a county would have a definite, understandable meaning. In the second place, while it is possible for the people of a county to set up a machinery of tax assessment that will be without fear, favor or influence, it is far more reasonable to expect a machinery to operate in that way if it is from without the county, an agency of the state, which is equally interested in all the counties, equally responsible to all.

Uniformity of tax valuation throughout the state would manifestly be in the interest of justice to all the taxpayers of the state, therefore to all the counties. But it is practically impossible for this to be attained through county action. Even if it could be done, it would have to be done by an all-inclusive concert of the counties; and for what is the central government?

No such thing as a uniformity of appraisals could be had except through a central appraising agency, even if the counties should unanimously decide for uniformity, or if they should decide upon a ratio of tax valuation to productive valuation, or to sale valuation. It would be practically out of the question to secure unanimity of opinion among the 100 counties as to what would be a desirable rule for tax valuation.—Greensboro News.

CRIME SURVEY FINDINGS

The results of the Missouri Crime Survey are summarized succinctly in the Kansas City Star. They are important as revealing not only local conditions but conditions which exist pretty generally throughout the country.

Chance of escaping conviction:
For Murder or Manslaughter—11 to 1.
For Robbery—28 to 1.
For Burglary—50 to 1.

Why?

The coroner is not required to be a

physician or to qualify as competent. The police department under state rule is a political football. It is unmanned, and many members are aged or inexperienced.

The county sheriff's force is inadequate. It cannot arrest outside the county. State police are necessary to cope with the motor age criminal.

The prosecutor may dismiss charges without explanation. He should be under jurisdiction of the attorney-general.

A loose bail bond system permits almost anything.

Presumption of innocence of defendant, even though convicted and on appeal, is a hindrance. There is no presumption in civil cases.

The criminal code is obsolete, copied after an old English code that was revised years ago.

Extra jury challenges to defense give an advantage. They should be divided equally with the prosecution. A stricter jury exemption is needed.

A mush-mouthed, weak-kneed public aids the criminal through reluctance for jury service; changing of testimony; and failure to stick with the prosecution through delays.

The 'expert testimony' provision by alienists, physicians and others is abused. There can be no comment when a defendant does not take the stand. Comment should be allowed.

A year for appeal upon circuit court conviction is unnecessary.

A shoddy parole system and housing of young prisoners with old criminals increase crime.—Dearborn Independent

WHAT PRICE LAUGHTER?

On 1,500 farms in the Middle West, says a bulletin of the United States Department of Agriculture, the average farm family spends for recreation and amusement \$24.40 a year. 'Figuring it down to the basis of one person,' comments Wallace's Farmer, 'we find

that the average person on Mid-West farms scatters each week with a profligate hand not much less than ten cents for recreation.'

Ten cents a week for recreation! And on many Southern farms that would be regarded as criminal extravagance.

That is the outstanding tragedy of American country life. All work and no play makes Jack a dull boy, even when the work is done under the spur of a gorgeous ambition and with the hope of splendid reward. Uninterrupted toil, made necessary by bitter adversity and without the vision of better things to come, paralyzes the mind and crucifies the body.

There is a loneliness in farm life, particularly for the women, which must be relieved if the individual is to grow in mental and spiritual stature. Upon the gray curtain of monotony the light of laughter must be thrown if people are to live the lives of normal human beings. Recreation is easy and laughter is cheap, but when the investment in them is less than ten cents a week, they are practically unattainable or the people who should have them do not know how to go after them.

Students of rural sociology like Dr. E. C. Branson of the University of North Carolina have explained all this to the State and the country in general time after time. Not only must the farmer's lot be made so that he can have a normal amount of fun and entertainment, but in some cases he has been so long alien to the lighter side of life that he has to be taught how to laugh and play.

The South must do more of this teaching than she has done. She has made a fine start in the work, but it must be speeded up. Less than ten cents a week for recreation! Think of that and wonder that the young people of the farms flee the stark tragedy of laughter gone broke.—Asheville Citizen.

INDIVIDUAL INCOME RETURNS BY CLASSES

For North Carolina for the Income Year 1924

The following table, based on Statistics of Income, federal Treasury Department, shows the number of individual income tax returns filed by North Carolinians by income classes, together with the total net income of all individuals in each class, and the net tax paid by each income class. The table is for incomes made in 1924 and covers only returns filed by individuals. Corporation returns are not included. The income classes followed by the asterisk (*) paid no tax.

Income class	Number returns	Net income	Net tax paid
Under \$1,000*	3,712	\$2,687,130	
Under 1,000	85	46,996	\$426
\$1,000 to 2,000*	10,200	15,816,580	
1,000 to 2,000	10,252	14,576,454	61,444
2,000 to 3,000*	15,804	38,293,329	
2,000 to 3,000	4,175	10,566,222	52,685
3,000 to 4,000*	4,000	13,315,266	
3,000 to 4,000	5,713	19,820,357	76,203
4,000 to 5,000*	1,009	4,479,606	
4,000 to 5,000	3,896	17,520,871	83,511
5,000 to 6,000*	123	675,371	
5,000 to 6,000	1,055	5,916,780	36,370
6,000 to 7,000*	67	432,390	
6,000 to 7,000	743	4,803,638	36,439
7,000 to 8,000*	43	318,818	
7,000 to 8,000	525	3,926,083	36,608
8,000 to 9,000*	36	305,393	
8,000 to 9,000	372	3,156,975	33,706
9,000 to 10,000*	29	276,345	
9,000 to 10,000	287	2,724,084	33,306
10,000 to 11,000	225	2,350,044	30,370
11,000 to 12,000	191	2,196,696	34,074
12,000 to 13,000	153	1,912,956	32,984
13,000 to 14,000	124	1,652,047	31,886
14,000 to 15,000	117	1,698,640	35,076
15,000 to 20,000	345	5,945,258	159,294
20,000 to 25,000	182	4,059,379	156,538
25,000 to 30,000	97	2,641,827	129,739
30,000 to 40,000	104	3,581,795	229,457
40,000 to 50,000	46	2,031,141	172,412
50,000 to 60,000	41	2,236,016	211,388
60,000 to 70,000	15	962,700	122,342
70,000 to 80,000	13	985,384	123,380
80,000 to 90,000	7	603,197	95,975
90,000 to 100,000	11	1,055,089	133,343
100,000 to 150,000	20	2,421,768	480,016
150,000 to 200,000	5	894,520	233,107
200,000 to 250,000	4	905,969	187,472
250,000 to 300,000	4	1,067,956	222,271
300,000 to 400,000	2	(+)	(+)
400,000 to 500,000			
500,000 to 750,000	1	(+)	(+)
750,000 to 1,000,000	1	(+)	(+)
Above 1,000,000	0		
Classes grouped†		2,020,873	455,971
Total.....	63,864	200,888,953	3,777,873
Nontaxable.....	35,023	76,600,293	
Taxable.....	28,841	124,288,720	3,777,873

*Nontaxable. Specific exemptions exceed net income.

†Classes grouped to conceal net income and identity of taxpayer.