Bellefonte, Pa., November 21, 1913.

COMPLEXITIES IN COLLECTION OF INCOME TAX MADE CLEAR.

Questions About New Law's Meaning Answered by Legal Expert. Its Involved Phraseology Made It Difficult to Understand.

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New York city. T has been estimated that the income tax law will directly affect more than half a million citizens and aliens. Probably millions will be indirectly affected in one way or another by the provisions of the law for payment of the tax "at the source." In addition to those directly and indirectly affected, there are many who will be concerned to know whether or not they come within the provisions of the new law. In the light of more than twenty years' experience in handling tax questions from the legal standpoint. I have sought to set down the questions which would naturally come to the mind of the inquiring citizen and to set down briefly and in simple language the answers to such ques-

Preliminary Questions.

Q.-When was this law passed? A.-Oct. 3. 1913, and went into effect at once. It forms section 2 of the tariff bill.
Q.—Does it affect any income I received before the law was passed? A.—Yes; it taxes income from March 1, 1913.

Q.-Why did the law fix March 1, 1913, as the date from which income was to be taxed? A.—Because the United States su-preme court had held some years ago that the government had no constitutional power to pass such a law, and it was therefore necessary to adopt a constitu-tional amendment giving the government power to tax incomes. This constitutiona dment went into effect the last part of February, 1913, and congress therefore taxed incomes from the very earliest date.
Q.—Has the government the power to

pass a law in October, 1913, taxing income which I received before that date? A .- It has been claimed that this provision of the income tax law is unconstitutional, because income received from March to October, 1913, had become part of capital at the time the income tax law was passed. It is unquestioned that the federal govern ment has no power to tax a man's capital directly. Whether this provision of the law is unconstitutional is extremely doubt-

Q .- Have I the right to refrain from paying the tax on income received before the law passed until the courts have determined whether this tax was valid? A .-No; you must pay the tax next June, and you cannot await any court's decision.

Q .- Does that mean if this provision is invalid I will lose what I paid to the government? A.-No. You should pay that portion of the tax which relates to your income before October, 1913, under protest. If this feature of the law is held to be invalid the government will then re-pay to you this part of the tax. The government has always been very fair in re-funding taxes paid under any law found

Individuals Subject to the Tax.

Q.—What persons are subject to the tax?

A.—Every citizen of the United States. whether residing at home or abroad, and every alien residing in the United States are taxable upon their entire net income minus specific exemptions. Every non-resident alien is taxable upon his net inne derived from property in the United States or from carrying on any business or profession in the United States.
Q.—Who pays the tax? A.—The tax will

be collected either directly from the tax-payer or through the employer, agent, trustee or other person having control of his income. The latter method is termed "collection at the source."

Corporations Subject to the Tax. Q.-What corporations are subject to the tax? A.-Every corporation, joint stock company or association and every insurance company organized in the United States is subject to a tax of 1 per cent upon its net income, and every foreign corporation is subject to a tax upon its net income from business transacted or capital invested within the United States. Q.—Are any concerns exempt? A.—Yes.
Agricultural organizations, mutual savings banks, fraternal beneficiary societies, building loan associations, cemetery companies and religious, charitable, scientific and educational corporations, business leagues, boards of trade and civic organizations are not subject to the ganizations are not subject to the tax. They are clearly defined in the law, so that other corporations may not use these exceptions as a loophole.

Tax Returns. Q.-What individuals are required to make tax returns? A.—Every person of lawful age subject to the tax having a net income of \$3,000 or over for the taxable year. In addition, all guardians, trustees, executors, administrators, agents, receivers and conservators must make a tax re-turn for the person for whom they act. Q.—Suppose there are two or more guardians, trustees, executors, etc.. must each make a return? A.—No; a return

made by any one is sufficient.

Q.—Are there any individuals who need Q.—Are there any individuals who need not make a tax return? A.—Persons having net incomes not exceeding \$3,000, persons for whom the return is made by an employer or by a guardian, trustee, executor, etc., and who have no other income, and persons whose income is derived solely from dividends on stock in corporations which pay tax and whose net income does not exceed \$20,000.

Q.—Does a copartnership have to file a return? A.—No; only if required by the commissioner or collector; each partner

commissioner or collector; each partner must make an individual return. Q.—What corporations must make returns? A.—All corporations subject to the

tax.
Q.—When must the return be filed? A.—
Individuals and corporations must file the
return on or before March 1.
Q.—For what period is the tax levied?
A.—For the calendar year, except in 1913,
when it is levied from March 1, 1913, only.
Q.—Suppose a corporation has a fiscal
year which does not correspond with the
calendar year; must it make its return for
the calendar or for its fiscal year? A. the calendar or for its fiscal year? A.—
The tax is levied and the return must be filed for the calendar year, but the corporation may designate and use the last day of any month as the day for closing its fiscal year, provided it gives thirty days' notice to the district collector. The tax is then levied for the fiscal year, and the return must be filed within sixty days after the close of the fiscal year and the tax

paid within 120 days after the close of the fiscal year.

Q.—Where must the return be filed? A.—An individual must file the return where he resides or has his principal place of

must file where the principal place of business is located, and the trustee, guard-ian, executor, etc., must file the return where he resides or where the instrument under which he acts is recorded. Q.-What must the return contain? A .-

and allowances which will be explained

Q .- Must the return be sworn to? A .-Yes. In case of a corporation the oath or affirmation is made by an officer.

Gross Income.

Q.-What does gross income mean under the income tax law? A .- Gross income is defined in the statute as gains, profits and income derived from salaries, wages or compensation for personal service or from professions, vocations, businesses, trade. nerce or sales or dealings in real or personal property growing out of the ownership or use of or interest in real or per-sonal property, also interest, rent, dividends, securities, or the transaction of any lawful business, or gains, profits and income from any source whatever.

Q.—Does gross income include property acquired by gift or by will? A.—No, but it includes the income from such prop-

Q.-Will proceeds of life insurance policies paid upon death or paid upon the maturity of a term or upon surrender of a policy be included as income? A.—No.

Rates of Taxation.

O.-What is the rate of taxation? A .-The normal rate is 1 per cent of the net income, and this applies to corporations as well as to individuals. In the case of individuals having a net income exceeding \$20,000 the law provides for an addi-

Q.-What is the rate of the additional tax against incomes of individuals? A.-One per cent on amount by which income exceeds \$20,000 but does not exceed \$50,000; 2 per cent on amount by which income ex-\$50,000 but does not exceed \$75,000; 3 per cent on amount by which income exceeds \$75,000 but does not exceed \$100,000; 4 per cent on amount by which income exceeds \$100.000 but does not exceed \$250.000; 5 per cent on amount by which income exeeds \$250.000 but does not exceed \$500,000: per cent on amount by which income exceeds \$500,000.

additional tax? A .- Never. ditional tax, are the same deductions made as in calculating net income for the normal tax of 1 per cent? A.—Yes. with the exception that in calculating net in-come for the additional tax neither dividends nor amount of income on which tax is withheld at the source will be deducted

Exemptions and Deductions.

Q.—Is there any exemption allowed to a taxable person? A.—Yes, \$3,000; and if the person is married and his wife lives with him the exemption is \$1,000 more, making \$4,000 in all. The same provision is made if the person making the return is a married woman whose husband lives with her. Q.—Can husband and wife each deduct the additional \$1,000? A .- No. Only one deduction of \$4,000 shall be made from the aggregate income of husband and wife en living together.

Q .- Can guardians, trustees, executors. deduct the exemption of \$3,000 for the benefit of the person for whom they

ct? A.—Yes. Q.—What deductions can be made by an individual for expenses, etc.? A.-1. Necessary expenses actually paid in carrying on business. 2. All interest paid on in-debtedness. 3. All national, state, county. school and municipal taxes. 4. All losses actually sustained in trade or arising from fire, storms or shipwreck and not compensated by insurance or otherwise.

5. Debts due and found worthless and charged off. 6. Reasonable allowance for wear and tear. 7. Dividends received from corporations which pay income tax. 8. Amount of income on which tax is paid Amount of income on which tax is paid upon the order of the president under or withheld at the source, provided such rules and regulations to be prescribed by ncome does not exceed \$3,000 or is irregular as to time and amount. 9. Interest on obligations of the United States, a state or a political subdivision of a state. 10. Salaries of the present president of the United States, present judges of the federal courts and the compensation of all officers, employees of a state or a political subdivision of a state, provided the same is not paid by the United States govern-ment. 11. The exemption of \$3.000 or \$4,000 for couples living together. As above ex-plained, these deductions are allowed in calculating net income for the normal tax.

For the additional tax items 7 and 8 are not allowed.

Q.—Can personal, living or family expenses be deducted? A.—No.
Q.—Is an assessment for local benefits leemed a tax and deductible as such? The statute expressly provides

that such assessments shall not be de-Q.-Can any deduction be allowed for cost of new buildings, improvements or betterments made to increase the value of

Any property? A.—No.
Q.—What is meant by the necessary expenses paid in carrying on business? A.-Clerk hire, rent, lighting, heating, sta-

tionery, delivery charges, etc.
Q.—Suppose I have allowed state or local taxes to accumulate for several years; can I deduct the payment of ac-cumulated taxes, or can I only deduct the taxes which fell due within the year for which I made an income tax return? A .-You can deduct all the tax payments whether they were accumulated or not.

Q.—What deductions are allowed to cor-porations? A.—I. The ordinary and necessary expenses incurred in maintaining and operating the business and properties of the company, including rentals. 2. All losses actually sustained and not compensated by insurance or otherwise, including reasonable allowance for depreciation. 3. Interest paid on bonded and other indebtedness to an amount of such indebtedness not exceeding one-half the inindebtedness to an amount of such in-debtedness not exceeding one-half the in-terest bearing indebtedness and its out-standing capital stock. 4. All taxes, na-tional or state or imposed by a foreign

Q.—Is a corporation entitled to an exemption of \$3,000 or \$4,000 like an individual? A.—No. There are no exemptions in the case of corporations; they are allowed to deduct the expenses, losses, interest and taxes as already explained.

Q.—Individuals may deduct dividends.

and taxes as already explained.
Q.—Individuals may deduct dividends; can a corporation deduct dividends received from other corporations? A.—No. while this appears to result in a double taxation, a tax of 1 per cent having been paid upon the dividends by the corporation from which they were received, congress intended to tax dividends received by one corporation from another.

gress intended to tax dividends received by one corporation from another. Q.—Does the present income tax law take the place of the corporation income tax law of 1909? A.—Yes, but for the months of January and February, 1913, the old corporation income tax law re-mains in force. The present income tax law goes into effect from March 1, 1913.

Collection at Source.

Q.—What is meant by the collection of this tax "at the source?" A.—The law provides that all persons, firms and corporations paying interest, rent, salaries, annuities or other fixed or determinable annuities or other fixed or determinable annual or periodical gains, profits and income of any other person exceeding \$3,000 per year shall withhold 1 per cent and pay it to the government as the normal tax upon that portion of the income of the person who was entitled to receive the rent, salary, income, annuity, etc.

Q.—If the annual rent on my home or place of business is \$2,500 and I know that the landlord has other income which would make him taxable, shall I deduct

only make the deduction provided the rent you pay exceeds 13,600 per year, and this same principle applies to all payments of rent, salary, interest, annuities, etc., with the sole exception of interest on corporate

Q .- If the interest on corporate bonds amounts to less than \$3,000, must the 1 per cent be deducted at the source? A .- Yes; the law provides that where the income is interest on corporate bonds the tax must be deducted at the source, irrespective of the amount of the interest

Q.-If rent or salary payable by me amounts to \$3,000 or less I understand I withhold no tax, but if it amounts to more than \$3,000, do I withhold the tax on the excess or on the whole amount? A .-You withhold the tax on the whole amount. For example, if rent or salary due from you amounts to \$2,000 or less you deduct nothing, but if it amounts to \$3,500 you must deduct \$25-namely, 1 per cent of the entire \$3,500. Q.-Can the person entitled to rent, sal-

ary, interest, annuity, etc., claim an exemption? A.—Yes; by filing a notice with you he can claim and obtain an exemp tion of \$3.000 (or \$4,000 if married and with a wife living with him); in that case you should only deduct the 1 per cent from the excess over the exemption. For example, if a landlord or employee is entitled to \$5.000 a year and files with you an exemption as a married man amounting to \$4,000 you would only deduct \$10-namely, 1 per cent on the excess of \$1,000.

Q .- How about the collection of coupons on corporate bonds? A .- The interest is to be deducted by the corporation. The owner of the coupon must then file a certificate of ownership with the bank or other concern which receives the coupon for collection, otherwise that bank would have to deduct the tax and attach its own certificate, giving the name of the owner The owner has a right to claim exemp-tion up to \$3,000 if single or \$4,000 if married. The forms of certificates of ownership and of exemptions have been prescribed and may be obtained from the col-

Q.-In deducting the tax from rent, salary and interest, shall I deduct from each payment or wait until \$3,000 has been paid? A .- Under the regulations you need not withhold the tax until such time as the rent, salary or interest shall have reached an aggregate in excess of \$3,000. The tax subsequently is to be deducted from the full amount or from \$3,000 or \$4,000 less if notice of exemption has been filed.
Q.-What tax shall be deducted in 1913?

A .- For the year 1913 everything is on : five-sixths basis, because the law will have been in effect for ten months. All calculations of exemptions, deductions, in-come, etc., for 1913 shall be taken at fivesixths of the whole annual amount in each case.

Q.—Suppose the landlord or employee entitled to receive more than \$3,000 a year has business expenses, losses, etc., which bring his net income below \$3,000 in all; can he, by filing a statement of such busipayment from me without deduction? A .-You must still deduct 1 per cent. He will be entitled to obtain the benefit of such deduction by application to the col-

Q.-What do I do with the amounts I deduct from payments of salary, interest, rent, annuity, etc.? A.—You hold them and make separate returns for such deduction at the same time you make your own return. You pay the amount of the deductions to the collector between June 1 and June 30. Individuals and corpora-tions will be notified of the amount upon which they are liable on or before June 1.

Publicity of Returns.

Q .- Are the returns made by an individual or corporation open to the inspection of the public? A.-All returns, whether by individuals or corporations, are public records, but they may be inspected only the secretary of the treasury and approved by the president.

Q .- Can income tax returns be inspected by the tax officers of any state, city or county? A.-No. except as they may be inspected by any citizen, as explained in my answer to the previous question. The only exception is that officers of any state which imposes a general income tax may have access to the returns.

Q.-What is the penalty for neglect or refusal to make a return on time? A. Five per cent of the amount of the tax is added and 1 per cent per month from the time it became due, and a fine may be imposed of not less than \$20 or more than \$1,000 in the case of an individual or not more than \$10,000 in the case of a corpo-

Q.-What is the penalty for making a false or fraudulent return? A.—A fine not exceeding \$2,000. imprisonment for one year, or both, in the case of an individual or officer of a corporation and a fine not exceeding \$19,000 in the case of a cor-

Q.-Is there any penalty if a landlord or employee or other person from whom a tax must be deducted at the source files a false statement respecting the \$3,000 exemption or \$4.000 for a married couple? A .- Yes: a fine of \$300.

Q.—Can a man's or company's books and accounts be examined by the col-lector? A.—The United States courts can compel attendance, production of books and testimeny in cases where persons are summoned by the collector.

OPERATED ON FOR CRIME.

Michigan Judge Believes That Two

Moral Delinquents Are Cured. Two prisoners who had been sent from Benton Harbor, Mich., to Chicago by Circuit Court Judge Bridgeman to undergo operations by Dr. E. H. Pratt of Evanston, Ill., for the cure of moral delinquency returned a few days age and faced the court.

"I am a man now," said George Corbet, one of the men. He stuod erect. Before the operation his shoulders sagged. His eyes were clear, and he had the appearance of one who is sound morally and physically.

Clarence Chappell, the other man, had pleaded guilty to a charge of burglary and was known as the leader of a gang of toughs.

"I believe I am cured." he said. "I want to lead a decent life." Judge Bridgeman announced that the two men would be pardoned and

their actions carefully watched. "I believe they have been morally regenerated." said the judge. "and if they prove the correctness of my theory lacre prisoners will be sent to the operating table instead of to prison."

Capital Ends Secret Divorces. There will not be any more secret divorce hearings in the equity courts of the District of Columbia, according to recent advices from Washington. According to new rules that go into heard in open court.

Engineers With Big Force Opening Way Through Cucaracha Slide.

The task of opening a way through Cucaracha slide, the sole remaining obstacle to the navigation of the Panama canal, has been carried on as "rush work" since the blowing up of the Gamboa dike, according to the Canal

The engineers have been putting forth herculean efforts to clear a navigable channel through this nearly half mile long obstruction, but owing to the peculiar mobility of the vast mass of earth and rock the work of hundreds of shovels and thousands of gallons of jetted water is often undone overnight by a slumping back into place of the material removed or by additional slides from the sides of the channel.

A ton and a half of dynamite was exploded in one blast Oct. 10 without any substantial result so far as increasing the flow of water across the dam was concerned. Since that date three shifts of men, working eight hours each in rotation, have been trying to create a channel by sluicing with hose and hydraulic monitors. Before this attack the material had been yielding slowly, and finally the engineers have utilized a big suction

Meanwhile the sharp rise in the level of Gatun lake Oct. 21 has increased the size of the ditch so that now 7.000,-000 cubic feet of water daily is passing over the slide, and by this time sufficient water has been admitted to fill the two mi es of Culebra cut between the slide and the first of the Pacific locks, enabling the big steam dredges to enter the cut and operate on the earth barrier.

Railway Car Fitted With Tanks Is Showing Good Results.

According to advices from Paris, an innovation in the transport and sale of living fish has been inaugurated by President Nigg of the French Syndicate of Fish Culture. The Fish Trade company, founded by M. Nigg, has rented from a railroad a car used ordinarily to transport merchandise and has turned it into a special vehicle.

There are tank arrangements with constantly fresh running water, and special provision is made for certain sorts of fish needing more oxygen than

The car is already showing good results. Its first trip brought 800 kilos of fish from the Dordogne to Paris without any appreciable loss.

The company has also installed large receiving tanks in Paris for the fish and their sale while living.

Nicaraguans Ready to Wipe Out President and Deputies.

The frustrated plot to assassinate President Adolfo Diaz of Nicaragua and all his ministers on Oct. 29 was laid by the conspirators with remarkable care, according to details just published in Nicaragua. The plotters, it appears, were members of the Liberal party and had divided themselves into three groups, the first charged with the work of killing the president and two cabinet ministers while they were driving together in a carriage in Managua. the second to assassinate Vice President Fernando Solorzano and the third to throw dynamite bombs among the members of the chamber of deputies while it was gathered in session.

The discovery of the conspirators while they were holding a meeting to arrange the final details of the plot was purely accidental.

"My face is my fortune, sir, she said." The old rhyme rings true in that line. The woman who has a fair face has a fortune which many a man of wealth is glad to wed for. It is a shame, therefore, to squander the fortune provided by the fairy god-mother, Nature. Yet, we see girls fair as the budding roses, suddenly lose their beauty and fade, as the rose fades when the worm is at its heart. Face lotions, tonics, nervine, and other things are tried, but the face grows thin and hollow. Fortunate is such a young woman if some friend should tell her of the intimate relation of the health of the womanly organs to the general health, and point her to that almost unfailing cure for feminine diseases, Dr. Pierce's Favorite Prescription. This medicine works wonders for women in the restoration of lost fairness. It is a true beautifier, restoring the womanly health, and with health are restored the curves and dimples, the bright eye and smooth skin which are the charms of beauty.

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