

INCOME TAXES OUGHT TO YIELD \$400,000,000

Sources of Income Itemized—Portions From Salaries, Fees and Ownership of Property—Two-Thirds of Property Owned by Persons Who Should Pay Taxes.

By BASIL M. MANLY.
WASHINGTON, D. C., May 3.—In yesterday's article I indicated the general character of the evasions of the United States income tax, which, in the aggregate, amount to more than \$320,000,000—an amount which this nation stands in desperate need of for her "preparedness," a bill that cannot possibly be paid by the workingman alone. In today's article I will exhibit the evidence upon which I base the statement that the income tax should yield \$400,000,000 annually, instead under the mere \$80,000,000 which the United States treasury collected under this statute last year.

The federal income tax is a tax upon the income of individuals and also upon the net earnings of corporations and also for what is known as a normal tax of 1 per cent upon the incomes of individuals amounting to more than \$3000 in the case of single persons, or in the case of married persons of more than \$4000. Income derived from the dividends of corporations upon which a tax of 1 per cent has already been paid at the source is exempt from this normal tax, but is required to pay the super tax. In each case the law allows unmarried persons an exemption of \$3000, and married persons an exemption of \$4000.

Individual Income Tax
In addition to the normal tax, individuals with incomes of more than \$20,000 are required to pay an additional tax, known as the super tax, upon the amounts by which their incomes exceed \$20,000. The super tax rates are:
On income over \$20,000 and less than \$50,000, 1 per cent.
On income over \$50,000 and less than \$75,000, 2 per cent.
On income over \$75,000 and less than \$100,000, 3 per cent.
On income over \$100,000 and less than \$250,000, 4 per cent.
On income over \$250,000 and less than \$500,000, 5 per cent.
On income over \$500,000, 6 per cent.

It is worth while noting at this point how much difference it makes whether a dollar of income is subject to the super tax of only 1/2 the normal rate. A dollar in an income over \$500,000 must pay not only the normal tax of 1 cent, but also a super tax of 6 cents, so that every dollar of the incomes of the very rich which is escaping taxation is costing the treasury seven times as much as if the fraud were committed by a person of moderate income. It is very important to remember this, for it will explain how the tax collections can be greatly increased even though only a relatively smaller amount of income is evading the tax.

What It Should Produce
In order to see what the income tax should produce, it is necessary to analyze the national income to ascertain what part of it is received by persons with incomes over \$3000 who should be subject to the tax. By national income we mean the aggregate incomes received during the year by the people of the United States and not the amount of the national production, for it is obvious that a very large part of the national income is received by persons who have no part in production, either as owners, managers or workers, but who derive their incomes from professional and personal services of all kinds.

In order to estimate the amount upon which income tax should be paid we will first ascertain the total amounts of the incomes of persons who should pay income tax, and then by deducting the exemptions of \$3000 to \$4000 allowed in the case of individuals, arrive at the amount upon which the tax should be assessed.

The national income of the United States in 1914 was approximately forty-six billion dollars. In a later article I will show you in detail how this figure is arrived at, and why there can be no question that it is well within the facts.

ance has been made for the fact that the exemption for married men is \$4000.
The total amount of wages and salaries paid in the United States in 1914 we know with reasonable exactness to have been in round figures \$15,000,000,000. Of this total, at least \$500,000,000 was paid to men who received salaries over \$3000.

The total number of persons whose incomes are derived primarily from fees is shown by the census of occupations to be approximately 500,000. While there are no exact data upon which to base an estimate of their total incomes, the available information indicates very certainly that their incomes average at least \$1800 a year amount in the aggregate to more than \$900,000,000. Of this we may safely estimate that \$300,000,000 is received by persons with incomes exceeding \$3000 per year.

Property and Business Tax
The income derived from the ownership of property and the conduct of business amounts to \$30,100,000,000. This figure is arrived at by deducting from the total national income (46 billion), the amount of income in the form of salaries and wages (15 billion), and fees (900 million). But it is very closely checked by an independent analysis of the returns from property ownership and business management.

From the records of appraisals of estates in a number of states and from the researches of statisticians, we know that more than two-thirds of the property of the nation is owned by persons with incomes of more than \$3000, who should be income tax payers. It is probable that the proportion should be more nearly three-fourths, but it is absolutely certain, as was shown by the report of the commission on industrial relations that less than 2 per cent of the adult population owns two-thirds of all the wealth of the United States.

On the basis, therefore, that two-thirds of the income from property goes to persons who should pay income tax, we have \$20,000,000,000 from this source.

Why Deductions Allowed
The income tax law permits the deduction of an allowance for the depreciation of property and for taxes. Depreciation is, of course, chargeable only upon property subject to wear and tear. The depreciable property owned by persons who should be subject to the income tax amounts to about \$60,000,000,000. At the rate of 5 per cent the depreciation charge is \$3,000,000,000.

The taxes to be deducted are only those which are paid by persons with incomes over \$3000. It should be noted also that only three-fourths of the receipts of national, state and local governments are derived from taxes. In the case of the federal government the only direct tax is the income tax. The other federal taxes (customs, excise and stamp taxes) are taxes upon consumption and are distributed over the whole population. At the outside income taxpayers, who make up less than 2 per cent of the population, do not pay more than 10 per cent of such indirect taxes. Of the state, county and municipal taxes, which are chiefly property taxes, we may assume that the income taxpayers pay in proportion to their holdings of property, that is two-thirds of the total, although it is a notorious fact that even in the case of local taxes the most widespread evasion is among the wealthy.

The Final Figures
We have, therefore, as the amounts of the taxes paid by income taxpayers, the following figures:
Federal taxes—Income tax, \$80,000,000; other taxes (1-10 paid by income taxpayers), \$60,000,000; total, \$140,000,000.

State, county and municipal taxes—Two-thirds paid by income taxpayers, \$976,000,000. Grand total, \$1,116,000,000.
The income tax law allows a deduction for interest paid upon indebtedness, but no deduction for this item need be made in these calculations because in making up the sum of the national income no income derived from interest was included, on the theory that it was a self-canceling item. That is, if we include the income derived from interest on a mortgage, we must deduct the same amount from the income of a farmer as part of his fixed charges.

(To be Continued.)

AMERICANS TAKEN OFF STEAMER BY BRITISH

NEW YORK, May 3.—Officers of the Holland-American line steamship Ryndam, which arrived today, reported that two women who claimed to be American citizens, residents of San Francisco, were taken off the ship by the British at Falmouth without explanation and held for examination. The women gave their names as Mrs. Gertrude Evelyn and daughter, Miss Anna Maria Evelyn.
The Ryndam came around Scotland. At Kirkwall her mails were removed.

SQUAW CREEK LOOKS TO RAILROAD FOR DEVELOPMENT

One of the tributary mining districts to the Blue Ledge camp is that of Squaw creek, in which there have been probably 100 claims located. Twenty-five of these claims are on the Oregon side of the state line. Edward Spencer, who enjoyed a brief visit in Medford yesterday, located his claims in the Squaw creek camp thirteen years ago and has remained with them ever since. "My permanent home is there," said Mr. Spencer, "and, now that we have a real prospect of getting transportation for our ores, I am willing to believe that my fortune is there."

The Squaw creek camp is a continuation of the Blue Ledge belt in all its richness of ore and extent of veins. There are sixteen or seventeen distinct and well-defined veins in that part of the belt that run from 10 to 200 feet in width. The ore from these veins runs about the same per cent in copper and richness in gold as that from the Blue Ledge camp. The tonnage this camp will supply to the railroad when ready for service will be immense. A just estimate would scarcely be believed by those who, although Medford is less than twenty miles away, are prone to discount a miner's figures on anything.

Railroad Our Salvation
"The railroad will prove to be our salvation. We cannot develop large mines extensively without the means of transporting our ores within reasonable cost to the necessary plants for proper treatment. But the development of the entire Blue Ledge territory will supply such an output of ores as will quickly justify the installation of concentrating and smelting plants. They will add greatly to the payroll of the district. Thousands of people will be required in this work. That is another estimate that many will question, because they do not realize the extent of the mining region in consideration and the number of men its development will necessarily employ. The opinion of these people, perhaps excusably ignorant of the situation, ought not to go for much. They may talk volubly about mining without much knowledge of mining, but such talk cannot deceive the miner, nor ought it to be permitted to deceive anybody else. You have already published details of how great cities have been made by mining development alone. Such instances are numerous: Denver and other cities in Colorado; Spokane, Wash.; Butte, Mont., and other places of almost equal note.

Why Not Medford Also?
"There is no possible reason why Medford should not be one of those cities, if its surrounding mineral wealth should be developed. In fact, I do not now call to mind a city so happily situated, whose vast mineral wealth lies so close to its boundaries and is so cheaply accessible in every way. Your fruitmen, stockmen and farmers in the general lines all know that freight rates consume the greater share of their profits, no matter in which direction they ship their produce over their one system of rails. I read in your paper recently that they have already estimated the great reduction in freight tariffs a shorter road to the coast will insure. "There is an abundance of timber for use in the mines and for other local purposes in the Squaw creek district, but not much of the commercial kind. On the Carberry fork of the Applegate, on the Oregon side, and on Cougar creek, a branch of that stream, there is an abundance of merchantable timber of the finest type; hundreds of thousands of dollars' worth. The Spauldings own most of this timber. The operation of the mines will develop the timber interests. Mining camps of large proportions use immense quantities of lumber. In these mills you will have other large payrolls. It all runs into money. There are millions of dollars' worth of these raw materials very close to Medford's backyards."

COSTS \$1000 FOR EACH SOLDIER ENLISTED IN ARMY

WASHINGTON, May 3.—It is easier to authorize a big army than to get men to serve in it. If congress approves the pending legislation for 250,000 men in the regular federal service, it will be four years at least before these men can be secured unless the present rate of enlistments is greatly increased. The department is getting men now at the rate of about 750 a week. The war department is expecting to spend \$2,000,000 to secure 20,000 men, and at this rate the cost of enlisting 150,000 additional men will be \$15,000,000. Losses by desertion and retirement will make the required enlistments even greater. It is the contemplation of facts like these which lead many intelligent army men to conclude that congress will have to do more than authorize an increase in the army—that army life will have to be made more attractive, either by increasing the pay or adding educational opportunities to the service, if fighting men are to be secured.

To Manage Campaign
Henry Morgenthau, lately ambassador to Turkey, will manage President Wilson's campaign for re-election. It has long been known that Mr. McCombs is entirely out of sympathy with the Wilson administration and the announcement of his resignation caused little surprise. Morgenthau was successful four years ago in securing funds for the Wilson campaign, but the white house wants it understood that Mr. Morgenthau is not enlisted merely as a money-getter. He is to have practical direction of the work of organization for Wilson's nomination and re-election.

La Follette Referendum
Senator La Follette has a plan for a nation-wide referendum on the question of going to war with Germany. In case diplomatic relations are severed Mr. La Follette would have congress authorize the use of all post-offices throughout the country to take a mail ballot of men and women of voting age answering the question whether or not they favor war.

Water Wireless
The "water wireless" telephone is the latest discovery. It is the invention of scientists in the navy department who have been working on the many problems of the U-boat. A device has been worked out by which the water can be used to carry sound just as the other waves carry electrical vibrations between the wireless telegraph stations. With this device two submarines will be able to telephone to one another just as well as if the wires were stretched between the boats connecting regular telephone apparatus. The water telephone is attached to the outer wall of the ship's hull in such a way that its diaphragm is brought in direct contact with the water. The vibrations conveyed by the diaphragm to the water which transmits them to a receiving instrument of similar character in the other boat.

Experiments now are in progress to determine how far the water will transmit sounds. It is found that the water wireless will operate over distances as great as telegraphic other wireless, the world may soon see a trans-Atlantic and trans-Pacific wireless telephone service.

Zeppelins of Future
That the world has not yet awakened to the revolutionary possibilities and probabilities of aerial navigation as demonstrated in the European war is the belief of Dr. Alexander Graham Bell, inventor of the telephone and one of the pioneers in aviation. Dr. Bell for many years believed in the heavier-than-air solution of the airship problem and most of the successful experimental work done in this country along these lines was conducted under his personal supervision and encouragement. Now

Dr. Bell has become a convert to the mercifully important airships of the Zeppelin type. He believes these great future and predicts that during the next forty years the commercial airship of the Zeppelin type will work as great a revolution in transportation as did the railroad.

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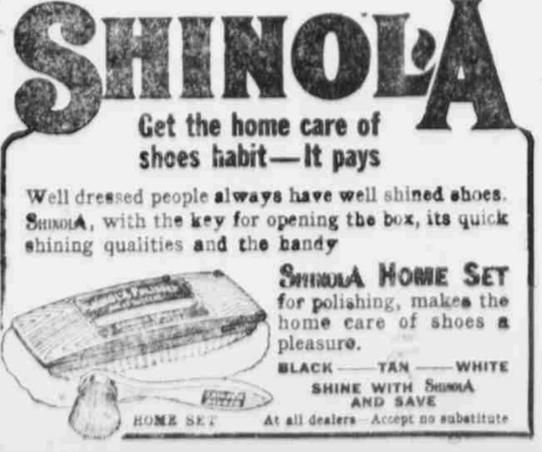
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