

Pay As You Go Tax Will Be Effective On July 1

20% Of Your Pay To Be Withheld As Income Levy

Exemptions Will Trim Actual Deductions In Most Cases

The modified Ruml income tax act, known as "pay-as-you-go," will go into effect July 1. After that date, one-fifth of every worker's pay, after certain allowances, will be taken out by his employer, and sent to the federal tax collector. This is the "withholding" provision, by which everyone pays his taxes in the year in which he earns the taxable income. He pays 1943 taxes in 1943, that is.

The other important part of the new act is the so-called "forgiveness" of the tax on the 1942 last year's income. In the original Ruml bill, complete crossing off of the 1942 tax was intended, but as finally passed by both houses, the "forgiveness" amounts to about three-fourths of last year's bill, for most people.

Farmers do not pay the 20 per cent weekly tax as such. The law says that if 80 per cent of your gross income comes from farming, you will file an estimate of your taxable income for 1943, on December 15, and make a payment based on this estimate. Then, on March 15, 1944, you will send in a corrected report of taxable income, and an adjusted payment. If your estimate is in error, that is too low, by more than one-third of your corrected income figure, you must pay 6 per cent penalty on the amount of error.

Agricultural workers, household help, and people irregularly employed, are exceptions also. These workers file estimates of 1943 income on September 15, this year. In future years the date will be March 15. The tax will be paid quarterly. Most high salaried persons come under this provision, too. All within this group do not have the 20 per cent weekly withheld from their earnings, but pay on their incomes the following year, as everyone did up to now.

For people earning regular wages or salaries then, the new tax will operate this way:

Twenty per cent of your earnings will be withheld every week, after deductions for allowances. These allowances are: The first \$12 of weekly paycheck is not taxable if you are single. If you are married, the first \$24 is exempt, and six dollars is added to exemption for every child or other dependent. On whatever sum is left after subtracting these exemptions, the employer must withhold 20 per cent for the Bureau of Internal Revenue.

Other groups excluded from the withholding provision are self-employed men and women, members of the armed forces, doctors, lawyers, ministers, and other independent professional workers. High salaried corporation officers, government workers, and similar employees, however, are subject to the 20 per cent withholding tax.

The "forgiveness" part of the bill is confusing in detail, but the principle is fairly simple. The wording of the bill says that the tax for either "1942 or 1943, whichever is lower," is the year that will be forgiven in large part. As before stated, in most cases, 75 per cent is wiped off.

Just how much will be cancelled, depends on the size of your tax. If it was \$50 or less in 1942, all of it is forgiven. If it was between \$50 and \$66.67, then

\$50 of it is cancelled. If it was more than \$66.67 then 75 per cent of the tax is forgiven. Criticism has arisen concerning certain alleged inequalities under this scale.

The remaining 25 per cent of your tax must be paid. According to the law, one-half of the 25 per cent owed should be paid by March 15, 1944, and the remaining half by March 15, 1945. Contrary to the belief of many people, the first quarterly installment on the 1942 tax, paid last March 15, will be credited on this year's, 1943, taxes, in order to put everyone on a current, or "pay-as-you-go," footing. The remainder of the 1942 tax, the 25 per cent, is carried forward, still unpaid.

In a few special cases, where the 1942 income was very high, (called "windfall income" resulting from war contracts generally) the taxpayer will not be able to get on a current basis until 1946, or possibly 1949. It is also pointed out by fiscal experts, that there will be no year in which taxpayers escape paying taxes.

Other requirements under the new bill are: You must pay your June 15 installment. This payment and the one you made last March will be added together and applied to your 1943 tax bill. (Or as explained before, to your 1942 income, if it was higher.)

Also it must be remembered, the 20 per cent weekly held out of your pay, may not entirely take care of your tax liability. You may have other income, or there may be some other reason why you would have to pay more than the 20 per cent deducted.

Higher Taxes Than Ever

It is also pointed out, that you will probably pay higher taxes during the next two years, at least than you ever before did, despite the relief of the cancellation of 75 per cent or more of your bill, for one year. This is because of the higher rate of taxation—higher than ever before in our history.

You must continue to file a report on income, at least once a year, as before, even though you may not owe anything, after considering the withholding tax you have been paying. If your income is less than \$2,700 net if single and \$3,500 if married, the withholding tax will probably take care of all you owe.

'Pay As You Go'

The purpose of the new tax law has been stated by its proponents as a method of putting everyone on a current, or "pay-as-you-go" basis. Thus, as originally intended, the new tax law would abolish all indebtedness to the government, in most cases. As modified, this has not been entirely accomplished, but it has been substantially achieved.

Another intention is to ease the strain of large payments now necessary. It has been contended that many tax payers are not able to save up enough during a year to pay their taxes in lump sums during the next year, even with the four installment system. By taking the tax out every week, the wage earner adjusts his living costs to the lower income, and thereby pays his tax off gradually, with less difficulty. At present, many people have had to borrow, often at high interest rates, to meet their payments, say the proponents of the "pay-as-you-go" act.

Because of the immense cost of the war, every dollar of revenue that can must be collected, according to treasury officials. To help avoid inflationary dangers, as much money as possible must be raised by taxation, they state.

Hope to Raise 16 Billions
The treasury officials hope to raise about 16 billion dollars of

additional revenue in 1943, largely from income taxes. Opinions in congress is that this sum is too high and that ten billions is probably the largest sum possible, unless tax rates are much increased. For various reasons, informed opinion believes that the rates will not be raised much, if any more.

Income taxes will yield around 25 billion dollars in 1943, treasury officials anticipate, or more than twice the 11 billions collected in 1942. Other taxes will yield about seven billions, or at about the same level as last year.

A War Food Production order establishes control over the distribution of organic nitrogen. Fertilizer manufacturers may acquire 70 percent of the amount of such materials used for fertilizer last season.

Piney Creek News

Miss Mildred Halsey, of Wytheville, Va., spent a few days last week visiting her mother, Mrs. Victoria Halsey before leaving for Washington, where she has accepted a position with the FBI. Mrs. W. C. Weaver left last week to spend a few days with her sister, Mrs. Mary Crouse at Sparta.

Miss Cora Halsey, who was painfully injured in a recent car collision, is improving slowly. Inez Marie Douglas is visiting her grandmother Mrs. Joseph Douglas.

Heavy rainfall and large hail stones—some as large as a marble, fell Sunday week, and a downpour of rain the following Tuesday did considerable damage to soil, gardens and crops. Piney Creek was out of its banks in less

than half an hour and one "old-timer" said more water went down than during the '16 flood. Mrs. Jennie Warden visited relatives in the community last week.

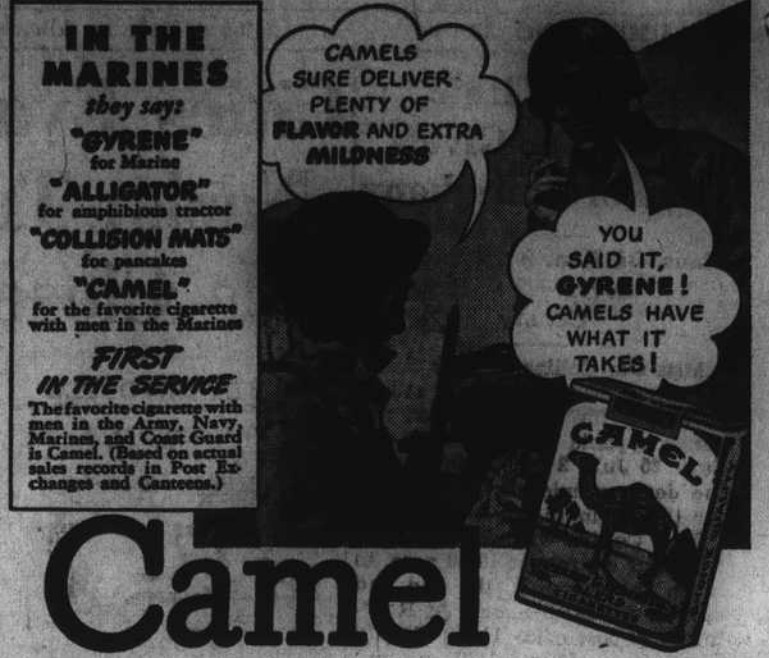
Mr. and Mrs. L. C. Caudill and son, Robert, left Friday for Maryland.

Born to Mr. and Mrs. Ray Purlear, of Piney Creek, on Monday, May 31, a six-pound baby girl, Nancy Carole.

Born to Mr. and Mrs. Ray Hash, of Piney Creek, on Monday May 31 a seven-pound baby boy.



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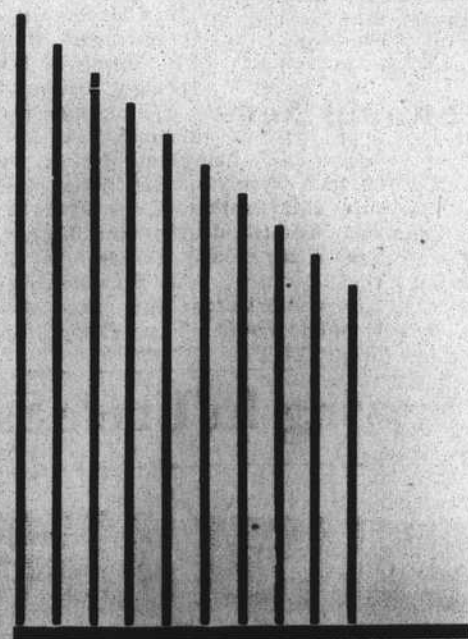
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