

## The National Outlook Corporate Profits And Wages

By RALPH ROBEY

Never has the Internal Revenue Service been subjected to as vigorous criticism from a ruling as it has been on the new proposals on expense accounts. Hundreds, and perhaps thousands, of letters have been written to the service objecting to its interpretation of the law, and so many taxpayers asked to be heard in person that instead of only one day being devoted to this purpose, the time was doubled. Still, every one was under pressure to get his analysis presented in the time allotted. And this was in the face of an opening statement by Mortimer C. Caplin, Commissioner of Internal Revenue, that certain of the suggested rules would be reconsidered and eased.

No one questions that there has been abuse of expense accounts. But no one knows how widespread the abuse has been or what it amounts to in dollars. And certainly it was the intent of the Congress in the tax act passed a few months ago that an attempt should be made to bring the abuse under control. It is, however, the almost unanimous view of careful and skilled students, both lawyers and laymen, that the Internal Revenue Service has gone well beyond even the intent of the Congress.

In general terms, two main questions are involved: first, the

determination of what is a legitimate business expense from the viewpoint of taxes; second, the issue of what type of records must be maintained in order for the Internal Revenue Service to allow the deduction.

On the first question the main controversy has to do with whether business management or representatives of the service are the better judge of what is a legitimate expense account item. Obviously this is a ticklish subject. If management is given the right simply to use its discretion in allowing deductions the field is wide open for abuse. But, conversely, if an Internal Revenue agent has unlimited power to disallow an item, it means that in many instances perfectly legitimate expenses will not be deductible.

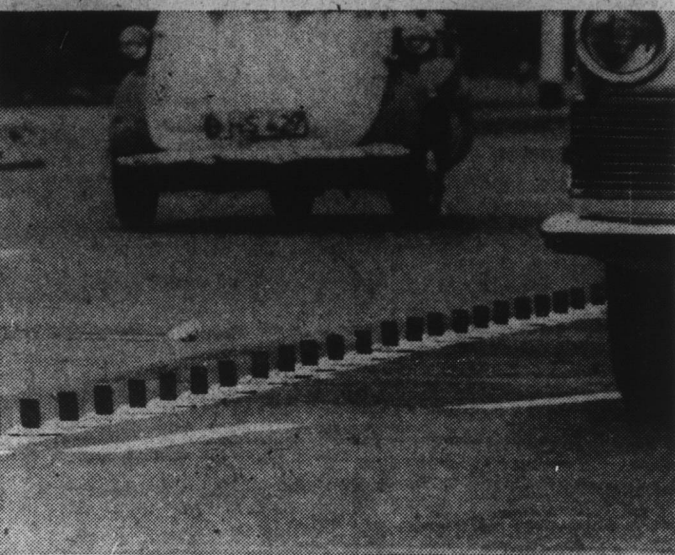
Management believes, and properly so, that it is more capable in the determination of legitimate business expenses than the Internal Revenue agent can possibly be, but even so it does not ask for, or expect, wide open discretion. What it objects to in the proposed regulation is that it is put so definitely on the defensive that it will have to regard almost every expenditure as suspect in the eyes of the Internal Revenue Service.

The type of records which must be maintained under the

proposed new regulation is an equally serious matter. A volume of detail is required that is basically impossible. Most well managed companies now demand itemized accounts from their employees and officers, and on the basis of these reports they determine whether the expenditure was fair and legitimate, or excessive and wasteful. If the decision is that the item was excessive and wasteful, it is customary for it to be disallowed or at least it is required that it be reduced to what is proper. To meet these standards it is normal for employees and officers to keep an itemized account of expenditures.

The proposed regulations go far beyond this. They require exact times; individual listing of each item with receipts for anything over \$10; names; relation of the guest to the business purpose being served; how long the discussion lasted; type of entertainment if any; other guests present; and so on. This is snooping beyond reason, and it would place a burden upon business and its employees that is without warrant.

As noted earlier, Mr. Caplin has stated that certain of the rules will be modified. It is to be hoped that the changes are really significant, not because any honorable person approves of abuse of expense accounts, but merely as a matter of reasonable operation of our tax laws.



**SOUND OF RUBBER**—Tiny rubber tabs lining a white line on a new highway in West Berlin are part of a warning system to alert drivers that they're crossing the white strip. Tabs cause loud creaking noise when run over.

Sunday afternoon. Mr. and Mrs. Richard Smithwick were guests of Mr. and Mrs. Tom Smithwick of Greenville Sunday.

Mrs. Frank Overton and son, Elwood Overton of Windsor visited Mr. and Mrs. Raymond Outlaw Sunday.

Mr. and Mrs. James Holder of the Mt. Gould section, moved with her mother, Mrs. J. D. Smithwick, last week.

**Swell Trick**  
A drunk was watching a man enter a revolving door. As the door swung around a pretty girl stepped out.

"Swell trick," he muttered. "Don't see how that guy changed his clothes so fast."

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## Merry Hill News

By Mrs. Ethel Winborne

Mr. and Mrs. J. W. White and son-in-law, Murray Harden, attended the funeral of Lewis Price in Plymouth Sunday afternoon at the First Christian Church.

Mrs. Cecil Newbern and

daughter, Miss Pearl Newbern of Williamston visited Mrs. Belva Taylor Sunday afternoon.

Mrs. D. P. Mizelle and Mrs. Bettie McWalters and children of Edenton visited Mrs. C. T. Baker Monday afternoon.

Mrs. Maude Spivey of Windsor visited Mrs. E. J. Pruden, Sr., and Mrs. D. A. Byrd Sunday afternoon.

Mrs. J. W. Winborne spent Tuesday in Windsor with Mrs. A. E. Bowen, Sr., and her sister, Mrs. James Willis of Morehead City.

Mrs. Charlie Cobb spent Friday in Windsor and visited her daughter, Mrs. Thelma White and family.

Miss Fonda Smithwick of East Carolina College at Greenville was at home with her parents, Mr. and Mrs. J. Britt Smithwick last week-end.

Mr. and Mrs. Hobson Taylor of Williamston visited Mr. and Mrs. Ralph Smithwick and W. M. Smithwick Sunday afternoon.

Mr. and Mrs. D. E. Bowen of

Churchland, Va., were guests on Sunday for dinner with Mr. and Mrs. J. W. Winborne. They visited Mr. and Mrs. A. E. Bowen, Sr., of Windsor on Sunday afternoon.

Mr. and Mrs. David White of Newport News spent the week-end with his parents, Mr. and Mrs. J. W. White.

Everette Baker of Norfolk was at home with his parents, Mr. and Mrs. R. J. Baker for the week-end.

Mrs. Virgie Baker accompanied Mrs. Miles of Portsmouth to Elizabeth City and spent last Friday.

Miss Peggy Eason of Hampton was the week-end guest of her grandparents, Mr. and Mrs. N. H. Cobb.

Mr. and Mrs. Owen Barfield and children spent the week-end at LaGrange with their parents.

Mr. and Mrs. Noah Small and Mrs. M. B. Barfield.

Mr. and Mrs. Herbert Byrum and boys of Edenton visited Mr. and Mrs. D. E. Bowen of



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