

LOOKING AT WASHINGTON

By Hugo S. Sims, Washington Correspondent

House and Senate Compromise on Taxes

The conflict between the House and the Senate on the \$5,000,000,000 revenue revision bill was settled as all such disagreements have to be settled in legislative bodies—by compromise.

The Undistributed Profits Tax is retained in modified form, thus upholding the House, and the present system of taxing long-term capital gains as ordinary income is abolished in favor of the principle advocated by the Senate.

The bill as agreed upon provides that corporations earning more than \$25,000 pay a tax of sixteen and one-half percent on their undistributed profits. The House bill provided for sixteen percent plus four percent. The Senate bill had a flat rate of eighteen percent.

The new bill divides capital gains into short-term, (those involving assets held less than eighteen months) to be taxed as ordinary income, and long-term gains, to be taxed at twenty percent if the assets are held less than two years and fifteen percent if they are held longer than two years. The House bill contained the present system of taxing a percentage of gains on a graduated basis according to the length of time the assets were held. The Senate bill provided for a flat rate of fifteen percent on gains on assets held more than eighteen months.

The new law will stand only for the calendar years 1938 and 1939. Corporations earning less than \$25,000 will be entirely exempt from the principle of the undistributed profits tax. They will pay twelve and one-half percent on the first \$5,000 of profits, fourteen percent on the next \$15,000, and sixteen percent on the next \$5,000.

There are also two "cushions" for corporations having debt or impaired capital. Corporations with a loss in one year can carry it over to offset profits shown in the next year in calculating the undistributed profits tax. In addition, earnings used for the retirement of debts, created prior to January 1st, 1938, will be exempt from the undistributed profits tax.

While the agreement continues the principle of the undistributed profits tax, it is far removed from the provisions of the present law. Former-

ly, the income of a corporation paid a normal tax, graduated from eight to fifteen percent, plus a super-tax ranging from seven to twenty-seven percent on undistributed earnings.

Undoubtedly the undistributed profits tax will be an issue in future political campaigns. President Roosevelt has been outspoken in favor of the principle of the tax. He contends that without it there will be a disparity between the taxation of individual proprietors and partnerships on the one hand and of corporations on the other.

The argument advanced by the President for the undistributed profit tax is as follows: Individual proprietors and partners are taxable at the usual normal tax and surtax rates upon the entire income profits of their businesses, whether taken out of the business or left in it. Corporations, however, being legal entities, can withhold the distribution of profits and thus the shareholders who really own the business are not required to pay any personal income tax on their part of the withheld profit.

By illustration: If three men operated a business as partners and it made \$75,000 profit, each of the three partners would have to report \$25,000 income and pay personal taxes on that amount. If the same three men owned all of the stock in a corporation which made \$75,000 in a year, they could pay \$30,000 out in dividends, making each individual liable to personal income tax on the \$10,000 dividend. If the corporation retained \$45,000 of their profits, without distributing it as dividends, the individual owners would not have to report the extra \$45,000 as income and thus would escape the personal income tax.

Therefore, says the President, where corporations do not distribute earnings, the Federal Treasury does not collect additional taxes on the personal income of the stockholders. In the case of individuals with large incomes, the loss might be considerable.

The reader should not lose sight of the fact, however, that corporations, under prior law, paid a normal tax of from eight to fifteen percent of their earnings, plus a tax ranging

from seven to twenty-seven percent on undistributed profits. It is this extra tax on undistributed earnings that the President insisted upon.

Without it, he says, the partnership or individual proprietor is discriminated against as compared to the corporation. Moreover, without it, the avoidance of surtaxes through the use of corporations becomes a readily available device for those persons in the higher surtax brackets who seek legally to keep their net personal incomes down for tax-paying purposes and to hide their actual profits by leaving them undistributed in the corporations they own.

New Deal Faces Third Test in November

Twenty-seven weeks from next Tuesday, the people of the United States will go to the polls to pass judgment upon the administration of the affairs of the Government of the United States.

The election in November will be the third test of what is known as the "New Deal." The members of the House of Representatives and one-third of the Senators must face their constituents, who will have the opportunity of passing upon their records. Most of the congressmen who seek re-election understand that their political life depends upon public sentiment toward the policies of President Roosevelt and their own classification as supporters or opponents of the Chief Executive's program.

Everything in the political arena today indicates that once again President Roosevelt, while not directly involved in the election, will occupy the center of the ring. There will be, of course, side acts going on in some of the states, but, in general, the applause which will greet the performers will depend largely upon the spectators' attitude toward the ringmaster.

As the big show gets under way, we find the President standing near the center, a little to the left. He is flanked on each side by a number of loyal supporters, thoroughly convinced that he is pursuing the proper course. This group, to the right, fades imperceptibly into a band of dissatisfied, conservative Democrats, who merge with what is generally termed the Old Guards of Republicanism.

On the other side to the left of the President, his supporters disappear into a band of so-called Liberals, including many Progressive-Republicans, and these in turn fade into the

group of radicals who occupy the extreme left.

This is the set-up, and the basis of the President's strategy is the belief that by shifting his position, slightly to the right or left, he is assured of sufficient additional support to give him the necessary majority.

Last week there was activity on both ends of the line. At Madison, Wisconsin, Governor Phillip F. La Follette outlined a tentative program, apparently intended to capture the Progressive group and, if possible lead it into a Third Party movement. To the right, where the Old-line Republicans congregate, there was renewed vigor as various spokesmen criticized the President's policies and attempted to formulate the issues which, in their opinion, should be the dividing line between the parties.

The activity of the La Follette's, John L. Lewis, Mayor La Guardia, and others generally associated with Third Party movements, do not, as yet, mean a Third Party in the presidential campaign in 1940. On the other hand, the speeches of former President Hoover and former Governor Landon of Kansas, when linked with the activities and efforts of the Republican organization, indicate a new spirit on the part of the G. O. P. and evidence an intention to vigorously contest the issues. The further development of either activity will depend more upon the showing made in the congressional elections this fall.

It is too early to make any predictions as to the outcome of the November election. Most political observers take it for granted that the Republicans will gain a number of seats in Congress. Present indications plainly point to such a result. Frankly, we risk no prediction until certain key primary contests can give a clearer indication of popular trends. Our caution is fortified in this respect by the recollection that, in 1934, the President's opposition failed to make the advances forecast and in 1936, the election was far more one-sided than was believed possible by most observers.

450 Below Zero on Mercury

During its mad dashes around the sun, the planet Mercury's temperature rises several hundred degrees on the side next to the sun, but, on the dark side, remains at 450 degrees below zero.

USES GOLD BATH TUB

Cannes, France.—In the villa recently leased by the Duke and Duchess of Windsor at a cost of \$16,000 annually, is a twenty-carat gold bath tub, located in that part of the house which is reserved for the Duchess' apartments. The estate includes a 250-foot swimming pool and harbor.

Musicians' Slang

In musicians' slang, a trombone is a "slushpump," an accordion is a "box of teeth," a band leader is a "front man," and a woman vocalist is a "canary."

Road to Great Pyramid

It took Egyptians ten years to build the road for hauling materials to the site for the Great Pyramid.

TAYLOR THEATRE

EDENTON, N. C. THE BEST ENTERTAINMENT

Today (Thursday) and Friday, May 5-6—

Jeanette MacDonald and Nelson Eddy in
"THE GIRL OF THE GOLDEN WEST"

With LEO CARRILLO, BUDDY EBSEN and CLIFF EDWARDS
News

Saturday, May 7—

Bob Steele in
"THUNDER IN THE DESERT"

ZORRO RIDES AGAIN No. 11 — COMEDY

Monday and Tuesday, May 9-10—

MARK TWAIN'S BELOVED CLASSIC

"THE ADVENTURES OF TOM SAWYER"

With TOMMY KELLY, MAY ROBSON, WALTER BRENNAN
Filmed in Technicolor
News

Wednesday, May 11—

Movita and Warren Hull in
"PARADISE ISLE"

A Romance of the South Seas
ACT — SPORT

COMING—

"Judge Hardy's Children"
"The Adventures of Marco Polo"
Jesse Crawford In Person

PROMOTE

The Man You Have Observed In Important Public Office For TEN YEARS And Personally Known For SIXTEEN YEARS



HERBERT LEARY OF EDENTON TO JUDGESHIP

It is being extensively circulated, in an effort to injure my candidacy, that my opposition to Hon. C. E. Thompson is INOPPORTUNE and WITHOUT PRECEDENT. All of which is without foundation as the following instances will conclusively show:

In the Second District, Walter Bone is opposed in the coming Primary by Itimous Valentine; in the 19th District, A. Hall Johnston is opposed in the coming primary by Z. V. Nettles, PRESIDENT SOLICITOR OF THE DISTRICT, and in the 21st District, E. C. Bivens is opposed in the coming Primary by J. M. Sharp and Allen H. Gwyn, the last named being the PRESENT SOLICITOR OF THE DISTRICT, and ALL THREE OF THEM, BONE, JOHNSTON and BIVENS ARE RECENT APPOINTEES OF GOVERNOR HOEY TO THE SUPERIOR COURT BENCH.

In the Third District, F. D. Winston, Windsor, was appointed to the Bench in December, 1900, by Governor Aycock and defeated in the Primary by R. B. Peebles in 1902. Judge Peebles died in 1916 and F. D. Winston, former appointee of Governor Aycock, was again appointed to the Bench by Governor Craig and was again defeated in the Primary by SOLICITOR John H. Kerr and Winston held office only about six months. The voters decided the SOLICITOR was entitled to the Promotion although F. D. WINSTON HAD THE ENDORSEMENT "by appointment" OF TWO GOVERNORS.

HERBERT LEARY, Edenton, Chowan County

The Chowan Herald under date of February 9, 1938, made the following editorial reference to my candidacy for District Judge:
"For a decade Mr. Leary has served faithfully and well as a District Solicitor, and few, if any complaints have ever been lodged against him. His earnestness and zeal in the prosecution of cases brought to his attention have always been pronounced. He is now an aspirant to succeed Walter Small as a Superior Court Judge and The Herald is for him out and out without straddling a fence rail. He seeks promotion, which should be every man's ambition, and he has earned the right to such promotion."

His Friends Say He Has EARNED And DESERVES The Nomination By Service For A Decade In Office of DISTRICT SOLICITOR

In the Fifth District, formerly the Third, Governor Kitchin appointed D. L. Ward of New Bern to fill an unexpired term on the Superior Court Bench and he was defeated under the old CONVENTION system by Harry W. Whedbee, of Greenville.

In the Seventh District, J. S. Manning, of Raleigh, was appointed by Governor Kitchin to the SUPREME COURT of North Carolina in 1910 and was defeated in CONVENTION by W. R. Allen in 1912.

Governor Gardner appointed Cameron Morrison to the U. S. Senate and R. R. (Bob) Reynolds defeated him for the nomination in the Primary by more than 100,000 votes.

And there are, of course, numerous other instances of like character throughout the State, but these should be sufficient to prove the fallacy of the argument that no appointees of a Governor in Primary or Convention should be opposed and opposition to an appointment is usually unsuccessful.

But notwithstanding such arguments, you certainly HAD NO VOTE OR CHOICE in the selection of Mr. Thompson and you assuredly have the right to approve or disapprove the choice of another, even though such person happens to be the Governor of our State, and I am appealing to the voters throughout the District to express their opinion as to whether or not I have earned and deserve the Nomination by service of ten years in an office recognized everywhere as a stepping stone to the Bench.

INSIST ON THESE Kitchen-proved features in your new Electric Range



Westinghouse Electric Ranges cook fast, cook better, save money, because they alone have the famous Corox Economizer and exclusive SuperOven! Certified reports from 103 homes like yours Kitchen-prove Westinghouse Range advantages. See these reports at our showroom before buying any range.

WESTINGHOUSE RANGES offer

4-HEAT COROX ECONOMIZER

Exclusive lower-than-low "simmer" heat on the Corox Economizer makes possible new electric cooking economy. Corox Economizer cuts electric cooking costs 18% to 46%, and uses 60% less current than "low" heat on ordinary units. And its one-piece solid top makes it the world's easiest-to-clean unit.



BALANCED HEAT SUPEROVEN

Only Westinghouse offers this SuperOven. Two speed-heaters and the exclusive Heat-Evener give scientifically balanced heat for perfect roasting and baking. Thick insulation seals heat in. Top heater broils smokelessly, ends stooping. It's fast! It's economical! And seamless construction, rounded corners, make cleaning easy.



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WESTINGHOUSE Kitchen-proved RANGES

COOK FAST COOK BETTER SAVE MONEY