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NORTH CAROLINA'S INCOME TAX

As a result of an exchange between Governor Scott and reporters at a recent press conference, the impression has been left that the weekly national magazine, U. S. News & World Report, was highly critical of North Carolina's personal income tax structure in a current article.

That impression is erroneous, as anyone will see upon reading the article reprinted in full elsewhere on this page by special permission of the United States News Publishing Corp.

The article did cite North Carolina as having the highest personal income tax of the eight states (District of Columbia) which do not have state or federal income taxes in figuring state income taxes. But it noted North Carolina for illustration, only. And the point of the article was not to prove that state income taxes are too high but to show that state taxes make little difference in the amount of money a high-income taxpayer has left after paying his income taxes.

To quote the example of the \$200,000-a-year man who gets a pay of \$100,000 in North Carolina, he would be \$15 to lower for state taxes; Connecticut which has no state income tax, would have \$550 left; in North Dakota, which has a higher state income tax but permits deduction of federal tax in figuring state tax, he would have \$245.

As U. S. News says:

"As it works out in high income brackets, the state tax actually makes little difference one way or the other. In the seven-state nation that have no state taxes of their own, proposed federal tax would take \$9,400 out of the \$10,000 pay raise of a man drawing a salary of \$200,000 a year. That's only \$38 less than a man in North Carolina would have to pay if he had to pay state tax. It amounts to this: is the state tax, at high income levels, comes very largely out of the federal tax."

Obviously, it was not the intent of U. S. News & World Report to hold North Carolina up as a "horrible example" of high income taxes. Even so, the reprinted article of North Carolina for purposes of illustration may raise the questions of: (1) overall taxation in North Carolina, and (2) the effect that permitting deduction of federal income taxes would have on the State and its taxpayers. We shall consider these questions in order.

The level of state income taxes, netting out the deduction with the extent of state services. One example will make this clear. The North Carolina State Government bears the entire operating expense of a standard nine-month, twelve-grade public school system in all 100 counties of the state with separate facilities for two races. If the state school costs were borne by local school units, the income tax, and probably others could be greatly reduced or eliminated entirely. But the individual taxpayer would have to pay more, or through local property taxes to support the schools and his savings would be nil. A comparison of state taxes without comparing state services is entirely misleading.

If North Carolina permitted the deduction of federal income taxes in figuring state income taxes, state income tax collections from individuals would drop 28.6 per cent and from corporations 40.7 per cent, according to a State Tax Review of Nov. 10, 1950. But, as Tax Research Director James S. Currie points out:

AMERICANS IN NEED

ALONG the flooded river valleys of Kansas, Missouri, Oklahoma and Illinois, thousands of persons are engaged today in the heart-breaking work of restoration and rehabilitation.

The task is monumental. More than 45,000 families were affected in 64 counties. Over 17,000 persons are homeless, and are living in temporary shelters. Over 40,000 persons are being fed. Even those whose homes and business establishments withstood the surge of the rushing muddy waters lost many of their personal possessions.

In the midst of actual directing the disaster relief work is the American Red Cross. But the damage is so great and the burden of rehabilitation so heavy that

ASK ANY HOUSEWIFE

knocking—that leads to such ordinances as in the Alexandria, La., which barred house-to-house selling. The Supreme Court's decision upholding the Alexandria ordinance was the cue for a group of merchants to organize the National Association of House-to-House Installation Companies.

The association can stamp out over-greasing and plain manners. It will not only do a favor to the business of door-to-door selling, but also to—bless her—the American housewife.

Just after every country place around New Orleans has installed an ornate barbecue pit, the price of beef gets out of reach. One way out is to convert into a hamburger haven.—New Orleans States.

It is very unwise to get married on nothing. We've noticed that those who do get along just about as well as those who live single on nothing.—Lester (Mo.) Demarest.

Not door-to-door selling in itself, but poor salesmanship—abuse of the privilege of

Cease-Fire May Lull Free World

By THE ALTOPS

WASHINGTON—**A**S THESE WORDS are written, the outlook again seems hopeful. It would be foolish to go much further in this trying to predict the future. It does seem worthwhile, however, to point out a rather past, which has gone oddly unnoticed, although it ought to have been just about as noticeable as a rogue elephant in a drawing room.

A few days ago, the last few days when the Kaisers talks were interrupted, the danger of the immediate outbreak of a third great war hung over the whole world like a dark cloud. People cheerfully followed their Summertime pursuits. They talked of anything but the danger hanging over them. But the war danger was there.

The facts, indeed, speak for themselves. The American government was firmly determined not to throw away the Korean victory by sending it to a Communist command for immediate withdrawal of troops.

The Communist leaders, including the leaders in Moscow, said there could be no cease-fire unless the United States agreed to it. They appeared firm, and their attitude was taken so seriously that a man might real only a little over 5 cents out of each additional dollar of income tax. As far as the income tax work out in practice, there is no case where the combined tax liability for a year would rise by more than 100 cents on the dollar.

TRAP SUSPECTED

Unto the compromise offered, moreover, at least a strong minority of the American military masters suspected that Kaisers' talk were turning out to be a Communist trap, intended to soften up our troops in Korea for a new Chinese and North Korean offensive.

The arguments for this view were indisputably logical. Long before the Malibki road overture, the Chinese and North Koreans began to move their forces in successive build-ups of strength on the ground. This build-up has going forward continuously, until a most massive force has now been assembled. No one believes to have over 300,000 troops on the line in Korea; the same number or more in reserve; a powerful air force; a thousand tanks; fighters and fighter-bombers in Manchuria; substantial increments of artillery; and an important entirely new armored force variously estimated from 200 to 800 tanks.

"Who is this man? He is the owner and operator of a moderate-sized business. He is an investor with a fair large corporation. He is an investor with enough assets to be willing to take risks in a new venture. He is a successful engineer. He is in fact a man whose decisions are crucial to the vitality and progress of the economy. There are not many such persons. But their importance is out of all proportion to their numbers."

If the high income taxpayers—those in the 50 per cent and higher bracket—produced a great volume of Federal revenue, they might be some justification for soaking them in taxation. Actual new revenue anticipated from the House tax bill's 12.5 per cent increase in these brackets will amount to only \$400 million—the same amount Uncle Sam will get from the light tax on gambling. Furthermore, the 12.5 per cent increase in tax grows to a 37.5 per cent cut in the \$30,000-a-year taxpayer's take home pay—his real incentive.

The remedy for confiscatory income taxes is not in reducing State income taxes. It lies in reducing the exorbitant demands of the Federal Government.

Its the Red Cross, for the first time since 1938, has been compelled to go to the American people and ask contributions to a special disaster relief fund.

The U. S. Congress has allocated \$35 million to the stricken area for the restoration of public facilities and services. It remains for the Red Cross to take care of the pressing human needs—food, clothing, shelter, and the rebuilding and refurbishing of thousands of homes.

The national goal is \$3 million. Mecklenburg's share is \$2,000. The news is confirming that our people will do their part in relieving the suffering of fellow Americans as they have done, in every past national disaster.

Drew Pearson's Merry-Go-Round

WASHINGTON—**D**ICTATOR Franco of Spain dropped two important hints in his interview in Madrid, which the Truman Administration apparently didn't realize when they embraced Franco so ardently recently.

First Franco refused to make any commitment on using Spanish troops to defend Western Europe.

Second, he made no mention to restore civil liberties, including freedom of speech and assembly.

The Senator's trip, including the interview with Franco, highlighted by the irrepressible diplomacy of Sen. Alexander Wiley of Wisconsin, ranking Republican on the Foreign Relations Committee, who boomed out to the Spanish dictator: "Franco, we're with you on the defense of Western Europe!"

But Spanish and European ears that Senator Gillett of Iowa and Brian McMahon of Connecticut closed in each side when they were ushered in to see the Pope.

"We grabbed his hands to keep him from slapping the Pope on the back," McMahon explained afterward.

Would Franco Help?

FRANCO's revealing statements came in answer to questions by Gillette and Sparkman of Alabama, after Franco boasted that he could mobilize 2 million men in case

of war with Russia.

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A Study Of House Tax Bill

U.S.-State Income Taxes Leave Wage Earner Little

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CONGRESS is being told that, unless the House-passed tax is toned down in the highest brackets, state taxpayers already will lose income by getting rates in pay.

The argument is that, on top layers of high incomes, the combination of state and federal rates will add up to more than 100 per cent. Among others, Rep. Ross Mallig, former Under Secretary of the Treasury, made the point. The above shows how much taxpayer net of state tax increase his tax bill.

It is true that the combination of state and federal rates will add up to more than 100 per cent.

The facts about the combination of state and federal rates need to be examined in some detail.

It is true that the combination, in some cases, combines to exceed 100 per cent. At the top income levels, a man might real only a little over 5 cents out of each additional dollar of income tax. The income tax work out in practice, there is no case where the combined tax liability for a year would rise by more than 100 cents on the dollar.

Mathematical Quirk

Why should it not be the case that the quirks of arithmetic. The House bill will raise the tax rate by 5 per cent attributable to taxable income above \$80,000 for single persons and \$160,000 for married persons? That's only 5.5 per cent, even though 100 per cent of states have income taxes that rise above 5.5 per cent.

But the important point, often overlooked, is that the taxpayer, in some cases, cannot benefit from the tax rates set in the House bill.

Take, for instance, the 5 per cent tax on the \$30,000-a-year man. The tax rate is 5 per cent plus 5 per cent attributable to taxable income above \$80,000 for single persons and \$160,000 for married persons. That's only 5.5 per cent, even though 100 per cent of states have income taxes that rise above 5.5 per cent.

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