

HINTS TO TAXPAYERS

Babson Advises Readers To Analyze Tax Situation

By ROGER W. BABSON
 Babson Park, Mass., Nov. 26.—
 First, let me say a word to young businessmen who claim that they have not the opportunity of making a fortune which their elders had. They claim that at their age the money which their elders were permitted to save for a business nest egg is now taken away by the government in the form of taxes. Let me say this is merely an alibi for laziness, inefficiency and extravagant ideas.

SEVERE TAXES BENEFIT YOUNG PEOPLE

Let us assume a man with a salary of \$3,000 who has a wife and two children. His Federal tax would be about \$350. It is true that he has this much less money to save or invest toward buying an interest in some business. On the other hand, although the net income, after taxes, of the young executive is reduced by a tax of about 12%, his employer would probably be obliged to pay a tax of 50% to 75% of his net income. This reduces the value of the business to the employer and causes him to sell it much cheaper than if these heavy taxes did not exist.

Before these Federal taxes went into effect a man could die and leave his business outright to his family as the death taxes were very small. Today, however, in a great many cases the family is compelled to sell a part interest in the business in order to secure funds to pay the death taxes. This gives an exceptional opportunity to young executives employed in the business to secure an interest at a very low price.

LOW MONEY RATES HELP YOUNG PEOPLE

The present Federal ceiling on interest rates enables young people today to buy a home or business and pay for it with an interest rate of perhaps only half what they would be obliged to pay before these taxes went into effect. I, myself, am a director of a bank which has today voted to loan a young man money at 3% in order to buy an interest in a department store. This same money would have cost him 6% fifteen years ago.

Business success is not a matter of heredity, industry, integrity and vision. Whatever our system of government, a certain group, who save, work and intelligently plan, will always be on top. All young people have a greater opportunity to succeed in the true sense today than ever before. Even children of the well-to-do may be better off under high Federal taxes. There is such a thing as leaving children too much money.

TAKING PROFITS VS. LOSSES

Now, just a word to those employers and investors who have large tax bills. Previous December I have called attention to the importance of taking losses in order to offset certain gains. In many cases this should be done today. On the other hand, a new factor enters the situation this year which has never happened before. This year an amendment to the Federal Tax Law threw out 75% of one full tax year so as to get on a "pay-as-you-go" basis. After much struggle, it was agreed to throw out 75% of either 1942 or 1943, "whichever is the smaller." This means that one must estimate his 1943 income and compare the same with his 1942 income and pay the 25% excess tax on whichever is the larger. Now, I find my friends are instinctively doing the wrong thing by trying to show their 1943 income as small as possible when in many cases much money could be saved in taxes by showing it as large as possible. Let me illustrate:

When a taxpayer last December sold securities at a profit, he was obliged to pay 25% in taxes on said profit. This December, however, if his 1943 income is larger than his 1942 income, he is obliged to pay a tax of only 25% of said 25%, as the Government "forgives" 75% of either 1942 or 1943, whichever is the smaller. This means that this is a year when taxes can sometimes be saved by taking profits as well as by taking losses if taxpayers will go at it intelligently. Hence, consult your lawyer, banker or accountant.

MULTIPLYING DOLLARS

Even industry gets one break in the present tax law, namely, the privilege of replacing old machinery with new machinery, old merchandise with new merchandise and all kinds of scrap with profitable items and having the government pay most of the cost. By selling these outmoded things at the present time, a business concern may save from 40-90% over what may be possible after

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WOMEN workers in an Eastern plant put finishing touches on gas masks made for our fighting forces overseas. Linings, filters and the new transparent plastic glasses are made from pulpwood, which also produces smokeless powder, rayon and paper for flare and supply parachutes, shell casings, containers for shipping munitions, food blood plasma. Your trees can save lives. Cut them today!

14-BILLION-DOLLAR GOAL SET FOR BIG FOURTH WAR LOAN

Washington.—The goal for the Fourth War Loan drive, scheduled to begin Jan. 18 and close Feb. 15, was set at \$14,000,000,000 today by Secretary of the Treasury Henry Morgenthau, Jr.

The figure is \$1,000,000,000 less than the goal in September's Third War Loan drive and some \$4,000,000,000 short of the total actually subscribed in the third drive, Morgenthau said.

Heavy emphasis would be placed on sales to individuals, who were asked to subscribe \$5,500,000,000 — about \$500,000,000 more than their September subscriptions.

State war finance committees are being expanded and a large corps of volunteer salesmen will carry the campaign to every home and plant in the nation to meet the "necessity of increasing the number of people who are buying war bonds," Morgenthau said.

The following securities will be offered: Series E, F and G saving bonds in denominations of \$25 to \$1,000; series C saving notes; 2 1/2 per cent Treasury bonds of 1965-70 in \$500-\$1,000,000 denominations; 2 1/4 per cent Treasury bonds of 1956-59 in the same denominations; 7-8 per cent one-year certificates of indebtedness in denominations of \$1,000 to \$1,000,000 and in coupon form only.

Morgenthau appealed to securities markets not to trade in any of the issues until after the drive ends and urged bankers not to make speculative loans.

the War is over. Do so this December as after World War II you may not either have the money to buy the new equipment or the above-mentioned tax advantage.

Now, just a word for heirs and charities. The present law allows every taxpayer to give \$3,000 this year to any person without paying a gift tax which in many cases would ordinarily run from 20-50%. It further allows the giving of 15% of one's income to charities which gift is tax-exempt. For instance, a person in a 50% bracket can give away \$1,000 with it costing him only \$500. Furthermore, if a taxpayer gives away securities instead of cash he can (1) avoid the tax which he would pay on the profit; (2) be allowed contribution deduction for the market value of the securities; and (3) then invest the money he would ordinarily contribute in this same security, thus establishing a higher cost-price for future sale. When one considers the tax deduction for con-

tributions, plus the saving through not selling, and tops these savings off by replacing, after 30 days, the same securities, he may find that it is indeed possible to save through generous giving to your relatives, your church or some useful charity.

Social Security

Figures released today by the Raleigh office of the Social Security Board show that 1,067 persons in this area are receiving monthly payments of old age and survivors insurance. A total of \$14,125.00 in such monthly benefits was paid during the month of October to men, women, and children of the Raleigh area; that is in the counties of Franklin, Johnston, Vance, Wake, Warren and Wayne.

John H. Ingle manager of the Raleigh office of the Social Security Board said that included in these monthly benefits in force were 295 workers past age 65, representing total payments of \$5,492.00 a month; 70 aged wives of insured workers, \$677.00 a month; 504 children of retired or deceased workers, \$4,897.00 a month; 26 aged widows of deceased workers, \$461.00 a month; 164 widows with young children, \$2,487.00 a month; and 8 parents of deceased workers \$111.00 a month.

Mr. Ingle said that awards of monthly benefits to workers past 65 had not increased this year as might normally be expected, partially as a result of better employment opportunities for older workers in war production. Many workers who are eligible for old age and survivors insurance payments have not claimed their retirement benefits because they prefer regular jobs with good pay instead of the modest income provided under the old age and survivors insurance system. "Many of these older workers," he said, "will receive larger benefits when they do apply, because they are now earning higher wages than they did in the past. On the other hand, there are some workers, 65 years old and over, who are receiving lower wages now than they did formerly. These should go to the Social Security Board office and find out whether or not it would be to their advantage to file an application for benefits at this time."

Mr. Ingle explained that benefits are based on average monthly wages, but the law permits a worker who has reached the age of 65 to file his claim and thus "freeze" the amount of his retire-



Next Year Will Be Different

NEXT year will be different. Not only the weather, and markets, and the needs of the country. Our jobs will be different, too. Because next year we're going to do those jobs differently—and we hope better!

We, whose job is producing goods and services, have been making resolutions like this for years. And we've been keeping them! For in our kind of business, you either keep on finding better ways of doing things, or—you go backward! And if enough people do that, the thing we call progress bogs down.

That's why farmers keep on trying new seed, and fertilizers, and machines, and strains of stock. That's the reason industry carries on research—another name for a constant search for new knowledge and better ways to do things. Because most of us have been doing this for years, America has had the highest standard of living in the world. And it's the reason, too, that American production is doing so much today to bring victory.

After the war, America is going to need more than ever men with the courage and enterprise to invest time, money, and hard work in the search for better things. And if America's producers understand each other, and each other's problems, we'll be able to do these all-important jobs better. General Electric Co., Schenectady, N. Y.

Hear the General Electric radio programs: "The G-E All-girl Orchestra" Sunday 10 p.m. EWT. NBC—"The World Today" news, every weekday 5:45 p.m. EWT. CBS.

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ment benefits even though he does not intend to retire immediately, and does not expect to claim benefits until he gives up his job.

Payments totaling \$42,300.00 have been made to individuals in this area as lump-sum death payments since the Social Security Act Amendments because effective January 1, 1940. These payments were made only in those cases where the deceased wage earner left no survivor who would become entitled to a monthly benefit.

A Scot was engaged in an argument with a conductor as to whether the train fare was 25 or 30 cents. Finally the disgusted conductor picked up the Scotchman's suitcase and pitched it off the train just as they passed over a bridge. It landed with a splash.

"Mon!" screamed the Scotty. "Ain't it enough to try to overcharge me? Now you try to drown my little boy!"

Putting farm machinery in a tool shed when it is not in use is the best and easiest way to protect it.

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Of course, I don't get my pay check from Uncle Sam, but I sure am a "service" man when it comes to workin' in close cooperation with the armed forces. Seems like most of the

corps ride my bus sooner or later. But you're welcome, even if we are crowded to the gunnels, as the sailor said. When I'm haulin' you guys in uniform, I feel like I'm doing my bit for the country.

Bill—the bus driver



Victory gardeners still have time to sow rye as a winter cover crop on all bare spots in their gardens.

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