

### Taxation System Hurting Progress

(Continued from Page 3)

comes in three ways:

First, it tends to drive out local capital, both in individual and in corporate form.

Second, it prevents outside capital from coming in, both in individual and in corporate form.

Third, it hinders the free use of the capital which we now have in the state.

The best way to illustrate these points, I believe, would be to take actual examples.

1.—Prevents our local capital: The example will be the case of a widow whose husband has left her an estate of \$100,000. Income in the case was the principal thought of the husband, combined with as much safety as possible. He naturally thought, put his money into railroad, public utility and industrial securities. We will say that the widow's return is 5 per cent, or \$5,000. Chart No. 2 shows what it would cost this widow in various sections of the United States.

This chart gives the following:

Fla.	00
Miss.	12
New York city	30
Washington, D. C.	300
Louisville, Ky.	400
Richmond, R. I.	400
Hartford, Conn.	400
Richmond, Va.	415
Greenboro, N. C.	3,500

The second illustration would be the case of a citizen, say of Connecticut, who builds up a large business manufacturing towels. He was most of the stock of his mill himself and we will say he has reached the time of life when he wants to take it easy and give over management to others. Being a prudent man he realizes that he would not have "all his eggs in one basket" particularly in such a hazardous business as cotton manufacturing—especially so since his wife and children might not be able to conduct the business with the skill and success which he himself has won. Suppose he sells all of the stock in his mill, receiving \$4,000,000. He invests this cash in bonds. Chart No. 3 shows what it would cost this gentleman to live in North Carolina as compared with other states. The figures are as follows:

Fla.	00
Miss.	1,087
New York city	5,916
Washington, D. C.	12,000
Louisville, Ky.	16,000
Hartford, Conn.	16,000
Richmond, Va.	18,316
Greenboro, N. C.	109,362

Drives out capital in corporate form. The two examples just give those of private individuals. Also contend that our present laws tend to drive out capital invested in corporate form. Chart No. 4 gives an example of a corporate manufacturing, say, cigarettes, earns \$2,000,000 a year. Its land, buildings, machinery, etc.—in other words, its tangibles—are valued at about \$5,000,000, but due to earning power the stock has a great value of \$20,000,000. The chart shows what it would cost that corporation to do business in several different states:

Fla.	\$ 25,525
Miss.	44,333
North Carolina	550,000

Prevents outside capital coming into the state: My second point that our present tax laws tend to drive outside capital, both private and corporate, from coming into the state. The first example would be of a wealthy business man, Mr. who has retired, owns most of the stock in his own business to associates and now has an estate of \$500,000, divided as follows: twenty per cent, or \$100,000, in stock of his own corporation, \$300,000 in bonds, taxable, and \$200,000 in bonds exempt from federal tax. We will estimate his income at 10 per cent on his stock, 5 per cent on tax-exempt bonds, giving him a total yearly income of \$29,000. This is the type of man that every man in the union is bidding for. A great many of them come every year to Pinehurst or Western North Carolina. I have asked many why they don't live here, become citizens and the answer invariably is "can't afford to." Here is what it would cost this gentleman, in taxes, in various sections of the United States:

Fla.	\$ 00
New York city	530
Washington, D. C.	600
Louisville, Ky.	800
Richmond, R. I.	800
Hartford, Conn.	937
Richmond, Va.	1,830
Greenboro, N. C.	5,092

Greenboro is shown simply as typical North Carolina city. How does this affect corporate capital? Again I state that our present tax laws tend to prevent outside capital coming into the state. Take the case of a corporation with a capital of \$200,000, whose business is extending credit to build or improve farms. It invests in North Carolina—finds that we credit—that our people are not ready to credit, and the corporation moves to this state. It lends

its capital of \$200,000 to the citizens of Greensboro to build homes. We will say that it makes an income of 6 per cent on its capital or a total of \$12,000. We will deduct \$2,000 for running expenses, leaving a net profit for the year of \$10,000. Chart No. 5 shows what it would cost in taxes for this corporation in the following locations:

Miami, Fla.	00
Washington, D. C.	780
Providence, R. I.	850
Louisville, Ky.	9000
Hartford, Conn.	1,000
Richmond, Va.	1,980
Greenboro, N. C.	5,000

Again, Greensboro has by no means the highest tax in North Carolina. Had the gentleman settled in Kinston, N. C., he would pay \$7,000 in Reidsville \$7,900 and in Louisville \$10,000—this covers the second point, e. g.—that our tax laws tend to discourage outside capital coming into the state.

3.—Hinders the free use of capital which we have: Now, as to the third point that our present laws hinder the free use of the capital which we do have here, I think this is the most serious injury which the present system works on us. You gentlemen can cite just as many instances to prove this as I can.

I will give just a few:

(a) For instance, our laws prevent the sale of bonds. Bonds are the safest investment—the kind that widows and orphans should invest in—but our laws tend to prohibit bond purchases and encourage stock purchases, which are more hazardous.

(b) The trust officer of a bank told me recently that he had a half million dollars in trust funds which he would have been delighted to use as a kind of revolving fund to build up his city—to make long-term loans to land-owners so that they could put up buildings on vacant property, which in turn would increase the taxables of the city which would tend to decrease taxes. In addition, the increase in buildings would help to decrease rents, and hence make the cost of living very much cheaper, which in this city was particularly high. The tax rate was about \$2.25, which would only give the trust officer's duty to his clients prevented this investment. North Carolina cities are building. I grant you, but just think of what would happen if they had available, at low rates and long terms, a sufficient supply of funds.

(c) Of course, this heavy tax on money is not paid by the capital itself—it is, out of necessity, paid by the borrower. In other words, our laws make money cost us more in North Carolina than it should. I know trust companies that do lend money on mortgages but they can't do it except by buying the mortgages at a discount and they add in the local tax rate so that the money usually costs the borrower at least 8 per cent.

(d) Incidentally, our trust companies in this state are badly handicapped in competition with outside trusts. For instance, a North Carolina trust fund investing in 6 per cent mortgages in a city with a tax rate of \$2.25 will pay a tax of—, this same trust located in New York state would pay a tax of only—, I know a case of a manufacturing plant which has a surplus of several hundred thousand dollars which they are holding for the purpose of building a new mill. They have had this several years and would have liked to lend it out locally at 5 per cent, but the tax laws forced them to buy joint stock land bank yielding about \$4.70.

Conclusion: Innumerable instances could be given but these are probably sufficient to prove my third and last point, which is that our tax laws work their greatest harm in that they prevent the free use of the capital which we have in the state. Unless capital is put into the form of insurance companies or banks, which are taxed under a different system, it cannot be used to build up local industry. I said "it cannot be used"—let me qualify that by saying it cannot be used profitably if the lender complies with the law.

Industry requires three things—labor—management and capital. We have the labor—none better; the growth we have already made in industry shows that we have brains necessary for the management. But our present taxation system puts a ball and chain on the capital which we now have and erects a Chinese wall against foreign capital which, in my humble judgement, gentlemen, is greatly hindering the development of this great old state.

Following Mr. Richardson's address, the board adopted a resolution appointing a committee, composed of Thomas H. Wright, chairman; O. T. Wallace and Nelson MacRae, and J. A. Taylor and J. A. Orrell, the latter two associate members, for the purpose of taking the tax question into study with the object of formulating some plan whereby the exorbitant taxing of industry may be properly brought before the public. In submitting its report to the board the committee will bear in mind that there has been no change in the state's plan of taxation since 1868 when the industrialists of the state was 2 per cent and agriculture 98 per cent. The state is now 70 per cent industry and 30 per cent agricultural.

Those attending the meeting in-

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Symphony music is now within reach of the hundreds of thousands and even at the modest fees of twenty-five and fifty cents, the very finest of symphony music in America can pay for itself.

This is revealed by the annual report just made by Raymond Brite, manager of the Hollywood Bowl, America's greatest outdoor music audience chamber. The Bowl seats twenty thousand persons. During the summer just past concerts were given three times weekly. They were listened to by 293,082 persons who paid \$110,188.79. This gives a surplus of nearly \$1,000 over expense.

The series of concerts will be given again next summer with world famous conductors drawn from all over the world.

### CAN'T DECIDE WHETHER TO KEEP OR NOT KEEP BUY

BAYSIDE, N. Y. —Mrs. Tiwyne Stickinger just can't make up her mind about Albert, who has been her husband, off and on, since November 6, 1924. In the intervening two years she married him twice and now wants another "out" via the divorce court.

cluded: R. H. Northrop, R. C. Carrwell, Jr., W. Z. Corbett, D. A. Herding, George B. Applewhite, W. R. Dasher, John D. Bellamy, Jr., J. A. Orrell, William M. Hill, D. R. Foster, W. H. Blair, M. M. Hewlett, J. A. Taylor, Thomas H. Wright, J. E. L. Wade, Addison Hewlett, William B. Campbell, George W. Crawford, Lester Sisson, Paul A. Bergen, J. O. Rely, W. A. McGirt, T. A. Croom, Jr., W. P. Fletcher, Oliver T. Wallace, J. E. Thompson, Edward W. Carr, T. B. Barr, H. G. Laitmer, Jr., Louis T. Moore, J. R. Hollis, R. C. Cantwell, J. H. Salling, L. E. Allen, M. J. Cowell Charles G. Cowan, Nelson MacRae, J. W. Morton, M. B. deRosset, Roger W. Hewlett, Thomas L. Speiden, Wilbur D. Jones, W. A. Fonvielle, William Struthers, Jr., H. S. Richardson, Frank G. Harris, S. E. Davidson, C. M. Murrin, H. O. Carney, J. F. Yates, G. P. Willy, Jr., J. F. Henry.

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### North Carolina Plans An Elaborate Exhibit To Be Shown At Road Meeting

#### All States And Foreign Countries Will Be Represented

CHICAGO, Dec. 18.—Plans have been completed for the annual convention and road show of the American Road Builders' association which will be held in Chicago Jan. 10 to 14, during the good roads week.

The convention will be attended by highway representatives from every state and from several foreign countries. H. K. Bishop of the bureau of public roads is general chairman of the program committee and he has been assisted by Paul Tebbs, construction engineer of the Pennsylvania state highway committee, as chairman of the engineering section, and Sam Williams, vice-president of the Autocar company, as chairman of the constructors section. Special attention has been given this year to select topics that are especially important and of great interest to the highway industry.

The first day of the convention will be "Governors' Day." Invitations have been sent to governors of all the states and to a few former governors who were especially active in sponsoring a highway program.

Banquet for Governors

After a visit to the road show the attending governors will be the guests of President Shirley and the directors of the road builders' association at the governors' day banquet.

Wednesday, Jan. 12, will be Pan American day, and one half of the program will be given over to papers presented by engineers from countries of the western hemisphere outside the United States.

Thursday, Jan. 13, will be designated as States day, set aside especially for state engineers and officials to visit the road show, and the state exhibits which will be held. Among the states that have already planned to send exhibits are Florida, Missouri, Nevada, North Carolina, Oklahoma, Pennsylvania, South Carolina, Tennessee, Virginia, West Virginia, with several others now making plans to be present. In addition to this exhibit there will be exhibits for Alaska, Canada, Mexico, Argentina, Cuba, Chile, Peru, and from our own Bureau of Public Roads.

Special Rail Rates Granted

Reduced rates have been granted by all railroads. When buying tickets to Chicago, one should obtain a certificate from the ticket agent. This will be validated at the Coliseum and permit purchase of the return fare at one-half price.

The road show, the greatest ex-

position of improved road machinery ever held, will have a spectacular opening Jan. 10, and remain open till Jan. 14.

The second annual college essay contest, conducted by the road builders' association, will close during good roads week and the prize winners will be selected by a committee, and the announcement made at the road builders' banquet.

S. H. Murdock, Cleveland, O., has been announced winner of a national engineers' essay contest conducted by the road builders' association. The winner of the second award was Harold Tilton, resident engineer of the Massachusetts state department of highways. The third paper selected was written by J. J. Forrier, maintenance engineer for the Virginia state department of highways. The first prize winner, Mr. Murdock, is a construction engineer for Cleveland.

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