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PERSONAL INCOME TAX PAYERS

FEDERAL INCOME TAXES

The federal government realizes three-fourths of a billion dollars a year from personal income taxes, but the number of people who pay federal income taxes is relatively few, and the majority of payers pay only a nominal sum. Slightly over four million returns were made for the year 1925. Less than two million were subject to a tax after the exemptions were deducted. The majority of those who paid a tax, paid only a few dollars. In the rural states the percentage of people who made returns was particularly small.

In only five states did a smaller proportion of the people file returns than was the case in North Carolina. In this state only 1.38 percent of the population filed returns and only 0.55 percent actually paid a tax. When the states are ranked on this basis Nevada leads with eight percent of its population filing returns, or about one-third of the families. California follows with 7.30 percent of its people having incomes sufficiently large to require the filing of returns. New York, Florida, Massachusetts and Illinois follow, in the order named.

Few Returns in South

Relatively fewer people file returns in South Carolina than in any other state, the percentage being 0.87. Mississippi, with a percentage of 0.95 is second from the bottom. These are the only two states where less than one percent of the people file federal income tax returns.

The average for the United States is 3.60 of the inhabitants filing returns. There are eighteen states above the average and thirty below. Florida and Maryland are the only Southern states in the upper group. All of the ten lowest states are Southern. It is not surprising that agricultural states should have fewer taxable incomes than industrial states, but it is a little embarrassing that the ten lowest places should all be held by Southern states. The agricultural states of the West, with less industry than the South, rank above the Southern states in income tax payers. The cash crop agriculture of the South does not produce many income tax payers.

North Carolina is sometimes compared to California in climate, resort possibilities, and variety of output. North Carolina has been settled three times as long as California, yet California has in proportion to its population six times as many people who file income tax returns as North Carolina, and nearly nine times as many proportionately who pay income taxes. A relatively large number of income tax payers is an evidence of wide diffusion of wealth, and therefore a desirable situation.

Tax per Inhabitant

The parallel column in the table shows the amount of federal income taxes paid in each state reduced to a per inhabitant basis. It will be noticed that New York and Florida lead with more than twenty-two dollars per inhabitant each. No other state approaches this figure, the next highest being Delaware which pays \$11.68 per inhabitant. Thirty-six of the states pay less than the United States average of \$6.35, and twenty-three of the states pay less than an average of two dollars per inhabitant.

South Carolina also ranks at the bottom in this particular, paying in personal income taxes an average of only 24 cents per inhabitant. The next lowest places are held by North Dakota and South Dakota, with contributions of twenty-five and twenty-eight cents per inhabitant respectively. North Carolina pays \$1.13 per inhabitant. Although more than two hundred million dollars of federal taxes are collected in this state, only \$3,178,767 of this is revenue from taxes on personal incomes. The excise tax on tobacco and the tax on the incomes of corporations account for the rest of the huge total. When ranked on the basis of personal income taxes per inhabitant, North Carolina ranks thirty-eighth. This is a better indication of its relative prosperity than the fact that it is the fourth state in federal tax collections.—Paul W. Wager.

WOULD SAVE MILLIONS

The bonded debt of North Carolina—state, county, municipal, and special tax districts—is more than five hundred million dollars, according to A. J. Maxwell, Chairman of the State Tax Commission. The exact amount of the debt is not known as the data filed with the state auditor are incomplete and often far from accurate. Many counties and special tax districts do not know the amount of debt that has been incurred.

According to Mr. Maxwell, the weighted average interest rate on county, municipal, and local district debt is 5.320 percent, which is much too high considering the safety of the investment and the fact that the bonds are tax free, or practically so.

A large part of our public debt has been incurred by officials with little or no experience in handling bond sales. The issuing unit is often too small, or too little is known about it by the bond purchasers. The amount of the issue is often too small to sell at a low rate. The amount of debt in many counties and towns is now far beyond the limit which the legislature has set by statutory enactment. Often when interest is due no funds are available with which to pay it. Probably worst of all is the fact that many counties and municipalities are not accumulating funds with which to retire the bonds when they shall come due. The debt will be refunded. It is quite common to apply income from bond sales to pay current expenses.

These and many other weaknesses of the existing order will be remedied if the state adopts the most excellent suggestion of Mr. Maxwell to have a state bond and sinking fund commission as the clearing house and controlling body to pass upon all bond issues, to negotiate sales, and to look after interest payments, sinking funds and other essential matters. The necessity for such a commission is beyond debate. It should be provided at the earliest possible moment.

the United States, which operate independently and whose aggregate expenditures have risen from \$1,844,000,000 in 1913 to \$5,829,000,000 in 1925, or from \$19.10 to \$60.52 per capita of population. Constitutional or statutory restrictions on tax rates or the amount of bonded indebtedness that may be incurred, the Board finds, have frequently proved ineffective. Where the tax rates alone are restricted by law, the law often is nullified by increasing the bonded indebtedness; where both bonded indebtedness and tax rates are limited, increase in floating indebtedness has been resorted to. Definite results, however, the Conference Board, declares, have been achieved where the details of tax levying and borrowing, and in some cases even of expenditures, are subject to the supervision and control of central bodies; such as county boards in Oregon, Oklahoma and Ohio, or state commissions, as in Indiana, New Mexico and Massachusetts.

Such centralized control of city, town, country, village, school district, park district and other local government finances, already the object of experimentation in a number of states, is the most significant development in the evolution of a general policy for regulating and integrating the heretofore largely haphazard procedure of raising and spending public funds, in the view of the Conference Board. The Board bases its belief on the results of detailed studies of the fiscal problems in a number of individual states, particularly those of New Mexico, Indiana, California, Illinois, Delaware and New York. Wherever such detailed studies are made in states which have no system of centralized control—and most of the states have none—it is found that millions can be saved annually by better organization and improved budget policies without curtailment of the functions or services rendered by the respective governments.

NOTES ON PUBLIC EDUCATION

4. STATE BOARDS OF EDUCATION

According to authorities on school administration, the state board of education, like the city board, should be a lay board representing the larger educational policies of the public, delegating the professional side of education and the administration of its general policies to its appointed executive official, the state superintendent of public instruction or commissioner of education, and to the heads of the several higher educational institutions, if any, under its supervision. The board should be composed of from five to nine members appointed by the governor by and with the consent of the senate, the term of office to be five to seven years, one member to retire each year, or two each biennial period, thus perpetuating the board's policies and giving it stability and a degree of permanency. Vacancies should be filled by the governor. The appointment should serve without remuneration except for a reasonable per diem and actual traveling and other necessary expenses. The maximum number of days for which such per diem may be paid should be fixed by law.

Powers of Board

The general powers of the state board should include the following, keeping in mind that the state board is a legislative body, the state superintendent of public instruction or the commissioner of education acting as its executive officer:

1. To know the educational needs

of the state and to determine its educational policies so far as authority is conferred upon it to do so by the constitution or by acts of the legislature.

2. To have general oversight and control of the public-school system of the state as may be determined by law, and of other schools in so far as charged by specific legislation.

3. To select the chief state school officer, who becomes its executive head; to determine his powers and duties; and the function of the state department of education under his direction.

4. To adopt the necessary regulations and set up standards for education in the state relative to compulsory education, school buildings, school equipment, courses of study, qualifications of teachers, physical education, medical inspection of children, school records and reports, etc.

5. To have general control over such educational institutions as the state schools for the deaf and blind, industrial reform schools for boys and girls, and educational work in state reformatories and penitentiaries, and state hospitals.

6. To have general regulatory control of or to establish cooperative relations with all teacher-training institutions conducted by the state.

7. To act as a board of control for the state library and historical collections.—U. S. Bureau of Education.

HOME BEAUTIFICATION

Forsyth county has recently staged a home beautification campaign, which has apparently been highly successful. The movement was launched and encouraged by the home demonstration agent of the county. Prizes were awarded to the winners in the contest.

In commenting on the enterprise the Winston-Salem Journal says, "The interest in home improvement that exists in the county is shown by the large number of rural residents who have entered the contest.

"The feature of improvement emphasized in this contest is the care and adornment of the grounds around the

homes. Some very fine results have been achieved in this contest. The spirit of the enterprise has radiated throughout the county and many a rural family has taken an added interest in having prettier home surroundings though not entering the formal contest. That is always the way when a laudable movement is started. It has a wider influence than may be expected or apparent at first.

"Substantial prizes are offered the first five winners. But as is always the case, the gains aside from any prize won are the more enduring and valuable. A yard around a home that is of prize-winning character is worth much more than the handsomest prize that might be attained."

FEDERAL INCOME TAXES FOR YEAR 1925

Percent Filing Returns, and Per Capita Tax

In the following table based on Statistics of Income, Federal Treasury Department, the states are ranked according to the percent of the population which filed federal income tax returns for the year 1925. The number in each state which actually paid taxes is not given, but is usually considerably less than half of the number of returns.

In the parallel column the amount of federal income taxes paid in each state is reduced to a per capita basis.

These statistics deal only with individual income taxes; they do not include the income taxes paid by corporations. U. S. average, 3.60 percent of the population filed individual income tax returns, the average tax being \$6.35 per inhabitant.

For North Carolina only 1.38 percent of the population filed returns, the average tax being \$1.13 per inhabitant.

Paul W. Wager

Department of Rural Social-Economics, University of North Carolina

Rank	State	Percent of popu- lation filing returns	Tax paid per in- habitant	Rank	State	Percent of popu- lation filing returns	Tax paid per in- habitant
1	Nevada	8.00	\$2.31	26	Vermont	2.71	2.60
2	California	7.30	8.88	27	Nebraska	2.60	1.26
3	New York	6.74	22.59	27	Indiana	2.59	2.43
4	Florida	6.03	22.04	28	Idaho	2.34	.34
5	Massachusetts	6.35	9.91	29	South Dakota	2.51	.28
6	Illinois	5.04	9.12	30	Maine	2.47	3.45
7	Washington	4.99	1.74	31	Arizona	2.36	1.27
8	Connecticut	4.75	8.61	32	West Virginia	2.19	1.30
9	Wyoming	4.51	1.12	33	Louisiana	2.14	2.03
10	Michigan	4.40	7.76	34	Texas	2.10	1.89
11	Rhode Island	4.29	8.57	35	Iowa	2.08	1.28
12	Maryland	4.24	7.45	36	Kansas	1.89	1.23
13	New Jersey	4.19	9.00	37	New Mexico	1.88	.46
14	Pennsylvania	3.98	7.74	38	North Dakota	1.83	.25
15	Wisconsin	3.88	2.39	39	Oklahoma	1.78	3.01
16	Delaware	3.84	11.63	40	Virginia	1.51	1.20
17	Oregon	3.77	2.07	41	Kentucky	1.49	1.32
18	New Hampshire	3.63	2.70	42	Tennessee	1.42	1.27
19	Ohio	3.47	4.68	43	North Carolina	1.38	1.13
20	Colorado	3.44	2.73	44	Georgia	1.21	1.14
21	Utah	3.19	1.31	45	Arkansas	1.10	.76
22	Missouri	3.13	4.10	46	Alabama	1.05	.93
23	Montana	2.86	.86	47	Mississippi	.95	.55
24	Minnesota	2.73	2.35	48	South Carolina	.87	.24

ANOTHER INTERPRETATION

Since 1924 the income of the United States Government has been steadily mounting and the Internal Revenue Department's figures for the fiscal year just closed show that the collections in the South were greatly in excess of 1926 receipts, while the rest of the country outside of the South paid less into the Treasury.

From the Southern states alone the Federal Government collected during the fiscal year 1927 \$638,284,000, of which \$340,852,000 was from income taxes. This was an increase compared with 1926 of \$51,928,000 in total federal tax receipts, \$45,168,000 of which was from income tax collections in the South. Of striking significance is the fact that while the South paid nearly \$52,000,000 more into the federal Treasury in total taxes in 1927 than in 1926, federal tax collections in the rest of the country outside of the South during this period were approximately \$22,000,000 less.

North Carolina led the South with a total payment to the Federal Government of \$205,648,000, as compared with a combined total for all of the New England states of \$181,346,000 and a combined total for the Pacific Coast states of \$160,231,000. Ohio, with its vast wealth, paid in to the Federal Government \$147,428,000, or less than North Carolina by \$58,000,000. The North Carolina payments to the Federal Government exceeded those of New Jersey by \$92,000,000. Michigan, with its enormous automobile business paid \$197,993,000, but even that was less by \$8,000,000 than North Carolina's contribution to the Federal Treasury.

Virginia came second on the Southern list with \$79,160,000, which was \$38,000,000 more than Wisconsin paid in federal taxes and \$43,000,000 more than Indiana. Iowa paid only \$12,666,000, or less than one-sixth of what Virginia paid. Massachusetts paid \$114,751,000, or but little more than one-half of North Carolina's payments.

Florida, despite all the criticisms that have been made against that state, paid in \$44,484,000, which was \$8,000,000 more than Indiana, \$32,000,000 more than Iowa, \$24,000,000 more than Kansas, \$16,000,000 more than Minnesota, seven times as much as Nebraska, more than twelve times as much as New Hampshire, more than three times as much as Rhode Island, and nearly \$4,000,000 more than Wisconsin.

Missouri, paid \$70,301,000, or nearly \$4,000,000 in excess of the combined payments of Connecticut, Maine, New Hampshire, Rhode Island and Vermont.

Georgia paid \$1,600,000 more than Iowa, \$7,500,000 more than Wisconsin, \$16,500,000 more than Minnesota, and \$8,500,000 more than Indiana. Kentucky paid three times as much as Iowa and \$7,500,000 more than Kansas. Maryland exceeded Connecticut and Maine combined by over \$4,000,000.

These comparisons are not made in any disparagement of other states or in vainglorious enthusiasm for the South, but merely to show what this section—at one time discredited and for many years receiving less cooperation from the Federal Government than it deserved—is doing in the way of material advancement as expressed through its payments of federal taxes.—Manufacturers Record.

TEN PERCENT WASTED

More than half a billion dollars, or more than one-tenth of the total of expenditures of local governments in the United States, represents waste, and could be saved each year without diminution, either in quality or quantity, of governmental services now rendered, according to the National Industrial Conference Board, 247 Park Avenue, New York. The Conference Board gives this figure as its minimum estimate of the amount of the public's money which is dissipated annually through faulty government organization, lack of coordination, inefficient budget policies and, in some cases, sheer extravagance.

There are, as revealed by an investigation made by the Conference Board, about three-quarters of a million separate local taxing and spending units in