

**STATE INCOME TAX FACTS**  
**North Carolina Individual Tax Changes**

(This is one in a series of three 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.)



**ARTICLE III — STATE TAX RETURNS REQUIRED FROM MORE INDIVIDUALS**

The 1957 General Assembly made a number of changes in the North Carolina individual income tax law, with most of the changes bringing State law into line with Federal law. The preceding two articles dealt with the major changes made in the reporting of income and allowable deductions.

This article deals with the new filing requirements, changes in personal exemptions, and the new system of tax credits for those individuals having income in both North Carolina and in some other state.

The provisions discussed are effective for the calendar year 1957.

**WHO IS REQUIRED TO FILE AN INCOME TAX RETURN?**

Under the old law, North Carolina required an income tax return from every individual whose "net income" exceeded his personal exemption and also from a self-employed or professional individual whose "gross income" exceeded \$5,000. Effective this year, North Carolina requires an income tax return from every individual whose "gross income" exceeds his personal exemption, not counting additional exemptions for dependents. Regardless of the nature of his income or his deductions or dependents, a married man living with his wife is now required to file an income tax return if he has gross income in excess of \$2,000; and a single person or married woman is required to file a return if he or she has gross income in excess of \$1,000. If this test is met, a return is required even though no tax is due.

**PERSONAL EXEMPTION CHANGES**

**(1) Married Women — Head of Household**

Since 1953, a married woman furnishing the major support for herself and her husband has been allowed to claim the head of household exemption of \$2,000, provided her husband had gross income during the year of less than \$500. The 1957 General Assembly increased to \$1,000 the amount of gross income which the husband may have and his wife still be permitted to claim the head of household exemption.

**(2) Dependent Children of Divorced Parents**

Under the 1957 Revenue Act, a divorced parent furnishing the major support of a child of a former marriage may claim the \$300 personal exemption for the child, even though he or she did not have custody of the child during the year.

**(3) Right to Exemptions**

Under old law, the status on the last day of the year determined the right to exemptions in all cases except where a spouse or dependent died during the year. Under new law, the status during the major part of the year determines

the right to dependency and head-of-household exemptions. Now, a parent furnishing the major part of the support of a child during the income year may claim the child as a dependent for that year, even though the exemption status of the dependent has changed before the last day of the year.

In the case of individuals separated during the year, the individual who was the head of household is entitled to that exemption for that year, provided his or her status was unchanged for the major part of such income year.

An individual is still entitled to the exemption for his spouse or dependent who died during the year.

The new law permits a taxpayer to qualify as a "head of household" if he maintains a household for a dependent whether in North Carolina or not. Previously, the household was required to be maintained in this state.

**TAX CREDITS ALLOWED RESIDENTS AND NON-RESIDENTS**

**(1) Residents of North Carolina**  
Under prior law, residents of North Carolina who were required to pay an income tax in other states were permitted to deduct the income so taxed under certain circumstances.

The new law no longer permits a North Carolina resident to deduct income taxed in another state but allows him to claim a credit against his North Carolina income tax if (1) the income taxed in the other state was derived from sources within that state and was taxable there without regard to the residence or domicile of the taxpayer, and (2) that state would not allow him a credit for income taxes paid to North Carolina. The credit allowed to the North Carolina resident is the lower of (1) the amount of income tax paid to the other state on income reportable to North Carolina, and (2) the total North Carolina income tax multiplied by the fraction of the gross income reportable to North Carolina which is subject to tax in the other state.

For example, if a North Carolina resident earned two-thirds of his income in North Carolina and one-third in Georgia and is taxed by Georgia on the one-third earned there, he may deduct from his North Carolina tax the lower of the tax actually paid Georgia or one-third of the tax due North Carolina on his total income.

**(2) Non-Residents**

Non-residents of North Carolina whose states of residence permit tax credits to North Carolinians earning income in those states may now deduct from their North Carolina income tax the amount of income tax paid to their state of residence on income derived from sources in and taxable to North Carolina regardless of the source of the North Carolina income. Under prior law, the tax credit did not apply to the tax on income from an established unincorporated

**RODANTHE PERSONALS**

Outer Banks Rebekeh's met February 14th, 13 present. Hostesses: Mrs. Lurania Midgett and Mrs. Lucretia Midgett.

Rodanthe, Waves, Salvo Home Club met Monday last week with Mrs. Margaret Watson. Attending were the Home Agent, Miss Fran Alexander, Mrs. Nora E. Herbert, president; Mrs. Margaret Watson, Mrs. Bethany Gray, Mrs. Lurania Midgett, Mrs. Bettie Midgett, Mrs. Esta Gray, Mrs. Elizabeth Gray, Mrs. Ella Midgett, Mrs. Mellie Edwards, Mrs. Sulie Payne, Aletha Meekins. Singing of "On Top of Old Smoky." Mrs. J. E. Herbert led the devotion, reading the 23rd Psalm. Reading of the minutes by the Secretary, Mrs. Bettie Midgett. A demonstration was given on pie making and meringue for pie by Mrs. Margaret Watson, Mrs. Bettie Midgett and Mrs. Nora E. Herbert. The hostesses were Mrs. Margaret Watson and Mrs. Bettie Midgett. The meeting closed to meet again at the regular time.

Mr. and Mrs. John E. Herbert Sr., spent Monday night with Mr. and Mrs. Dameron M. Payne and Miss Elva Payne in Wanchese.

Mr. and Mrs. Julian L. Gray and daughter, Sheila, spent Saturday night with Mr. and Mrs. Dewey Hayman and Mrs. Eliza Gould at Arlington Hotel, Nags Head.

Mr. and Mrs. Herbert K. Midgett Sr. left here Sunday to meet their son, Herbert, Jr., in Norfolk, who has spent several months at the South Pole.

Mr. and Mrs. Jack W. Cahoon and son, Jack Jr., spent Saturday night with Mr. Cahoon's parents, Sheriff and Mrs. Frank Cahoon in Manteo.

Mrs. Lurania Midgett returned Monday after visiting her sister, Mrs. Eliza Gould, at Nags Head.

Mr. and Mrs. Fred O'Neal returned Thursday from Norfolk.

Mrs. E. R. Midgett, who has been in the U. S. Public Health Service Hospital for treatment with a broken ankle, is home and improving.

D. B. Midgett, Jr., U.S.C.G., station in Norfolk, spent the week end here with his mother.

Johannie Beck, U.S.C.G., stationed in Norfolk, spent the week end here with his grandparents, Mr. and Mrs. Leve W. Midgett and family.

Mr. and Mrs. Donald Todd have returned after a visit to their old home in Pittsburgh, Penn.

**business in North Carolina.**

**(3) General**

In order to receive the tax credit, the taxpayer must furnish a true copy of the return made to the other state and substantiation of the amount of tax paid.

The North Carolina Revenue Department has prepared a "Reciprocity Memorandum" which sets forth the extent to which reciprocity of tax credits is practiced by North Carolina with other states. This memorandum is available upon request to the North Carolina Revenue Department, Individual Income Tax Division, Raleigh.

**ENGELHARD PERSONALS**

Lt. and Mrs. Wm. Burrus of Camp Rucker, Ala. are visiting her mother, Mrs. Jabin Berry.

Mr. and Mrs. Thos. E. Spencer and son Tommy of Washington spent the week end here.

Tracey Gibbs has returned to Norfolk after a visit with his parents, Mr. and Mrs. Durwood Gibbs.

Mr. and Mrs. James Emory Midyette spent Sunday in Creswell.

Earl Spencer of Plymouth spent the week end at home.

Mr. and Mrs. Glenn Jarvis and children of Cocoa, Fla., who were called to Swan Quarter due to the death of her father, Whitfield Williams, visited relatives here during the week.

Rev. and Mrs. L. mar Wheeler and son Wayne of Fairfield spent Sunday here and Mr. Wheeler filled in his appointment at the local Baptist Church.

Miss Alice Fay Etheridge, who teaches school in Virginia, spent the week end with her parents, Mr. and Mrs. T. J. Etheridge.

**MANY BOAT LAUNCHING RAMPS ON DARE COAST**

In addition to major harbor improvements for the reception of small craft and yachts that have been completed in Manteo, at Wanchese, Manns Harbor, and communities of Hatteras Island, the coast of Dare this year will offer more landing facilities for motor boats than ever before.

Just about every community from Kitty Hawk and Duck southward to Hatteras and westward to East Lake and Manns Harbor have landing ramp facilities for small boats this year. Many of the facilities have been completed since the summer season of 1957.

Complete information about the ramp facilities for small boats and also harbor improvements for the reception of yachts and larger craft in the various Dare Coast communities is now being compiled by the Dare County Tourist Bureau. This information will be included in an up-to-date sportfishing bulletin for 1958 that will soon be published.



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**AVON PERSONALS**

Mrs. Zenovah Sample and son, Robert Jr. of Elizabeth City are visiting her parents, Mr. and Mrs. Blucher Scarborough.

Harvey Scarborough, U.S.C.G., Berkley, visited his wife here over the week end.

William Miller, Mr. and Mrs. Bembra Miller and children of Wilmington, Del., are here.

Mrs. J. W. Barkley and daughter, Susan, visited in Norfolk last week.

Mr. and Mrs. Ervin Farrow and children visited relatives in New Jersey.

Mr. and Mrs. Horace Gregory and infant daughter of Elizabeth City visited Mr. and Mrs. Pritchard Gray, Sr.

Mr. and Mrs. Lupton Gray and daughter Wanda of Fort Bragg, visited Mr. and Mrs. Alonzo Gray and Mr. and Mrs. Celestial Scarborough.

Mr. and Mrs. David Russell and sons of Norfolk visited Mr. and Mrs. G. H. Meekins recently.

Tom Scarborough of Wilmington, Del., is visiting Mr. and Mrs. John Scarborough.

Mr. and Mrs. George Oliver O'Neal are visiting their daughter, Mrs. Pearl Selle, in Norfolk.

**Bridal Shower**

On Wednesday evening at the home of Mrs. Ralph Scarborough, Mrs. John O'Neal, a recent bride, was honored by a miscellaneous shower. The co-sponsors were Mrs. Noah Price Jr., Marceline Gray

**LAFAYETTE ESCADRILLE DAY PROCLAIMED BY GOVERNOR**

Movie Premiere in Washington February 28 To Honor Four North Carolinians Who Died in World War I

North Carolina will honor the memory of four young men killed in combat while serving in the famed French flying squadron of American aces—the Lafayette Escadrille—during World War I by observing Lafayette Escadrille Day on Friday, February 28. In recognition of the Lafayette Escadrille and the young North Carolinians who served in its ranks during World War I, Governor Hodges has designated Friday, February 28, as Lafayette Escadrille Day in North Carolina and called it to the attention of the people of the state.

On this day Warner Brothers Studios' new picture, "Lafayette Escadrille," will have its world premiere in Washington, home of one of these aces, James Henry Baugham. Funds for this showing will be used to begin a campaign for a new youth center in Washington to be named in honor of Baugham.

The purpose of this Day will be to give recognition to the gallant service of James Henry Baugham who, until now, has had little public notice for his great contributions to the defense of this Nation and to the progress of aviation. Baugham was the brother of Patty Baugham of Washington, now Mrs. Harry McMullan.

Baugham, one of the first Americans to offer his services to France, shot down the first enemy plane credited to the Lafayette Escadrille, and was killed in combat on September 23, 1916, after he had established a remarkable record as an aviator and leader. Baugham's ability and technical brilliance made such a lasting impression on his colleagues that he was awarded posthumously the Harmon Aviation Trophy in 1921,

and Mrs. Oley Hooper.

The bride received many lovely and useful gifts.

**WANCHESE PERSONALS**

Mrs. Agathia Swain of Elizabeth City is visiting her sister, Mrs. Willie Etheridge, Sr.

**WANCHESE PERSONALS**

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one of the Nation's highest aviation awards.

The other three flying aces were Arthur Bluthenthal of Wilmington, James R. McConnell of Carthage and Kiffin Yates Rockwell of Asheville.

**WANCHESE PERSONALS**

Mrs. Agathia Swain of Elizabeth City is visiting her sister, Mrs. Willie Etheridge, Sr. James Burton Daniels received

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Tomatoes, Red Glo, 2 1/2 Can	2 for .41
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Hi Ho Crackers, Lg. .32

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- 1955 Ford, 2-door 6
- 1955 Ford 4-door, Station Wagon
- 1955 Plymouth, 4-door, R&H
- 1954 Chevrolet, 2-door, R&H
- 1954 Ford Custom V8, R&H
- 1954 Ford 6, 2-door
- 1953 Chevrolet Convertible
- 1953 Chevrolet 210—4-door
- 1953 Dodge V8, 4-door, O.D.
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