

STATE INCOME TAX FACTS
North Carolina Individual Tax Returns

(This is one of a series of 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.)

Remember to mail your return before
APRIL 15



Military Income Taxable

When President Eisenhower declared the end of the Korean War as of January 31, 1955, the military income of North Carolina legal residents serving in the armed forces again became subject to the North Carolina income tax. The North Carolina Revenue Act provided that military income received during World War II for active service in the armed forces of the United States was exempt from the North Carolina income tax. By administrative interpretation, the Commissioner of Revenue extended this exemption to cover military income received during the Korean conflict.

The original exemption of military income expired with the termination of World War II by Act of Congress and the President on October 19, 1951. The administrative extension of this exemption expired with the termination of the Korean War by presidential proclamation effective January 31, 1955.

For periods after January 31, 1955, including the entire taxable year 1956, therefore, military income is taxable to legal residents of North Carolina.

The following statements dealing with the legal residents, taxable income and deductions of a serviceman or his wife are based upon interpretations of the statutes as furnished to the North Carolina Association of CPAs by the North Carolina Department of Revenue.

Definition of "Legal Resident"
For the purpose of reporting

military income to North Carolina, the term "legal resident" means an individual who was domiciled in this State prior to entering the armed forces, who regards this State as his state of legal residence while in the armed forces, and who intends to return to this State upon his discharge.

To be a citizen of the United States, an individual must have residency in one of the 48 states, the District of Columbia, or the Federal territories.

An individual is presumed to be a resident of North Carolina if he was a resident of this State at the time he entered military service unless he has, through proper legal means, established residency in some other state or territory.

A serviceman who is a legal resident of some other state is not required to report his military income to North Carolina, if he is present in this State by virtue of military orders assigning him to a post or station within this State.

In the case of a non-resident serviceman who has purchased a home near one of the military bases in North Carolina, the Department of Revenue has ruled that the act of buying a home does not in itself make him a North Carolina resident and therefore liable for the North Carolina income tax on his military income.

By the same token, a North Carolina resident who has purchased a home near a military base in some other state would not by that act alone be considered no longer a resident of North Caro-

Servicemen's Wives

The legal residence of a wife follows that of her husband, and the wife of a serviceman who is himself a legal resident of North Carolina on active duty is required by the Department to report income wherever earned, as she is by law a legal resident of North Carolina even though her home may have been in another state and she was married in another state and has never lived within the geographical boundaries of North Carolina. She might, however, be entitled to a tax credit in the event that her income is also taxed by the state in which earned. This tax credit will be discussed in the next article in this series.

Career Army Personnel

The fact that an individual may be a "twenty-year man" or a "thirty-year man" does not relieve him of the responsibility of filing North Carolina income tax returns if he is a legal resident of this State. His absence for the full period of his service would not in itself make him a non-resident of North Carolina. Only by establishing legal residency in some other state through legal means and by clearly abandoning legal residency in North Carolina would he be relieved of the requirement to file income tax returns in North Carolina.

Types of Taxable and Non-Taxable Service Income

Military income which must be reported to North Carolina by legal residents includes base pay, longevity, flight pay, foreign service pay, submarine pay, jump pay, re-enlistment bonus, special incentive pay for medical, dental, and veterinary officers and other special pay for incentive or hazardous duty.

Amounts received as officers' and enlisted men's subsistence and quarters allowances, family allowances under Servicemen's Dependents Allowance Act, moving allowances, and mustering-out pay are not subject to the North Carolina income tax.

Special Military Deductions

For both regular and reserve military, a deduction from income is allowed for the cost of insignia, swords, gold braid on the caps of qualified officers, and the cost of altering uniforms necessitated by change of rank.

For National Guard and reserve members only, a deduction is allowed for the unreimbursed cost of uniforms and their cleaning where the uniforms are required for infrequent or occasional wear and are neither suitable nor allowable as substitutes for ordinary street clothing. Reservists and Guardsmen may deduct, as travel expense, the cost of the round trip from home to a place of encampment or annual training if unreimbursed. The cost of a one-way trip from the member's normal business location to an armory or other place of drill is an allowable travel deduction.

Non-Deductible Items
Full-time members of the arm-

NOTICE OF SALE

THE GREAT STATE OF NORTH CAROLINA, County of Yancey

Under and by virtue of the power of sale contained in a certain Mortgage executed by WALTER W. HENSLEY dated 19 July 1956 and recorded in Yancey County Mortgage Deed Book 43, page 83, default having been made in the performance of the condition set forth in the Mortgage and said Mortgage being by the terms thereof subject to foreclosure, the undersigned Clerk of the Superior Court will offer for sale at public auction to the highest bidder for cash at the door of the Courthouse in Burnsville, North Carolina, at Noon, on the 23rd day of April 1957, all right, title and interest of Walter W. Hensley in the property conveyed by said Mortgage, the same lying and being in Pensacola Township, Yancey County, North Carolina, consisting of two tracts of land particularly described in a Deed dated 4 March 1946 from C. P. Hensley and wife, Ellen Hensley to Walter W. Hensley, which Deed is recorded in Yancey County Deed Book 96, page 438 and reference is made to said public record for the exact description of said lands.

This sale will be made subject to all outstanding and unpaid County ad valorem taxes.

This 22nd day of March 1957
LOVE THOMAS, Clerk Superior Court, Yancey County
March 23, April 4, 11 and 18



(AHTNS) — Army Pvt. Doff Silvers, whose wife, Lillian, and mother, Mrs. Silas Silvers, live on Route 1, Burnsville, N. C., recently qualified as a paratrooper at Fort Bragg, N. C., after completing the 82nd Airborne Division's Jump School. Silvers received his parachutist's wings after completing the three-week course which included five training jumps. He entered the Army in August 1956 and completed basic training at Fort Bragg.



ed forces may not deduct the cost of uniforms, fatigues, laundry and cleaning, or tailoring of uniforms, or cost of moving from post to post even though such cost is in excess of their allowances.

Extensions of Time for Filing

There is no special provision in the North Carolina Revenue Act for extensions of time for servicemen to file income tax returns. However, the Department has indicated that it will, when necessary, grant reasonable extensions of time when a serviceman-taxpayer is unable to file on the due date because of his military duties or location of his post of duty.

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Then, Chevy won the Pure Oil Performance Trophy at Daytona (left, below) as "best performing U. S. automobile."

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