

Changes Made by New Revenue Act Are Enumerated

Federal Man Explains Internal Revenue Act



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And Revision of Internal Revenue Laws Makes 25 Per Cent on Individual Income Taxes.

By L. J. MEYER.

The revenue act of 1924, recently enacted, represents the second revision of our internal revenue laws since the beginning of the post-war period. This new statute supersedes the revenue act of 1921 and repeals and reduces many prior federal taxes, in addition to containing many new provisions concerning the imposition, administration and collection of prior taxes.

While this new statute does not represent a complete codification of the law relating to federal internal revenue taxes, inasmuch as many portions of the prior law are not repealed, but remain in force, in general it contains all the current law relating to the imposition and administration of income taxes, estate taxes, capital stock tax, admission taxes, and other excise taxes.

Aside from the new schedule of income tax rates, and the retroactive provision given a 25 per cent reduction of 1923 income taxes to individuals which have received wide publicity and with which the public is generally familiar, a comparison of the new statute with the previous law reveals changes of much interest.

Earned Incomes.
It has been advocated for some time that a distinction should be made between income derived by an individual from personal effort and income derived from the employment of capital. Secretary Mellon in presenting his plan of taxation at the opening of the last session of congress gave substantial recognition to this feature, but while the present law recognizes the distinction, it had been restricted in application to such an extent that the saving will amount to only a few dollars to the individual, the maximum reduction in taxes being \$75.00.

In applying this credit the statute arbitrarily provides that at least \$5,000 of the income of every individual, no matter of what comprised, will be deemed to be "earned income," but it is also provided that "wages, salaries, professional fees, and other amounts received in compensation for personal services actually rendered" not exceeding in the aggregate \$10,000, after being reduced by such reductions as are properly chargeable against such income, shall be considered as "earned net income." The credit is computed by taking 25 per cent of the tax "which would be payable if his earned net income constituted his entire net income," but in no case shall exceed 25 per cent of the tax otherwise payable.

Gift Tax.
One of the most important of the new provisions embodied in the revenue act of 1924 is the gift tax. This tax is to be imposed upon an annual aggregate of all gifts made by him during each calendar year, after deducting the exemption of \$50,000, and gifts for charitable purposes, together with gifts to any one person of not more than \$500 and other deductions allowed by the law. Taxable gifts also include property sold or exchanged for less than a fair consideration and must be included in the return covering gifts at the amount of the excess of the fair market value of the property, over the consideration received.

The computation of this tax is based upon a schedule of rates which is the same as in the case of the estate tax, commencing with 1 per cent on gifts not exceeding \$10,000, in excess of the \$50,000 exemption and other deductions, as discussed above, and increasing on a graduated scale to 40 per cent on taxable gifts in excess of \$10,000,000.

The schedule of rates covering the estate tax, as embodied in the new act, represents a substantial increase over the rates provided by the former law. The present law provided a tax of 1 per cent on the net estate not in excess of \$50,000, after reducing the exemption of \$50,000, which is increased on a graduated scale to 40 per cent on the net estate in excess of \$10,000,000, as compared with the maximum of 25 per cent provided by the previous act.

The new law, however, allows a return from the federal estate tax, not to exceed 25 per cent thereof, for the amount paid to any state for estate, inheritance or legacy taxes, with respect to the property included in the gross estate under the federal statute.

The new law also provides that the commissioner of internal revenue shall in cases where, in his opinion, the immediate payment of the tax will work an exceptional hardship on the estate, grant an extension for the payment of such tax not to exceed five years from the date the tax is due. The deferred payment will draw interest at the rate of 6 per cent per annum. In the previous act, the extension period was limited to three years.

Under the previous law, the basis of determining gain or loss, depreciation, and depletion, on property acquired by a corporation in exchange for shares of its capital stock, was the fair market value of such stock at the time of issuance, which naturally, in most cases, was also the fair market value of the property. The new act makes an important retroactive change in this respect, and provides that the basis for the corporation for value of such property acquired in reorganizations which were made tax free to the transferee under the revenue act of 1918 and 1921 shall be the same as in the hands of the transferee, plus or minus any gain or loss which was applicable to the transferee under the law in effect during the year when the transfer was made.

The purpose of this new provision is to eliminate the transferring of property to a corporation in exchange for its stock or other securities without tax, the corporation later disposing of this property at a substantial profit without tax or in operating the

property, taking a larger deduction from income for depreciation or depletion than would have been allowable to the transferee.

Trusts Taxable to Grantor.
The tax on income of trust estates has generally been assessed against the trust or the beneficiaries. However, under the new law the income from trusts which are in whole or in part revocable by the grantor, or which are for the benefit of the grantor, is taxable to the grantor to the extent that such trust is revocable or the income payable to him. This rule also applies in the case "where any part of the income of a trust is or may be applied to the payment of premiums upon policies of insurance on the life of the grantor," except in the case of insurance policies irrevocably payable for charitable purposes, recognized by the act in connection with allowable reductions for donations.

Miscellaneous Taxes.
A considerable number of changes have been made in the so called "war taxes," some of the more important being the repeal of the tax on telegraph and telephone messages and the stamp tax on promissory notes. The tax on admissions has been changed so as to exempt admission prices of 50 cents or less, instead of 10 cents or less, as provided in the prior law. These changes are effective upon the expiration of 30 days after the enactment of the statute.

Corporations.
The tax on the income of corporations remains at 12 1/2 per cent, the same as provided for by the revenue act of 1921. The graduated tax on undistributed profits, as was proposed, was not adopted in the final bill, but the tax on surplus accumulated to avoid the payment of surtaxes was made more drastic and the rate of tax on such undistributed profits earned after January 1, 1924, which are considered as accumulated for the purpose of evading surtax, is increased from 25 per cent to 50 per cent. This tax applies to the entire net income of the corporation, including profits which have been distributed, and is in addition to the regular income tax of 12 1/2 per cent.

Publicity of Returns.
The new law provides for the partial publicity of tax returns, by requiring each collector of internal revenue to make available for public inspection at his office or in such other places as may be determined, a list of all taxpayers and the amount of tax paid by each, as soon as practicable each year after the returns are filed. Further provision is made that certain committees of congress may have access to any returns they may deem advisable and also that all proceedings and findings of the Board of Tax Appeals shall be made a public record.

State Factory Products Exceed Farm Each Year

Census Bureau Figures Show Manufactured Goods \$118,000,000 Over Agriculture.

Nebraska's manufactured products, according to the last census by the United States bureau, exceeded the value of her field crops by \$118,000,000.

Inasmuch as the raw materials produced in Nebraska are predominantly agricultural, the manufactures of the state are chiefly linked up with agriculture.

Slaughtering and meat packing are the foremost manufacturing industries of the state. The number of wage earners employed in the meat packing industry alone number approximately 15,000.

Second in importance is flour milling. Some of the largest and best equipped mills in the Trans-Mississippi country operate in the state. Bakeries, cracker factories and breakfast food factories convert a large percentage of Nebraska's flour and other cereal products into food ready for the table.

There are five large sugar refineries in the state with a combined output of 150,000,000 pounds of sugar annually. The annual production of butter amounts to approximately \$38,000,000, the output of 61 plants representing an investment of \$11,012,000. Incubators of national fame are made in several places in the state.

Iron and brass foundries and metal works of Nebraska do an extensive business and sell their products over a large area. Railway construction shops employ 6,500 men. Nebraska-made clothing, hat, caps and gloves are marketed in nearly every section of the United States.

Among locally important manufacturing lines should also be mentioned printing, engraving, brushes, agricultural implements, dental goods, gas and electric fixtures, refrigerators, perfumes, cosmetics, starch, jewelry, labels, tags, pottery, surgical appliances and toys and games.

The value of manufactured products increased from \$130,302,453 in 1899 to \$596,042,498 in 1919—\$600,000,000 annually in manufactured products.



Keep your Insurance Dollars in Nebraska

Every dollar you send out of Nebraska for insurance premiums is a dollar taken out of productive channels in Nebraska industries; money that is going to other states and being invested there in bonds, homes and improvements that rightfully belong to your own state and city.

Mark this truth--Omaha Insurance Companies offer you every desirable feature advanced by any other companies anywhere. All business is transacted under the strict supervision of the Insurance Department of Nebraska, which assures you absolute protection. Practically all the money received in premiums is invested in either farm mortgages or city, county and state bonds, new homes and tends to upbuild and promote prosperity for Nebraska.

Right now there are twenty-one insurance companies with assets exceeding ONE HUNDRED AND FIFTY MILLIONS OF DOLLARS maintaining their home offices in Omaha. These companies pay taxes, employ hundreds of people and spend and invest their savings and earnings in Omaha and Nebraska.

Remember these things when you buy ANY KIND of insurance. Keep your insurance dollars at home by buying insurance of Omaha companies. Your loyalty to these institutions means continued prosperity to your city, state and yourself.

Insure In Omaha Companies

- National Security Fire Insurance Co.
- Prairie Life Insurance Co.
- Travelers' Health Ass'n
- Columbia Life Ins. Co.
- Woodmen of the World Life Insurance Ass'n
- Equity Life Insurance Co.
- Guarantee Fund Life Association
- North Western Life Insurance Co.
- Omaha Life Insurance Co.
- Mutual Benefit Health and Accident Association
- Woodman Circle Life Ins.
- Nebraska Indemnity Co.
- North American National Life Insurance Co.
- Physician's Casualty Co.