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PAYING FEDERAL TAXES

FEDERAL REVENUE

North Carolina ranks fifth among the states of the Union in internal revenue paid into the Federal Treasury. The following table shows the rank of the six states that lead in Federal revenue payments, and the amount paid by each state for the year ending June 30, 1924:

Rank	States	Amount
1	New York	\$690,415,425
2	Pennsylvania	269,688,619
3	Michigan	221,880,005
4	Illinois	214,840,722
5	North Carolina	157,973,394
6	Ohio	153,524,833

No attempt is here made to point with pride to the high rank of North Carolina in the payment of federal revenues. It is well known by all that the bulk of internal revenue collections in North Carolina are from tobacco and tobacco manufactures, and that such taxes are paid by the tobacco consumers of the United States, the burden falling on our state only in proportion as we consume our tobacco products. In this study the sources of internal revenue will be segregated and the main facts pointed out.

The internal revenue collected in North Carolina for the year ending June 30, 1924, totaled \$157,973,394, divided as follows: tobacco and tobacco manufactures \$136,892,475, income tax \$18,173,157, miscellaneous \$2,907,762. The increase in federal collections over the year 1923 was \$17,626,027, the total gain coming from increased collections on tobacco.

The miscellaneous tax comes from a great variety of sources such as amusements, boxing matches, theatres, narcotics, etc.

Federal Income Taxes

In the payment of federal income taxes North Carolina does not rank high, either in number of returns filed or in total of tax paid. However, North Carolina led all the states in percent increase in the amount of personal income taxes paid, and in the number of returns filed from 1921 to 1922, the latest years for which data are available.

The total income taxes paid during the last fiscal year amounted to \$18,173,157, a decrease of ten thousand dollars over the previous year, 1923. That North Carolina has increased in prosperity since 1918 is shown by our higher rank in the payment of income taxes. In 1918, 22 states paid larger income taxes, while in 1923 only 16 states ranked ahead of us in this respect.

Due to the peculiar make-up of North Carolina's population and their ways of making a living, the state does not rank high in the payment of income taxes. To begin with, nearly a third of our population is negro. The bulk of our people live on farms, small farms as a rule. Our towns are small as a rule, and trade centers for the most part. Our industries also are small as a rule, and consequently the minimum levies are imposed on their net earnings. There are some giant industries and these pay large income taxes, but they are owned by relatively a few people. Thus it is readily seen that while the average North Carolinian lives well, relatively few people have large or excessive incomes.

North Carolina has 2.4 percent of the population of the United States, but pays only 1.07 percent of the income taxes. In the United States about six percent of the population filed income tax returns in 1923-24, while the rate for North Carolina was 2.2 percent.

Tobacco Taxes

It is from the tobacco and tobacco products of the state that the Federal Government makes its big haul, the total collected on tobacco and its products for the last fiscal year amounting to \$136,892,475. This is an enormous sum but, as we have said before, while it is collected in North Carolina it is paid by the Nation's tobacco consumers. (There is no federal tax on exported tobacco). In no state is the tax collected by the Federal Government paid wholly by the citizens of that state.

There are some very interesting facts to be brought out in connection with North Carolina as a tobacco manufacturing state. The first concerns the remarkable growth of the tobacco in-

dustry in North Carolina, as measured in terms of the annual taxes paid. In 1918 the federal taxes levied on tobacco amounted to only \$47,785,966. By 1923 the tax had increased to \$118,370,326, while by 1924 it had jumped to \$136,892,475, a gain of more than eighteen million dollars in one year, which means that the value of tobacco products increased about 40 million dollars during the year.

The second point of interest is the firm hold North Carolina is securing as the dominant tobacco manufacturing state. This can be shown by the following facts gathered from recent annual reports of the Federal Commissioner of Revenue. In 1918 North Carolina paid 30.5 percent of all federal taxes collected on tobacco and its products. In 1923 the state paid 38.4 percent of the total tax, and in 1924 North Carolina paid 42.2 percent of the total tobacco taxes collected in the United States, which means that the state manufactures more than 40 percent of all tobacco manufactured in the United States. In four or five years, at the rate of increase of the last five years, North Carolina will be manufacturing more than half of the tobacco manufactured in the United States. About eighty percent of the total tax collected on tobacco in North Carolina is paid on cigarettes. North Carolina produces more than half of the cigarettes manufactured in the United States, around two billion packages of twenty cigarettes each, or 40 billion cigarettes annually.

In the field of industry North Carolina is usually thought of as a textile state. It is very likely that, in so far as the value of output is concerned, our tobacco products now rank ahead of our textile products. Calculated on the basis of taxes paid, the value of the output of the tobacco factories is now close to three hundred million dollars annually, and the annual increase in the value of the output of manufactured tobacco is far and away above the annual increase in the value of textile products.

It is North Carolina's importance as a tobacco manufacturing state, and the tax levied on tobacco products, that are responsible for our rank in the payment of federal revenues. Due to the remarkable growth of the tobacco industry North Carolina, with monotonous regularity, displaces great and rich states that have always ranked ahead of us in the support of the Federal Government. It is quite conceivable that in a few years North Carolina may rank next to New York in the payment of federal revenues.—S. H. Hobbs, Jr.

THE VALUE OF EDUCATION

It is \$72,000, according to Dean Lord of the Boston University College of Business Administration; and the cash value of a high-school education is \$33,000. The Boston institution has been carrying out a careful study of the earning capacity of college graduates, and the report just issued contains a number of interesting facts. According to a New York Herald Tribune summary, the average maximum income of the untrained man is \$1,200 a year; that of a high-school graduate is \$2,200, and that of a college graduate \$6,000. The total earnings of the three types up to the age of sixty are set at \$45,000, \$78,000, and \$150,000. It is also estimated that while the untrained man at the age of fifty begins to drop toward dependence, the college man reaches his maximum earning capacity at sixty. As the report is quoted further:

The untrained man goes to work as a boy of fourteen and reaches his maximum income at the age of thirty. This maximum is, on the average, less than \$1,200 a year. In view of the fact that this income is earned through manual labor dependent on physical strength, it begins to fall off at the age of fifty or even earlier, and soon reaches a level below self-support.

The figures show that more than sixty of every 100 untrained workers are dependent on others for support at the age of sixty. Between fourteen and eighteen, the four years which might have been spent in high school, the untrained young man usually earns not more than \$2,000.—Literary Digest.

DREAMS COME TRUE

North Carolina is one of the oldest states in the Union. Twenty years ago it was one of the poorest. Today, with practically no immigration from other states, with only the increase in population that comes from its excess of births over deaths, it finds itself one of the richest states, progressing rapidly in every desirable instrument of civilized life—a community of contented, industrious citizens, with beautiful and modern homes, thriving farms and factories, hotels in every small city that can not be excelled anywhere, highways that make travel and commerce comfortable and expeditious, schools that are good and daily growing better, a public health department that has brought its death rate to the lowest in the country and best of all, a people of one mind upon the great issues of life, inspired by a common ideal, informed with a common purpose, heartened by their success in the pursuit of a great vision, and confidently pressing forward to further achievements.

About twenty-five years ago there was a man named Aycock.—From French Strother's Article on North Carolina's Dreams Come True, in World's Work, November, 1924.

THRIFT IN PUBLIC SCHOOLS

The fifth annual report on School Savings Banking, for 1923-24, in school systems throughout the United States, has recently been made available by the Savings Bank Division of the American Bankers Association. Incomplete returns make unsatisfactory any attempt to work out averages that would point to the relative thrift by states of those school children participating in the savings movement.

Ten city school systems in North Carolina have enlisted in the thrift campaign as follows: Albemarle, Concord, Durham, Greensboro, Hamlet, High Point, Roanoke Rapids, Salisbury, Wilson, and Winston-Salem. Only three of these are outside of the Piedmont section of the state, namely, Hamlet, Wilson, and Roanoke Rapids. Reports from two, Durham and Greensboro, were incomplete.

The eight cities reporting showed a total of 11,761 North Carolina children participating, and their net savings totaled \$14,528.50, or an average net collection of \$1.23 per depositor. In California 170,233 children saved \$976,317.68, or an average of \$5.73 each. The participating children of Rhode Island did nearly as well, averaging \$5.43 for each child for the past school year. Other New England states, Connecticut, Vermont, and Massachusetts, in the order named, ranked well up to the front in this matter of teaching thrift to school children. Has New England a thriftier people than North Carolina?

A closer examination of the eight individual North Carolina city school systems taking part in the movement shows Roanoke Rapids leading in net savings per depositor with \$3.08. Next in order came Albemarle \$1.77, Salisbury \$1.61, Concord \$1.59, Wilson \$1.41, Winston-Salem \$1.10, High Point \$1.34, and Hamlet \$1.12.

In point of extension, Albemarle was first, with every one of her 901 enrolled pupils carrying a savings account. Eighty-five percent of the enrolled school population of Wilson participated, followed by Hamlet 83 percent, Winston-Salem 75 percent, Roanoke Rapids 64 percent, Salisbury 51 percent, Concord 40 percent, and High Point 40 percent.

The movement needs to be encouraged. Where could the lessons of thrift be better learned than in our public schools? In the words of the report, "Thrift is not instinctive but is subject to cultivation. Conscious participation in the activities of school savings banking at frequent intervals is essential if the lessons of school savings are to be factors in a thrifty adult life."—E. T. Thompson.

IMPROVED COUNTY GOVERNMENT

COUNTY GOVERNMENT

At the last regular meeting of the North Carolina Club, Mr. Paul W. Wager discussed Business Efficiency in County Government. As an introduction to his paper Mr. Wager recalled that in 1917-18 the Club had discussed this subject and the discussions when published in the year-book had attracted great attention within and without the state, in fact more than any other subject ever undertaken by the Club. The North Carolina Club was exploring a new field. The awakened interest in local government created by the appearance of the Club Year-Book led to the State and County Council held on this campus in September 1919. Here were gathered more than three hundred representatives. The Governor presided, and state and local officials brought their problems up for discussion. It was a unique conference and had a healthy effect on North Carolina government, both local and state.

Two years later came the first Regional Conference on Town and County Administration. The state association of county commissioners at their 1922 meeting endorsed practically every one of the suggestions which had grown out of these conferences.

Owing to lack of time Mr. Wager had to confine his remarks to the necessity for a more business-like administration of county affairs. He said, "There is not a Democratic way and a Republican way to run a courthouse or build a highway, but there is a business-like and an unbusiness-like way, the business-like way being to administer public affairs as simply, as directly, as openly, and as cheaply as possible."

Tax Assessing

There are three phases of county finance: tax assessing, tax collecting, and tax expending, and North Carolina counties have been deficient in all three.

As for tax assessing, it is to the interest of taxpayers that all property be properly listed, and at a uniform valuation. Every assessing officer is required to swear that he will enforce the provision in the constitution requiring that "all property be taxed by uniform rule according to its true value in money." Yet the law had been so completely disregarded that in 1919 the Legislature had to pass a Revaluation Act requiring that all property be listed at its market value. The result was that the assessed value of all property rose from \$1,099,000,000 to \$3,156,000,000, or an increase of nearly 200 percent. There were added to the tax books more than one million acres of land that had previously escaped taxation. Unfortunately this valuation was made during a period of inflation and after the slump there had to be a readjustment which was left by the Legislature in the hands of separate counties with the result that we are now further away from a standard valuation than ever before.

Tax Collecting

Mr. Wager next mentioned the delinquent taxpayer, and the listing of his property for sale, but in actual practice not conducting a bona fide sale. Nobody will buy because of the annoyance involved in getting a valid title, and the county officials do not buy in the property because they are afraid of the political effect. For awhile the unpaid taxes stand against the land, but soon a new set of county officers come in; they do not wish to make themselves unpopular by trying to collect old debts, so the slate is wiped off and the new administration begins afresh. In some counties the loss from uncollected taxes, due to these lax methods, is as much as ten or fifteen percent.

The cost of collecting taxes has been unnecessarily high as a result of paying the sheriff on a commission basis, since he is paid 5 percent on the first \$50,000 collected and 2 1-2 percent on the balance. It is evident that with taxes averaging \$280,000 per county, this is a pretty lucrative commission.

The treasurer has been another unnecessary expense, for there are banks in every county which would gladly handle county funds for nothing. At least twenty-six counties have abol-

ished the office of county treasurer, or rather have chosen some bank as treasurer.

Tax Expending

The other main source of waste is in the expenditure of the funds. In 1922 there were only fourteen counties whose current expenditures were less than \$100,000, while there were fifteen that spent over \$500,000. Strange as it may seem, only three or four of these counties have systematic business-like methods of handling these funds—no business manager, no complete audit, and no methodical book-keeping. Most of the officials are elected because they are good fellows and need the office. They are not selected for their business qualities in the majority of cases.

Mr. Wager cited a long list of actual cases recently brought to light within the state which illustrated his claims of waste, inefficiency, and occasionally fraud.

In one county it was discovered that a carload of flour had been loaned to a merchant. If the flour was ever returned there was no record to show for it.

In another the sheriff had collected about \$2,000 after the reports had been sent in to the auditor. He had paid all the state had demanded and was yet due \$2,000 but did not know it.

In Lenoir county an audit saved the county about \$30,000, still the auditors did not charge any official with intentional wrong-doing—just a result of laxity in the keeping of the records.

One county reports "The tax collected after the books were closed and the errors and insolvents just about balance, so we make no record of these."

In one county of the state the sheriff is \$50,000 short. Yet in spite of this the voters of his party renominated him. He later withdrew his candidacy.

In one county the Clerk of the Court, who was a good fellow, misappropriated some \$27,600 before finally being caught.

In a nearby county the County Board of Education has been found guilty of practices that are not only unbusiness-like but illegal.

It is a common thing to begin making collections for the new year before the books are closed for the previous year. In this way shortages may be concealed for years. In one county the Commissioners had not had a settlement with the sheriff in four years.

No Headship

In our national government we have a chief executive in the President who appoints the heads of the departments. In a city either the mayor or the city-manager has the appointive power. But in the county there is no chief executive and no gradation of authority. Even the county commissioners have no effective control over the separate offices. They simply audit the books for payment after the debt has been contracted. If the bill is reasonable they pay it, if it is unreasonable they fume a little and then pay it.

Some Remedies

In conclusion Mr. Wager mentioned ten principles of business efficiency in county administration that would help to lessen the waste of public funds.

1. List all property at a uniform rate of valuation.
2. Attach a heavy penalty to willful concealment of taxable wealth.
3. Abolish township assessors and all other township officers.
4. Abolish the office of county treasurer.
5. Collect all unpaid taxes from personal property if possible. Land should be sold as a last resort and then it should be a bona fide sale.
6. Except in the poorest counties put all officers on a salary basis; every fee and commission to be collected and accounted for.
7. Devise and install a simple and uniform accounting system in every county, with a manual of instructions.
8. Secure adequate appropriations to provide the state auditor with a competent set of field agents so the annual audits may be completed.
9. Provide a full-time business manager to execute the orders of the board, act as purchasing agent, audit the bills as presented, and prepare the annual budget.
10. Establish a budget system in every county and publish each year an intelligible report of the finances.