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CORPORATION INCOME TAXES

COUNTY GOVERNMENT LAWS

At the regular meeting of the North Carolina Club, February 21, Ralph W. Noe, of Carteret county, presented a paper on County Government Laws. In this paper he described the relationship of the county to the state under the Constitution of 1868, showing how it had certain real powers and duties under Section 2 of Article VII. But under Section 14 of this Article, amended to the Constitution in 1875, the Legislature was given power to pass any special act it saw fit for the governing of counties and municipal corporations, except those providing that there shall be no debt incurred without a vote of the people except for a necessary expense, that all taxes shall be ad valorem, and that debts in aid of the rebellion shall not be paid.

The special acts passed under this amendment have had a detrimental effect on the counties for two reasons. First, because of the large number of the public-local laws (8,274 were passed, repealed, reenacted, or amended in the period from 1911 to 1925) and the fact that they are scattered through the many volumes of the session laws; this makes it impossible to know exactly what the law is for any one county, and therefore impossible for the commissioners elected therein to govern the county as well as they might. Second, the present practice of passing public-local laws at the suggestion of the representatives and without debate leaves room for evil possibilities and has the effect of confusing the fiscal management of the counties when new officers, boards, or other agents handling funds are established or abolished at almost every biennial session.

The speaker showed how this has resulted in taking the control of purely local affairs away from the people in many cases and has made it impossible for the county commissioners to exercise their acknowledged duty of supervising the other officers of the county and regulating the finances.

The haphazard financial methods resulting thereby have caused the counties to resort almost entirely to the use of the dilapidated cash-book system of book-keeping, which attempts to show nothing more than a statement of receipts and expenditures. This is very different from a statement of revenues and expenses which will show the known income and expense for a certain fiscal period, regardless of when or how collected and paid.

Uniform Accounting

Certain obvious advantages, in uniformity of accounts, which could only be obtained by a general law applying to all or most of the counties, were brought out as follows:

1. Uniformity would enable a State Board of Accountancy to render valuable aid to the county commissioners concerning their forms of book-keeping and the forms of financial statements that they give to the public.
2. Uniformity would permit a manual of the duties of all county officers and a code of county government law to be prepared.
3. Uniform accounts would enable the state Auditor to keep more accurate tab on the bonded indebtedness of the counties, and to see that debts are contracted only according to law.
4. An uniform act would give the Legislature opportunity to restore to the commissioners final authority in the fiscal management of the county, as they had under Sec. 2, Article VII, of the Constitution of 1868, and which has been found by practice to be the most scientific form of management.

Contents of the Bills

The county government bills which are now before the legislature were then examined to see how they proposed to correct the present evils in county government. They cannot prevent public-local legislation but, if adopted, there will be less need for so much of it. They are designed primarily to secure sound financing.

One bill provides for either of two forms of government,—the existing commissioner form, or the county manager form. It is also provided that

a continuing board of commissioners may be elected by counties, if the electors so decide by an election.

The county finance act and the county fiscal act are the titles of the other two measures, one covering the issuance of bonds and notes, the other placing counties on a budget system so as to compel tax levies sufficient to meet appropriations. The latter two are companion measures and provide for clearing up all deficits of the present year and thereafter balancing the budget each year, so as to avoid another deficit.

The county finance act is modeled on the municipal finance act and limits the nature and amount of anticipation notes which can be issued. Before bonds can be issued for 'necessary expenses' there must be ten days' notice given in the newspapers, and a resolution spread upon the minutes of the board of commissioners.

The county fiscal act would require a budget estimate to be submitted to the county board by the first Monday in July, notice thereof given in the newspapers, and final action taken on the fourth Monday of July. Provision is made for a supplemental budget before the annual levy of taxes which must be made not later than the Wednesday after the first Monday in August, the tax levy being limited to the appropriation which was made at the earlier meeting. This appropriation is binding upon the board for the year and can not be changed.

The act aims to prevent mingling of current funds with sinking funds or other entanglement of accounts by placing the books in charge of an officer known as the county accountant, who may be the county auditor or any other county officer except the sheriff, tax collector, treasurer or county financial agent. These officers are excepted because one of the main duties of the county accountant is to check their accounts.

The act would make non-negotiable by banks all county notes that did not contain an endorsement, signed by an officer under penalty, that they are within the appropriation. The same endorsement would be required of contracts.

FIFTY BOOKS FOR FARMERS

General

Book of rural life. 10 v. 1925. Bellows Durham Co., \$79.50

Soils and Fertilizers

Bear, E. Soil management. 1924. Wiley, \$2.00

Powers and Teeter. Land drainage for farmers. 1922. Wiley, \$2.75

Vivian, Alfred. First principles of soil fertility. 1920. Judd, \$1.40

Voorhees, E. B. Fertilizers. 1926. Macmillan, \$2.50

Weir, W. W. Productive soils. 1923. Lippincott, \$3.00

Crops

Harris, F. S. The sugar beet in America. 1919. Macmillan, \$2.50

Hutcheson and Wolfe. Production of field crops. 1924. McGraw, \$3.50

Montgomery, E. G. Corn crops. 1920. Macmillan, \$2.00. Productive farm crops. Ed. 3. 1922. Lippincott, \$3.00

Piper, C. V. Forage plants and their culture. Rev. ed. 1924. Macmillan, \$3.80

Fruits

Folger and Thomson. The commercial apple industry of North America. 1921. Macmillan, \$3.00

Fraser, Samuel. American fruits. 1924. Judd, \$4.75

Hedrick, U. P. Manual of American grape growing. 1924. Macmillan, \$3.00

Sears, F. G. Productive orcharding. Ed. 2. 1917. Lippincott, \$3.00. Productive small fruit culture. Ed. 2, rev. 1925. Lippincott, \$3.00

Vegetables

Chupp, C. Manual of vegetable garden diseases. 1925. Macmillan, \$4.00

Hand and Cockerham. Sweet potato. 1921. Macmillan, \$2.50

Lloyd, J. W. Productive vegetable growing. Ed. 5, rev. 1925. Lippincott, \$3.00

Stuart, William. Potato. 1923. Lippincott, \$3.00

CORPORATION VALUES

The fair value of the capital stock of the six thousand-odd corporations of North Carolina for the year 1924 as reported by them to the Federal Treasury was nine hundred and thirty-eight million dollars. Which means that the market value of such stocks was probably in excess of one billion dollars.

The reported value of the capital stock of our corporations is now equal to the true value of all farm property in the state, all lands, buildings, livestock, and machinery as reported by the Census Bureau. It has not been so many years since wealth in North Carolina consisted largely of farm wealth. Today the capital stock of our corporations has a market value greater than the true value of all farm property in the state. In order to further show the extent of our urban-industrial development, it might be interesting to note that the assessed value of all town lots, including buildings thereon, is now almost equal to the assessed value of all farm lands and buildings. The bulk of our people live on the farm, but the bulk of our wealth is concentrated in towns and cities.

The following table shows the facts about the capitalization of our corporations as reported by them to the Federal Treasury for the year 1924.

Capitalization	
Par value preferred stock	\$91,442,718
Par value common stock	625,194,378
Stock, no par value	13,491,237
Fair value, basis of capital stock tax	
Corp. reporting par value of common stock	919,640,300
Reporting no par value	16,301,371
Others	2,107,464
Total fair value common stock	938,049,135
Taxable fair value	904,116,458

Forestry

Cheyney and Wentling. The farm wood lot. Ed. 2. 1926. Macmillan, \$2.50

Animal Husbandry

Coffey, W. C. Productive sheep husbandry. 1914. Lippincott, \$2.50

Craig, R. A. Common diseases of farm animals. Ed. 3. 1919. Lippincott, \$3.00

Day, G. E. Productive swine husbandry. 1924. Lippincott, \$3.00

Gay, C. W. Productive horse husbandry. Ed. 3. 1924. Lippincott, \$3.00

Henry and Morrison. Feeds and feeding. Ed. 18. 1923. Authors, Madison, Wisconsin, \$3.85

Plumb, C. S. Types and breeds of farm animals. 1920. Ginn, \$3.80

Dairying

Farrington and Woll. Testing milk and its products. 26th ed. 1924. Mendota Book Co.

Hunziker, O. F. The butter industry. 1920. Author, LaGrange, Ill., \$5.75

Sammis, J. L. Cheese making. 1924. Cheese Maker Book Co., \$2.25

Yapp and Nevens. Dairy cattle. 1925. Wiley, \$2.25

Poultry

Kaupp, B. F. Poultry culture, sanitation and hygiene. Ed. 3. 1924. Saunders, \$4.00

Lewis, H. R. Productive poultry husbandry. Ed. 5. 1923. Lippincott, \$3.00

Rice and Botsford. Practical poultry management. 1925. Wiley, \$2.75

Beekeeping

The ABC and XYZ of bee culture. 1920. A. I. Root Co., Medina, O., \$3.00

Langstroth, L. L. Langstroth 'on the hive and honey bee. Ed. 21. 1922. American Bee Journal, \$2.50

Pests

Georgia, A. E. Manual of weeds. 1914. Macmillan, \$3.00

Herrick, G. W. Manual of injurious insects. 1925. Holt, \$4.50

Sanderson and Peairs. Insect pests of farm, garden and orchard. Ed. 2. 1921. Wiley, \$4.50

Farm Buildings

Foster and Carter. Farm buildings. 1922. Wiley, \$3.00

Struck, F. T. Construction and repair work on the farm. 1923. Houghton, \$3.75

Mechanics and Machinery

Kranich, F. N. G. Farm equipment for mechanical power. 1923. Macmillan, \$2.75

Page, V. W. Modern gas tractor. Ed. 4. 1921. Henley, \$2.50

Potter, A. A. Farm motors. 3d ed. 1925. McGraw, \$2.50

Smith, R. H. Agricultural mechanics. 1925. Lippincott, \$3.00

Economics and Sociology

Galpin, J. C. Rural social problems. 1924. Century, \$2.00

Gillette, J. M. Rural sociology. 1922. Macmillan, \$3.00

Gray, L. C. Introduction to agricultural economics. 1924. Macmillan, \$2.40

Steen, Herman. Cooperative marketing. 1923. Doubleday, \$2.00

Wallace, H. C. Our debt and duty to the farmer. 1925. Century, \$1.75

—Selected by the American Library Association.

BOTH IN SAME COUNTY

A correspondence student throws some light on the unequal educational opportunities of children in North Carolina.

How would you like for your child to attend the first school described below? Or more to the point, is the state treating fairly the children who must attend such a school?

"The poorest rural school that I know is a one-teacher, one-room affair, with a cracked stove in the middle of the floor, windows on each side and one end of the room with several missing panes of glass, no library, pictures, or other cultural influences in sight. The desks are crude and ill-adjusted to the age and size of the pupils. The teacher, a young girl of poor training, goes through about thirty lessons a day, and not many pupils are repaid for their trouble of coming to school.

"The best rural school that I am acquainted with is a consolidated standard high and standard elementary school—one teacher to the grade in the elementary department and several high school teachers. There is a splendid farm life school with a domestic science department in connection with the school. There are good buildings and equipment and the pupils seem to feel that their time is counting for something."

OUR CORPORATIONS CLASSIFIED

The following table shows the number of North Carolina corporations by classes, the number reporting to the Federal Government net income for the year 1924, the amount of net income reported, and the income and profits tax paid to the federal government. The table shows at a glance the essential facts about corporations of the state, the number by classes, net earnings by classes, and the amount of income tax paid by the different classes of corporations. The amount of gross income by classes of corporations is not available.

Industrial groups	Total No. of corporations	Number reporting net income	Net income	Income and profits tax
Agricultural corporations and related industries				
Mining and quarrying	160	72	\$122,730	\$4,501
Manufacturing:	49	14	245,741	27,932
Tobacco, food products, beverages	220	144	29,822,477	3,700,800
Textile and textile products	459	194	9,207,143	1,046,185
Leather and leather products	11	5	88,151	830
Rubber and rubber goods	4	1	1,787	—
Lumber and wood products	294	184	4,101,948	478,947
Paper, pulp, and products	10	8	40,142	3,499
Printing and publishing	103	55	550,731	59,911
Chemicals and allied substances	81	46	1,038,985	116,342
Stone, clay, and glass products	57	44	654,263	70,392
Metal and metal products	77	39	377,134	38,581
All other Mfg. industries	49	24	318,673	35,443
Total manufacturing	1,365	744	46,201,434	5,550,930
Construction	108	75	531,456	60,770
Transportation and other public utilities	389	236	19,842,796	2,454,751
Trade (only corporations)	1,897	1,265	8,385,035	808,215
Public service—professional, amusements, hotels, etc.	337	166	775,674	19,501
Finance—banking, insurance etc.	1,443	927	7,040,890	703,907
Combinations—predominant industries not ascertainable	60	30	585,737	55,523
Inactive concerns	277	—	—	—
Total	6,085	3,529	\$83,731,523	\$9,726,312

INCOME TAXES PAID BY CORPORATIONS

On Income Returned for Year Ending Dec. 31, 1924

In the table below, based on Statistics of Income, Federal Treasury Department, the states are ranked according to federal income taxes paid by corporations on income returned for the calendar year ending Dec. 31, 1924. The parallel columns give the number of corporations in each state, and the number reporting net income.

North Carolina ranks seventeenth in federal income tax paid by corporations, \$3,726,312. The tax was paid by 3,529 of the 6,085 corporations in the state. Only 58 percent of our corporations reported net income. The gross income of these 3,529 corporations was \$951,977,205, and the net income was \$83,731,523. The gross income of all corporations in the state was \$1,232,205,820, or about three times the gross value of all farm products for the same year.

Department of Rural Social-Economics, University of North Carolina

Rank	State	Total number corporations	Number reporting net income	Federal income tax	Rank	State	Total number corporations	Number reporting net income	Federal income tax
1	N. Y.	75,043	43,406	\$246,109,308	25	W. Va.	5,336	2,818	5,635,527
2	Pa.	23,429	12,988	87,157,653	26	Ga.	5,099	3,020	5,536,205
3	Ill.	26,414	15,959	82,467,674	27	Iowa	8,961	4,993	5,284,901
4	Mich.	12,778	7,429	59,869,257	28	R. I.	2,455	1,310	5,236,749
5	Ohio	22,754	13,369	51,129,974	29	Del.	991	594	4,703,290
6	Cal.	19,737	9,990	44,161,442	30	Okla.	5,729	2,929	3,969,267
7	Mass.	17,101	9,412	40,796,074	31	Ala.	3,838	2,373	3,905,099
8	N. J.	14,229	8,580	30,688,913	32	Maine	3,444	1,966	3,533,332
9	Mo.	15,139	8,906	26,039,340	33	Oregon	5,647	2,733	3,108,610
10	Texas	10,787	6,815	16,819,180	34	Nebr.	4,679	2,896	2,762,866
11	Wis.	13,144	7,679	15,113,200	35	Utah	5,096	1,483	2,098,811
12	Ind.	10,832	6,556	12,930,267	36	Ark.	2,564	1,670	1,864,449
13	Minn.	10,800	5,783	12,698,035	37	S. C.	4,104	2,111	1,372,469
14	Conn.	5,782	3,431	11,848,127	38	Miss.	1,977	1,305	1,335,653
15	Md.	5,202	2,933	9,846,911	39	Vt.	1,060	683	1,011,271
16	Kansas	4,985	3,184	9,832,973	40	N. H.	1,175	704	929,840
17	N. C.	6,085	3,529	9,726,312	41	Mont.	4,028	1,489	841,019
18	Va.	6,018	3,675	9,392,478	42	Ariz.	1,525	579	776,072
19	Ky.	5,225	3,226	7,347,437	43	Idaho	2,071	902	680,401
20	Colo.	6,494	2,891	7,024,097	44	N. D.	3,084	1,601	443,397
21	Fla.	5,224	3,094	7,006,389	45	Wyo.	1,527	761	391,311
22	La.	5,155	2,943	5,934,261	46	S. D.	2,970	1,559	355,445
23	Wash.	10,095	4,855	5,850,662	47	N. M.	1,037	413	270,885
24	Tenn.	5,100	3,074	5,789,104	48	Nev.	1,049	327	147,158