

# IT'S YOUR LAW

Respect for Law Makes Democracy Live

**Editor's note:** The following article was prepared as a public service by the Oregon State Bar and is not intended to be legal advice. Persons having a legal problem should consult an attorney.

## PARTNERSHIP OR CORPORATION

Thinking of going into business for yourself? Perhaps you and Bill Smith have decided to operate a business together. Should this be done as partners or as a corporation? The answer to this problem involves many legal questions.

Perhaps the most important factor is that the business or personal acts of either you or Bill may be binding upon the partnership. The corporation, however, can act only through its officers and agents, and then only within the limitations granted by the articles of incorporation.

As members of a partnership both you and Bill will be liable for all of the debts of the business. In the case you have business losses, the

creditors of the partnership could take all of the assets of the partnership, and all of the personal assets of either you or Bill, or both (except a few exempt by law), in order to satisfy the partnership debts.

On the other hand, if you form a corporation the creditors may go only against the assets of the corporation so that the most that either of you can lose is the amount you have invested in the business. The creditors could not touch the property which either of you own personally and individually, outside of your corporation stock.

In event of the death of you or Bill, it would be necessary to liquidate the partnership, but in the case of a corporation the operation of the business is not affected by the death of an owner (stockholder). The firm continues as the same business with the heirs of the one who dies substituted as the owner of the stock.

Of primary interest to you and Bill will be the amount of income taxes you have to pay. In a partnership, each of the owners of the business includes on his individual income tax return his proportionate share of the total income shown on the partnership return. This is because the partnership is not recognized as a taxable entity.

The corporation is recognized as a taxable entity, so it pays a tax on the amount of its net income, after deducting the salaries of you and Bill and other expenses. Then you of course pay individual income taxes on your salaries.

Over a period of years the earnings of the corporation exceed reasonable salaries for the two owners, these earnings will be distributed to you and Bill in the form of dividends. The funds with which the dividends are paid have already been subject to tax in the hands of the corporation, but are again taxed on your individual returns when distributed.

The income tax advantage or disadvantage of a partnership as compared with a corporation depends on the net income from the business, the salaries the owners receive, the amount of their other income and the requirements of the business for liquid funds.

In the event either of the owners is interested in planning his estate to reduce taxes at the time of his death, he can probably do it more easily through a corporation than a partnership.



**SUCCEEDS WINNER**—Linda Gail Baucum, 18, of Springhill, left, was crowned Miss Louisiana after Judy Ann Cathey, right, 20, of West Monroe won the title but declined to accept the honor because she will marry in August. (UPI)

## Traffic Safety To Again Seek Implied Consent

Salem — (UPI) — The Oregon Traffic Safety commission has decided to renew its fight for implied consent legislation, but postponed a decision on whether to renew its drive for a maximum speed limit.

Both measures were rejected by the 1963 legislature.

The commission decided to study possible use of a breath test instead of the blood test that had been proposed for the implied consent law. Under implied consent, when a person receives a driver license he gives consent to an alcohol test in case of an accident, or suspected drunk driving.

Both highway engineer Forrest Cooper and Capitol Journal managing editor James Welch told commission members of comments they had heard from the public and legislators in opposition to a maximum speed law. They said Eastern Oregonians did not feel a maximum limit was needed, and cited cases where accident conditions could be

come critical at low speeds.

**12-Point List**  
A. P. Bunderson, district director of the National Safety Council, presented a 12-point list of safety recommendations.

He said the state suffered a weekly economic loss of \$1.6 million because of traffic accidents last year.

Warne Nunn, Gov. Mark

Hatfield's executive assistant, said the 261 death toll so far this year set a record for the first six months, and warned if traffic fatalities continued at the present rate more than 600 would die on Oregon Highways this year. Last year's toll was 483.

Bunderson said that in view of Oregon's fast mounting traffic death record this year,

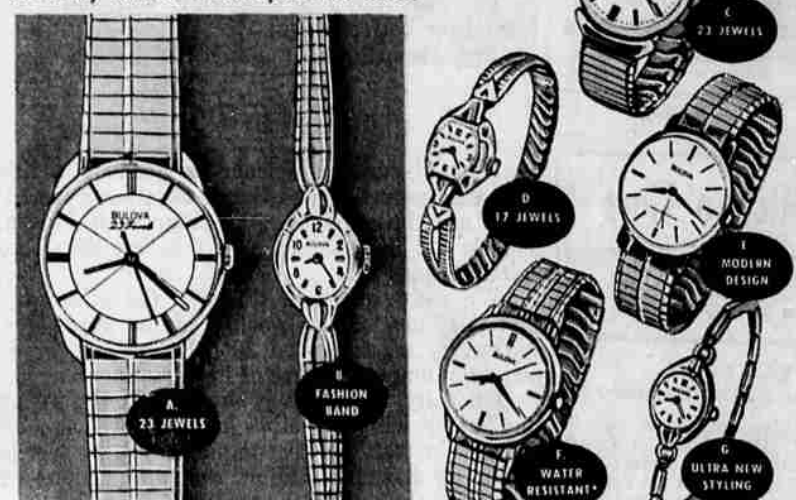
efforts should be doubled to implement the specific recommendations arising from his analysis of the official traffic safety program.

Among his recommendations were improved accident record keeping and reporting procedures, extension of driver education programs, expanded public safety programs, periodic statewide motor vehicle inspection, maximum speed laws, and implied consent legislation.

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## Sawmill Workers Discuss Extending Industry Walkouts

Portland — (UPI) — The executive committee of the Lumber and Sawmill Workers Union met here today with the subject of further strikes against Northwest lumber producers the major subject.

The meeting came on the heels of failure in talks between the LSW and Georgia-Pacific Corp. Wednesday. Executive Secretary Earl Hartley said the union rejected an offer of a 22 1/2-cent hourly wage increase spread over a three-year period. The union has asked 60 cents.

Hartley said no more meetings were scheduled.

### Simpson Talks Tuesday

Officials of Simpson Timber Co. announced Wednesday they will meet here with representatives of both the LSW and International Woodworkers of America next Tuesday.

It will be the fourth meeting between the two groups in the five-week-long lumber dispute, but the first in which representatives of both unions have negotiated jointly with an employer.

Federal Mediator George Walker also announced a meeting between the IWA and Yamhill Plywood Co. of McMinnville has been scheduled for Friday.

The tour, now an annual affair, will take in the scenic highlights of the state, including central Oregon, the Willamette valley, the Oregon coast, Mt. Hood, Crater Lake, and the Oregon Caves.

The writers are Mort Catlow, travel editor of the Oakland, Calif., Tribune; Marge Gilroy, travel editor of the Victoria, B.C., Times; William C. Ellis of San Francisco, editor of Motorland magazine, and Richard Barrett, feature writer for the San Jose, Calif., News.

## Travel Editors To Take Tour of State

Salem — (UPI) — Oregon will be host to four travel editors on a 14-day tour of the state starting Sunday, State Highway Engineer Forrest Cooper said today.

The tour, now an annual affair, will take in the scenic highlights of the state, including central Oregon, the Willamette valley, the Oregon coast, Mt. Hood, Crater Lake, and the Oregon Caves.

The writers are Mort Catlow, travel editor of the Oakland, Calif., Tribune; Marge Gilroy, travel editor of the Victoria, B.C., Times; William C. Ellis of San Francisco, editor of Motorland magazine, and Richard Barrett, feature writer for the San Jose, Calif., News.

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## Wilderness Areas Claimed Threatened

Washington — (UPI) — Sen. Maurice B. Neuberger (D-Ore.) said today the nation's wilderness areas are threatened by an "invasion" of mining interests.

Mrs. Neuberger, in a Senate speech, said 537 mining claims have been filed in wilderness, wild and primitive areas since the Senate first passed the Wilderness Bill in 1961. That is a rate of 23 a month.

The Senate has passed the bill to set aside the lands for preservation in the natural state again this year, but a similar House bill is still pending in its Interior Committee.

"I am disturbed and dismayed by continued erosion of our wilderness heritage and the threats against its existence," she told the Senate. "Indeed, time may be running out for our once timeless wilderness."

## Three Governors Plan To Testify

Washington — (UPI) — Three southern governors have accepted invitations to testify before the Senate Commerce committee on President Kennedy's public accommodations proposal.

It was learned today that Govs. Ross Barnett of Mississippi, George C. Wallace of Alabama and Donald S. Russell of South Carolina are tentatively scheduled to appear late this week or early next week.

Today, the Senate group called mayors of two cities which peacefully segregated their public facilities to testify on the measure. Ivan Allen of Atlanta, Ga., and Frank Morris of Salisbury, Mo., were to be questioned about how desegregation has affected business and what other effects the move has had in their cities.

A committee aide said Atlanta represented a southern city in the medium-size class and Cambridge a small city in a border state. The mayor of a large unidentified northern city also was invited to attend but declined, the aide said.

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