

STATE INCOME TAX FACTS
North Carolina Individual Tax Changes

(This is one in a series of three articles prepared by the Committee on State Taxation, North Carolina Association of Certified Public Accountants, in co-operation with the North Carolina Department of Revenue.)



State Adopts More Federal Tax Rules

The 1957 General Assembly made a number of changes in the North Carolina individual income tax law, with most of the changes bringing state law into line with federal law.

The major changes affecting the reporting of income by North Carolina individual taxpayers are discussed in this article. Future articles will discuss deductions, personal exemptions and tax credits. All of the changes discussed are effective for the calendar year 1957.

Annuity and Retirement Income

The old "3% rule" has been replaced by provisions similar to the federal provisions covering income from purchased annuities and retirement plans. All receipts are taxable where the taxpayer had no investment in the annuity or retirement plan and an exclusion of the taxpayer's investment is allowed over a

period of years if he contributed to the annuity or plan. If the total cost will be recovered within three years after the starting date, the amounts received are excludable until the investment is recovered, otherwise the excludable amount will be determined by use of life expectancy tables and the annuity starting date or January 1, 1957, whichever date is later.

The only significant difference in federal and state law now is that in computing the amount of income to be reported for annuities beginning prior to this year, the taxpayer will use the unrecovered annuity cost as of January 1, 1957, instead of January 1, 1954, as is used for federal purposes.

Alimony Payments

The new state law contains basically the federal alimony provisions and requires that the receiving spouse include in gross income "periodic payments" re-

ceived under a decree of divorce or separate maintenance or under a written agreement of separate maintenance entered into after June 12, 1957. Lump-sum property settlements are no longer required to be included in income.

Sale Of Principal Residence

The state has adopted the provisions of federal law which relate to the non-recognition of gain from the sale of the principal residence of a taxpayer. The only difference in state and federal law in this respect is that the state law is effective for sales made after December 31, 1956, with any profit made on sales prior to that date being included in income for those years.

As under the federal law, a taxpayer is not now required to report the gain from the sale of his residence if he acquires a new residence within one year's time before or after the sale of the old residence.

The cost basis of the new residence must be reduced by the amount of the gain not required to be reported on the sale of the old residence.

Subsistence Furnished By Employer

Prior to the 1957 change in the law a value was assigned to meals and lodgings furnished by an employer and that amount was required to be included in the income of the employee. Now, if the meals and lodgings are furnished on the business premises of the employer as a condition of employment and for the employer's convenience, no amount is required to be included in the employee's income. This follows the provisions of federal law, and rules and regulations and court decisions based on the federal law will be followed by the Revenue Department.

Minister's Rental Allowance

Cash payments to ministers of the gospel as a parsonage rental allowance are now excluded from the minister's gross income to the extent that such payments are actually used in paying rent on his home.

Group Life Insurance, etc., Premiums

The new law excludes from an employee's gross income the value of premiums paid by his employer for the employee's benefit on group life, accident and health, or hospital insurance benefit plans.

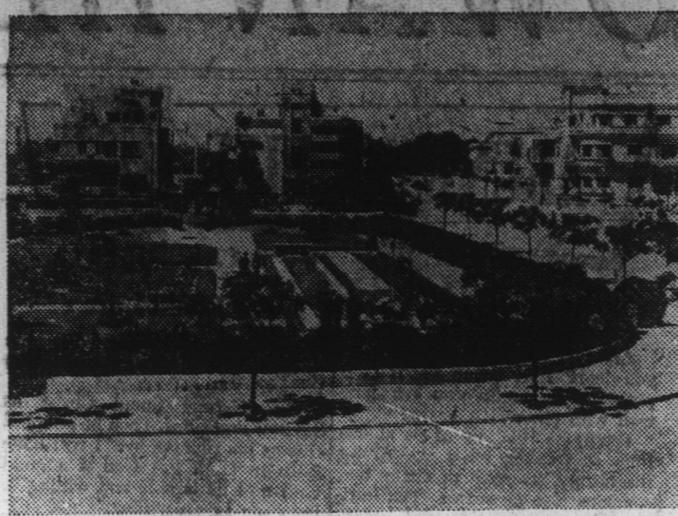
"Sick Payments"

Prior to the 1957 changes, only payments received for sick benefits under the Workmen's Compensation Act and health and accident insurance policies were excludable from gross income. The new law now gives the same treatment to such payments when received from profit sharing trusts financed by the employer. Payments under wage continuation plans are still includable in gross income on the state tax return.

Income In Respect Of a Decedent

The federal rule on "income in respect of a decedent" was substantially adopted by the 1957 General Assembly. This means basically that items of income which were not properly includ-

Past Meets Present In Damascus



A city of striking beauty, contrast and historic charm, Syria's capital of Damascus is not only the oldest inhabited city in the world, but also the oldest existing capital.

More than 4000 years ago the city's foundations were laid in a setting of rugged natural grandeur on the edge of the Syrian desert, beneath the snow-capped Anti-Lebanon mountains. Damascus is blessed with lush green orchards and magnificent gardens, watered by the streams of the Barada River, in vivid contrast to the barren desert which surrounds it.

Damascus was the scene of the famous conversion of St. Paul who received a vision from the Lord on the road to the city and was struck blind for three days. The city's historic sites are carefully preserved by the Syrian Department of Antiquities: The Street Called Straight, the House of Ananias and the wall over which St. Paul escaped.

The preservation of historic shrines and buildings is only one part of an ambitious program of conservation and development now being carried out by municipal authorities in Damascus. A whole new section is rising on the present outskirts of the city. To the southwest, 320 modern apartments with large windows and attractive balconies are being constructed as part of a housing program which allows ample room for gardens, playgrounds and garage facilities. And northwest of Damascus, on the lower slopes of Mount Qassioun (the traditional spot where Cain slew Abel), a new municipal hotel and blocks of residential apartments will be built.

Not long after Syria achieved her independence, a visiting delegate from UNESCO was so impressed with the amount of building and re-building in the city that he remarked "Damascus is indeed the most ancient city in the world, but if construction continues at the present rate, it will also become the most modern."

Judging from their remarkable progress during recent years, the 400,000 residents of Damascus have every reason to believe that this prophetic statement will soon become a fact.

able in a decedent's final return or in a prior year return should be included in the gross income of the decedent's estate or in the income of the person who received such income by reason of the death of the decedent.

The next article in this series will discuss the changes made in allowable deductions by the 1957 General Assembly.

STATIONED IN HAWAII

Army Pfc. James W. Johnson, son of Mr. and Mrs. John W. Johnson, Route 3, Edenton, recently arrived in Hawaii and is now a member of the 27th Infantry.

Johnson is a gunner in the infantry's Company B. He entered the Army in May, 1957, and was last stationed at Fort Eustis, Va.

The 24-year-old soldier attended Edenton High School.

A knowledge of the science of being develops the latent abilities and possibilities of man. —Mary Baker Eddy.

New Book On Tobacco Diseases Is Published

A book on tobacco diseases, written by a North Carolina State College plant pathologist, will soon be published.

The book, "Diseases of Tobacco," was written by Dr. George Blanchard Lucas, associate professor of plant pathology.

In announcing the forthcoming publication, the publishers, The Scarecrow Press, Inc., pointed out that although there has been a steady increase in information on tobacco diseases during the past quarter-century, "much of it has been printed in journals which are not easily accessible, or in bulletins of limited scope and application."

The publishers say that "Diseases of Tobacco" is an up-to-date complete treatment of tobacco diseases, based on a "comprehensive survey and assessment of all pertinent literature. It provides authoritative knowledge on the nature and control of tobacco diseases for use in research, teaching and extension—to help those who help the farmer."

The book treats all (tobacco) diseases of economic importance in any country, including nematode, fungus, bacterial, virus and mal-nutritional diseases, as well as injuries and genetic abnormalities.



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Each disease is discussed from the viewpoint of distribution, economic importance, symptoms, causal agent, weather and soil effects on disease severity and control.

Professor Lucas spent six years preparing "Diseases of Tobacco." It has 500 pages and 156 illustrations. It will be available soon from The Scarecrow Press, 257 Fourth Avenue, New York 10, N. Y.

The Right Crowd
Professor — I am going to speak on liars today. How many of you have read the twenty-fifth chapter of the text? Nearly every student raised his hand. Professor—Good. You are the group to whom I wish to speak. There is no twenty-fifth chapter.

On Monday, February 17th you are invited to attend our **Display Sale** for men and ladies' Tailored-To-Measure Clothes **Mr. Dave Kramer** will be here to show you hundreds of beautiful new fabrics and to take your measurements. **CUTHRELL DEPT. STORE** EDENTON, N. C.

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