

INTANGIBLE TAX LEVY EXPLAINED BY AUTHORITIES

Property Assessment law Passed in Last Session Of Assembly

Little is known by the average North Carolinian about the new intangible personal property tax that was authorized in the last session of the general assembly.

The following is a complete and accurate description of the tax, its objectives, and its collections:

The new law of taxing intangibles is an important change in method and a radical change in rates of tax on intangible personal property. No property of this class will hereafter be required to be listed with local list-takers and subjected to the local tax rates applying on tangible property. All property of this class is returnable on March 15th of December 31st and the tax payable to the State Department of Revenue. The new rates of tax represent an average of not more than ten or fifteen per cent of the rates formerly applying to this class of property.

It is expected that the revenue at the greatly reduced rates will be greater than under the former much higher rates by reason of a more general and complete disclosure of this class of property.

"Deadline" Set

On promise of good behavior in compliance with this law there is also an express provision that no advantage can be taken of any taxpayer who makes a complete disclosure by assessment of a delinquent tax against any such taxpayer for failure to make a complete disclosure in listing of intangibles in former years. If a complete disclosure is made on or before March 15th of his year, no back taxes can be assessed on such holdings.

Bank deposits are not required to be listed by the depositor unless deposits are made in banks outside of North Carolina, as all banks within the State will report deposits to the Department of Revenue and pay the tax agent on such deposits. Taxpayers must make return of all money deposited in postal savings. The rate of tax on money on deposit is only ten cents per hundred dollars and is based on the average of deposits at four quarterly periods ending December 15th. Accounts showing average quarterly balances of less than \$100.00 are disregarded.

The second classification of tax is that of money on hand (i. e., in lock box, cash register, etc.) as distinguished from bank deposits, and is taxable at twenty cents per hundred dollars of amounts held on December 31st in excess of \$300.00.

Accounts receivable are taxable at twenty-five cents per one hundred dollars of their FACE VALUE on December 31st in excess of \$300.00. Current accounts payable may be deducted from accounts receivable, but deductible current accounts payable shall not include indebtedness on account of capital outlay (i. e., purchase

of land, buildings, improvements, machinery, etc.)

Bonds, notes, and all other evidences of debt are taxable at forty cents on every one hundred dollars of the FAIR MARKET VALUE thereof on December 31st in excess of \$300.00. This classification includes all evidences of debt other than accounts receivable. Evidence of debt other than current accounts payable may be deducted from value of bonds, notes, and other evidences of debt. Bonds of the United States, the State of North Carolina of counties, municipalities, or other political sub-divisions of this State are not taxable. Payment of such evidences of debt are not enforceable in the courts without payment of the tax.

Every person, firm, or corporation acting in a fiduciary capacity is required to report and pay the tax on all intangibles held for the benefit of residents of the State.

Rate For Insurance

No tax is levied on the cash surrender value of life insurance policies, but a tax of twenty-five cents on every hundred dollars of value as of December 31st is levied on all sums left on deposit with insurance companies by a resident of this state, the principal of which is subject to withdrawal at the option of party or parties entitled to receive it after stipulated notice.

A tax of thirty cents per one hundred dollars of fair market value on December 31st in excess of \$300.00 is levied on shares of stock held by residents of this State in foreign corporations that are not domesticated and paying taxes in this State.

Shares of stock in every domestic

corporation are exempt by reason of tax payments made in this State by the corporation, and shares of stock in all foreign corporations that are domesticated taxpayers in this State are exempt from tax. This exemption covers a long list of foreign corporations that are domesticated taxpayers in this State. A complete list of such foreign corporations will be furnished on application by the Department of Revenue. Shares of stock in all other foreign corporations owned by residents of this State are taxable at the rate of thirty cents per hundred dollars. If there is indebtedness incurred directly for the purchase of the stock, and for which stock is pledged as collateral, such indebtedness may be deducted from the fair market value of the stock. Marginal accounts with stockholders are, therefore, taxable on the basis of the net equity of the broker's account, some of which are taxable and some exempt, indebtedness may be proportionately prorated, taxpayer. If stocks are carried in a

Some Non-Residents Exempt

Nonresidents of the State are liable for tax under these schedules only if engaged in business in this state and to the extent that intangibles are related to the business carried on in this State are liable for a return of such intangibles held by them related to the business carried on in this State.

Failure to make report and pay the tax levied on March 15th will subject any resident and nonresident of the State liable for such tax to a penalty of one hundred per cent of the amount of the tax due and payable. None of the intangible taxes apply to religious, educational, charitable, or benevolent organizations not conduct-

ed for profit, not to life insurance companies (except Sections 701 and 704) paying a gross premiums tax to this State, nor to building and loan associations (except Section 703) paying a tax on shares of stock as required by Section 138, nor to evidences of debt held by commercial, industrial, or saving banks representing investment of funds held on deposit.

Report blanks (Form H.1) to be used in making return of intangible taxes have been distributed to more than 10,000 taxpayers; additional forms and further information may be secured from the Intangible Tax Division, Department of Revenue, Raleigh, North Carolina, or from any Field Deputy of the Department.

All intangible taxes are payable not later than March 15th to the Department of Revenue, and one-half of the proceeds of these taxes is retained by the State and the other distributed to the counties and cities of the State. The act represents an effort to apply rates of tax on intangible personal property that will not be oppressive to any taxpayer, and the Department of Revenue trusts that it may have the wholehearted support and cooperation of the people of the State in making a success of this extremely moderate tax law.

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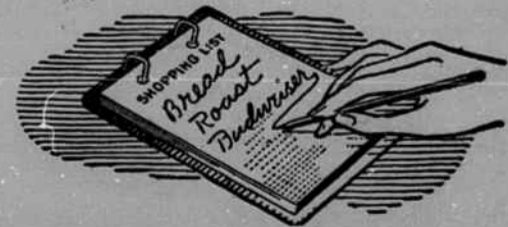
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