

# This is the Law



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(For the N. C. Bar Association)

## Sources Of Law

What are the sources of the laws enforced in courts? Law may be defined as a body of rules which the courts of a particular state will recognize and enforce. It is an agency of social control that has received the sanction of the sovereign state.

The courts are the sole authorized interpreters of the law. They are the ones to determine what rules are to be recognized and enforced.

The primary sources of law are said to be: Constitutions, statutes, and common law (judicial precedents). These are the three places where one may find the rules which the courts of a particular state will recognize and enforce.

The United States and each of the states have written constitutions framed by representatives of the people. These constitutions state the powers and duties of the various officers of government and define the fundamental rights of citizens, as, for example, the right of freedom of speech or to a jury trial. They are of paramount importance for they define with more or less precision the character and framework of government.

The Constitution of the United States is said to be a delegation or grant of powers, whereas the constitution of a state is said to be a limitation of powers. In other words, the United States does not have power to do anything unless such power expressly or impliedly has been given in the Constitution of the United States; while a state can do anything not forbidden by its own constitution or surrendered to the

## YEAR END TAX TIPS NUMBER 2

### How To Plan Federal Income Tax Deductions

This is one of a series of four articles on federal income taxes. The articles are based on information provided by the American Institute of Certified Public Accountants and the North Carolina Association of Certified Public Accountants.

By waiting until after the first of the year to decide whether to itemize your deductions or take the standard 10-per cent deduction, you run the risk of losing your greatest tax-saving opportunity.

When you are forced to take the standard deduction because your deductible expenses are less than 10-per cent of your adjusted gross income, you literally "waste" your expense deductions, for tax purposes. Don't let this happen to you every year. Plan your expense outlays so that you go over the optional 10-per cent deduction occasionally. This can be done by pyramiding two years of actual expenses into one.

For example, assume that you expect to have an adjusted gross income of \$7,000 for this year and actual deductible expenses of about \$600—or \$100 less than what you would be entitled to deduct if you took the standard 10-per cent deduction. Not included in your actual expense estimate, however, is \$250 in state taxes and \$100 in home loan interest charges that will have to be paid in 1958 but which can be paid in advance.

**Beat the Standard Deduction**  
If you act quickly and pay these expenses before December 31, you can bring your total allowable deductions for 1957 up to \$950. By itemizing deductions this year and taking the standard deduction next year—when your actual expenses should be somewhat less because of what you have prepaid—your total deductions for both years will be approximately \$1,650. Had you taken the standard 10-per cent deduction in both years, the total would be only \$1,400.

A salaried worker who has difficulty finding enough deductions to make itemization worthwhile might consider carrying the pyramid plan one step further. He could set up a system of "lending" and "borrowing" year-end items that would make it possible for him to throw three years of deductible expenses into one.

**Timing Deductions**  
You can begin your own three-year pyramid by postponing payment on as much 1957 deductible expense as possible and planning to take the standard deduction on this year's return. The expenses you have postponed—or "loaned"—will increase your 1958 deductions, and in the final months of 1958 you can "borrow" from 1959 by speeding-up the payment of deductible items.

As a result of your pyramiding, you maximize your expenses for 1958 (when you should be able to

beat the standard deduction by itemizing), and minimize your deductible items for 1957 and 1958 (when you will take the standard deduction and waste your actual expenses). The general rule to follow when you are trying to make the most of your actual expenses is: keep outlays as low as possible in the years in which you take the standard deduction and pyramid them as much as possible in the years in which you itemize expenses.

#### Pyramid Medical Expenses

Most taxpayers need look no further than their family medical bills to find a deductible expense that can be pyramided to gain a welcomed tax advantage. The section of the tax law governing the deductibility of medical expenses states that unless you or your wife will be 65 years old by January 1, 1958, you may deduct only those medical expenses for 1957 in excess of 3 per cent of your gross income.

If you find that you are near or over the 3 per cent minimum and you are going to itemize deductions this year, you should pay as many of your medical bills as possible before December 31. And since medical expenses can be deducted only in the year paid (but cannot be prepaid), you might even consider speeding-up and paying the dental work, eye examinations and general physical check-ups your family will otherwise be having in the early part of 1958.

Taxpayers who had low medical expenses for 1957 should reverse this procedure, postponing the payment of their year-end medical bills until after the first of the year. In this way, they may be able to exceed the minimum requirement in 1958 and to gain a benefit from a payment that would otherwise be lost on their 1957 return.

#### Plan Premium Payments

The premiums you pay on your health, accident and hospital insurance policies can be deducted as a medical expense—so plan your payments accordingly. To give you greater flexibility in the shifting of medical deductions from one year to the next, you might arrange to have these premiums fall due in January.

**Next Article: More Tax-Saving Deductions and How to Time Them.**

federal government. A statute is an enactment of a legislative body in accordance with the terms of the constitution. Those rules which are adopted by Congress and approv-

ed by the President are called "federal statutes"; they must not violate provisions of the federal constitution. The laws adopted by the state legislatures are called "state statutes." The statutes

of a state must not be contrary to either the federal or the state constitutions. A statute contrary to either of these is said to be "unconstitutional," that is of no effect whatever.

The state statutes of North Carolina may be found in a large and expensive set of volumes known as the "General Statutes of North Carolina."

An ordinance is a local statutory law of some city or town.

The common law consists of judicial precedents. When there is no statute applicable to a particular controversy, the common law affords a rule and a guide. It covers the whole range of law not covered by constitutions and statutes.

The great bulk of our legal principles are based upon the common law or judicial precedents. It is always surprising to layman to discover that very few of our legal rules are controlled by statutes.

Lawyers in North Carolina search for the common law applicable to a particular case first in one of the 245 printed volumes of the North Carolina Supreme Court Reports; and if no decision can be found therein, then they search the reports of cases from other American jurisdictions and England.

Whenever there is a conflict between a statute and a principle of the common law, the statute prevails. The constitution is paramount to both statutes and the

common law. If a lawyer has found a statute controlling a particular case, he frequently will consult the decisions of the court to find the court's interpretation of the statute.

### ESPECIALLY FOR PET OWNERS

Toughen your dog's paws for the hunting season by giving him progressively longer walks on pavement before using him in the field, the American Veterinary Medical Association suggests.

More than two billion pounds of food are prepared for use by pets in the United States, according to figures at the American Veterinary Medical Association.

An opaque layer of tissue at the back of the eyeball in animals reflects light to improve night vision. This is why animals' eyes appear to "glow" in the dark, veterinary authorities say.

Restrain pets from approaching bats which may appear to be resting on or to have fallen in their area. Bats are presumed to be reservoirs of rabies by veterinary authorities.

Primary glaucoma, a pressure in the eyeball which leads to blindness, occurs almost three times as often in female dogs as

In males, veterinary authorities say. It is not how much we have, but how much we enjoy, that makes happiness. —Charles Haddon Spurgeon

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# THIS NEW LAW!

## Affects EVERY North Carolina Car Owner

On and after January 1, 1958, every automobile owner must be prepared to meet the Requirements of the new North Carolina FINANCIAL Responsibility Law.

Enacted to protect the public from the careless and financially irresponsible driver, this law is designed to restrict the operation of automobiles to those drivers who are financially able to pay for bodily injuries, death or property damage which their automobiles may cause.

In brief, the new law provides that the State Department of Motor Vehicles shall revoke the registration of any vehicle unless proof of financial responsibility is maintained. This proof of financial responsibility may be furnished in any one of the following ways:

1. Automobile Liability coverage may be certified as in effect with minimum limits of \$5,000.00 each person, \$10,000.00 each Accident for Bodily Injuries, and \$5,000.00 because of injury to or destruction of property of others in any one accident, or
2. By furnishing a financial security deposit, up to a maximum of \$15,000.00, as required, to cover possible damages arising out of an accident, or
3. By furnishing a certificate of financial security bond, or
4. By qualifying under the North Carolina law as self insurer.

The simplest way to meet the requirements of this law is to have adequate and acceptable Automobile Liability Insurance. This will permit you to secure your License Plates and keep your driving privileges without having to deposit cash or other security.

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