

Our State Taxing System

(Address of Commissioner of Revenue A. D. Watts before the Association of Superior Court Clerks at Waynesville July 6.)

Mr. Chairman and Members of the Association, Ladies and Gentlemen: When I accepted your invitation to be with you today, I wrote that I would be present and submit a few remarks, but if a speech was wanted you should have some one else present to make it. I hope, Mr. Chairman, this matter has been duly attended to.

I was asked to discuss the state inheritance tax. I have decided to briefly discuss the system of taxation for state purposes, of which the inheritance tax is a part. I mean state taxes and not county and school taxes levied, collected and spent by the counties.

The New System.

At the last regular session of the general assembly our state inaugurated a new policy under which no ad valorem taxes are levied on property for state purposes, leaving all property, whether owned by individuals or corporations, to be taxed by the counties and municipalities for their own purposes, including schools, and raising the state's revenues from taxes on inheritances, incomes, franchises, insurance policies, gasoline, licenses, fees and rentals of state property. The license tax on automobiles and the tax on gasoline are used exclusively to pay interest on bonds issued for public roads and to maintain them. I understand the revenues from these sources are sufficient for the purposes for which they are levied. The other taxes furnish the revenues for every other activity of the state, including an appropriation of \$1,400,000 to education, of which \$800,000 is disbursed to the weaker counties for schools as an equalizing fund. From these revenues the state supports its educational, charitable and penal institutions, pays \$1,000,000 to the ex-confederate soldiers and their widows, and conducts every branch of the state government. It is confidently believed that the present taxes at present rates will be amply sufficient for a wise and economical administration, not parsimonious, not lavish. The revenues will grow as the state expands and so will the requirements of the state and her institutions.

The Inheritance Tax.

Occasionally opposition is heard to the inheritance tax. To my mind it is a very just tax indeed. Most civilized governments, including our own, and nearly all the states of the union tax inheritances. Our North Carolina tax is one of the lowest of them all. We give liberal exemptions to widows and children and tax the first \$23,000 above exemptions inherited by any one of them at only one per cent and gradually raise the rate until the excess above a half million dollars pays five per cent. The rates to kinsmen of further degree and to non-kinsmen are higher, but the maximum rate is nine per cent on the excess above \$100,000. The heirs of probably 93 per cent of the persons who die in North Carolina pay no inheritance tax.

If the inheritance is small, the tax is small, while a very large inheritance pays a considerable tax. The large fortunes of North Carolina are acquired under the protection of our beneficent laws which seek to give justice to the rich and the poor, to the employer and employe, alike. It is entirely just that these large fortunes, built up largely by the ability to utilize profitably the labor of others, should on the deaths of their owners be required to pay taxes out of their abundance for the common good. These taxes should at all times be reasonable and in no wise confiscatory.

Our account of our excellent climate, fertile soil and unsurpassed natural resources, of the splendid ability of our men of affairs, and of our good government, our state has ten rich men where it had one ten years ago, and it is safe to predict that their numbers will increase at a faster rate still. The inheritance tax mill, therefore, be an ever increasing source of revenue.

The members of your association, who in their official capacities, are agents of the state for the collection of these taxes, are entitled to the gratitude of our people for the faithful and efficient services they have rendered.

The Income Tax.

North Carolina has for many years had an income tax on salaries, fees and other income not derived from property taxed. Under the practical operation of this law only salaried and professional men and women paid the tax. The clerk in the store and the stenographer in the factory, if their salaries were large enough for it was in 1920. This was brought more than the bare necessities of life, about by the reductions made in 1921 paid income tax, while the merchant, manufacturer who employed them, although their incomes might be the envy of princes, paid none.

At the last general election the people adopted an amendment to the state constitution authorizing all income to be taxed and the general assembly at its last regular session enacted a law taxing all incomes. Under this law there has already been collected of the first year's taxes more than two and one-quarter millions of dollars and when the year is ended it is believed fully \$2,500,000 will have been collected, notwithstanding the year 1922 was one of marked business depression. When previously returns in full measure a much larger amount will be forthcoming at

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Buy this Cigarette and Save Money

Of Interest to Tobacco Growers. Mocksville, N. C., July 12, 1922. Mr. Editor:

Fifty years ago, my father, Daniel V. Davis, began growing tobacco. A few years later he decided that there are better days than others for harvesting tobacco in order for it to cure up nicely and have a rich "waxy" and heavy body. To find a way to tell these dates ahead was a hard job, but he was finally successful.

For some reason, my father kept this information a secret from everybody, even his own family, until a short time before his sudden death last November. In August he called a visiting sister and myself to the table where he was doing some writing and explained it all to us.

I desire to pass this information to as many tobacco growers as possible. In explanation, let me say that tobacco has an oily substance which is its natural possession. It has a sap (water) like other vegetation. When the sap rises it runs the oil out through the pores of the leaves on the principal that oil and water don't mix and oil being lighter is pushed out by the sap. Tobacco harvested in this state will be light and "caffy" when cured. There being only sap in the tobacco, this evaporates in curing and leaves the tobacco light and worthless. But tobacco harvested when the sap is down and oil in the leaves renders it easily cured and makes it rich, oily and "waxy." This is because the tobacco is full of oil instead of sap and the oil being unable to evaporate remains to give the tobacco weight.

I shall be pleased to answer any correspondence from tobacco growers who may desire to write me, provided postage is sent for reply. Yours truly, W. H. DAVIS.

be small; if big money is made corresponding taxes will be collected.

In my opinion a composite system of taxation, such as we have in North Carolina, where we collect part on property and the balance on incomes, businesses and privileges, is ideal. If property alone is taxed, the man or woman with a large income who spends it without acquiring property, and there are many such, would escape taxation; so would the unprogressive owner of large property who will neither improve nor sell but depends upon the progress and efforts of others to enhance the value of his property, if only incomes, businesses and privileges are taxed. Our system reaches both.

License Taxes.

In order to carry out the present policy of the state to have only one tax gatherer visit each class of taxpayers, in my opinion, the state should collect all of the license taxes levied on certain businesses, trades and professions, and the counties all of the others required to pay license taxes. The revenue law should be reconstructed to carry this provision into effect in such manner as to be just both to the state and to the counties.

Since the new system has been in operation its execution has been carried forward with a minimum of friction except from the four principal railroad companies doing business in the state. These roads have instituted suits in the federal courts to have the assessments of their property for ad valorem taxation by the counties and other taxing units through which they run heavily reduced, and to have the acts levying franchise and income taxes upon them declared unconstitutional. So far, they have succeeded in holding up over one third of the taxes due the counties and other local taxing units and all of the taxes due the state for the year 1921, are held up. All tax payers, except these roads, have paid their taxes due the state promptly and cheerfully. These railroads are assessed at a much smaller proportion of the total assessment for ad valorem taxation than they were in any former year except 1920.

The proportion for 1921 and 1922 was about one per cent higher than their salaries were large enough for it was in 1920. This was brought more than the bare necessities of life, about by the reductions made in 1921 paid income tax, while the merchant, manufacturer who employed them, although their incomes might be the envy of princes, paid none. The products of the farm from the high prices obtaining in 1919 and 1920, when the revaluation was made. The property of these railroads is not assessed too high and they are not asked to pay more than their just proportion of the expenses of the counties and towns through which they run and the taxes sought to be collected from them for state purposes, all of which they seek to avoid, paying, constitute a much smaller proportion of the total expenses of the state government than they have paid in any year since they began paying taxes in North Carolina.

GLIMPSES OF PRESIDENT HARDING AND THE CABINET

The glimpses of our great men which the author of "The Mirrors of Washington," gives us in his new book "Behind the Mirrors," are quite as interesting and in some cases quite as enlightening as those in the first named work. From "Behind the Mirrors" take a peek at President Harding and his cabinet.

President Harding—"Feebler" than Taft.

Secretary of State Hughes—"Mr. Hughes' mind is distinctly inferior to Mr. Harding's, which is one reason why he never became president and Mr. Harding did."

Secretary of the Treasury Mellon—"The shyest and most awkward man who ever rose to power."

Secretary of War Weeks—"Nearer akin mentally to the president than any other member of the cabinet but with more industry and more capacity for details than his chief."

Secretary of the Navy Denby—"Has a big heart and more enthusiasm than he has self-command, judgment and intelligence."

Secretary of the Interior Fall—"He has the frontiersman's impatience. From his kind, lynch law springs."

Attorney General Daugherty—"In physique, burly, thick-necked, his eyes are unsteady, his face alternately oval and minatory—I should say he bluffed effectively—rough in personality. His view of the world being highly personal, his instinctive idea of office is that it, too, is personal, something to be used, always within the law, to aid friends and to punish enemies."

Secretary of Commerce Hoover—"The practical utility of his mind, is conditioned upon the minds of Mr. Harding, Mr. Weeks and Mr. Daugherty."

Secretary of Labor Davis—"A professional glad-hand man."

The Vindication of Watts.

The Observer made contention the other day that Revenue Commissioner Watts, by reason of the developed excellent results in administration of his office, had brought "confession upon his critics." The papers in the state are now making general comment along that very line, and in the number so commenting are papers that cannot be called partisans of the Morrison administration. The Asheville Times is outspoken in placing the credit to Mr. Watts and his staff, both having "displayed industry and intelligence of the highest order." It is that paper's deliverance that A. D. Watts, "the politician, has his enemies—and their name is legion—but A. D. Watts, the tax-gatherer, deserves high praise." We are not so sure that Watts has so many enemies as the Asheville paper would indicate—many of his "enemies" are fictional in the news stories—and many of these are unquestionably inclined to give unreserved endorsement to the work Watts is accomplishing. The Winston-Salem Journal is moved to say that the tax commissioner's recent report showing the amount of taxes collected and the surprisingly small cost of collection was an eye-opener. "Today," says that paper, "even the enemies of Colonel Watts are obliged to admit that, while he is something of a politician, he is also a whale of a tax collector. The truth is, the state has never had a department that did better work. And today nowhere along the line is North Carolina getting quite so much for its money as it is receiving in service from Colonel Watts and the capable men he has associated with him in the state tax department. From one end of the state to the other the commissioner is coming in for high praise of his efficiency and diligence."—Charlotte Observer.

A Card of Thanks.

We wish through this paper to thank the many friends and good people of this community for their help and kindness during the sickness and death of our little daughter, Dorothy Jane. May the Lord bless every one. MR. and MRS. GEO. P. WRIGHT.

Mr. Riddick Returns From Raiding.

Ernest Riddick, federal prohibition agent, of Asheboro, returned last week from a six weeks raiding trip in Nash, Halifax, North Hampton and Warren counties, and reports a successful trip. He reports that his party captured and destroyed more than 600 gallons of whiskey, eight stills, one of which was one of the largest ever captured in the state, with thousands of gallons of beer and other equipment used in the manufacture of whiskey. They also captured five men. There were 1,600 pounds of sugar, 4,000 gallons of beer and 400 gallons of whiskey at the big still in Northampton county. The whiskey was made of rye meal. It was taken to and poured out. Mr. Riddick said news of "the pouring out" was circulated around the town and a large crowd assembled and some of the "thirsty ones" used their hats for dippers until finally matches were struck and it all ended in smoke.

counties and municipalities.

In the administration of the tax laws equal and exact justice should be meted out to all, rich and poor, high and low. All who owe taxes should be made to pay them. Valuations for tax purposes should be full but conservative. Tax officers should remember that it is better not to exact quite enough than to collect one cent of tax not due under the law.

Conclusion.

The present system of state taxes has worked well. A safe prediction is that never again will an ad valorem tax on property be levied in North Carolina for state purposes. The legislature of 1921 in providing for the government of the state, and the legislature of 1922 in providing for the government of the state, have shown a wisdom and foresight that is a credit to the people of North Carolina.

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