

# Tax code may get overhaul

## Reagan to ask Congress to lower rates, narrow deductions

By OWEN ULLMANN  
Associated Press Writer

WASHINGTON — President Reagan plans to ask Congress in his State of the Union Message to overhaul and simplify the federal income tax code by lowering rates and narrowing deductions, administration sources said yesterday.

The proposal, described by one official as long-term "major tax reform," is expected to be one of the major themes in the address Reagan will make to a joint session of Congress on Jan. 25, according to the sources, who did not want their names used.

The sources said Treasury Secretary Donald T. Regan has been pushing the idea within the administration and has urged the president to embrace it.

Asked yesterday if Reagan had gotten behind the tax proposal, Regan told reporters, "I don't know . . . The president has not given me his final decision in the tax field, nor would I comment further on what suggestions I make to him."

However, during a speech to a business conference sponsored by The Washington Post, Regan called for "streamlining and simplifying the federal tax structure" to strengthen and expand the nation's economic base. He added that "only the well-to-do can afford the lawyers and accountants" needed to figure out the current complex tax code.

Regan also said that "any serious attempt to reform that code will bring out special interest groups like flowers bring out bees."

The officials said Reagan has no specific plan in mind, preferring instead to develop some firm

proposals with Congress. But they said the thrust of his thinking is along the lines of proposals that have become known as "flat-rate" income tax plans.

Under these plans, personal income tax rates are lowered but the amount of income subject to taxation is increased because of a narrowing or elimination of deductions, such as for medical expenses, state and local taxes, mortgage interest payments, business-related expenses, charitable contributions and a variety of miscellaneous items.

Members of Congress have expressed general interest in overhauling the tax system in such a way. Politically, however, there is serious doubt about whether Congress would be willing to eliminate such popular deductions as mortgage interest payments on homes, interest on tax-exempt municipal bonds and similar items.

# Cabinet OKs sub-minimum wage plan

By MERRILL HARTSON  
Associated Press Writer

WASHINGTON — President Reagan decided yesterday to propose a "sub-minimum wage" under which businesses could pay teen-agers \$2.50 an hour — 85 cents less than the current minimum wage — administration sources said. The lower wage could be paid only for summer jobs.

The proposal, debated and approved at a Cabinet council meeting, is one of several administration initiatives which officials hope will curb high unemployment, according to the sources.

These sources, who insisted on anonymity, said sub-minimum wage jobs would be available to as many as a half-million teen-agers, but only during the summer months. This limitation apparently is designed to head off stiff opposition

by congressional Democrats and organized labor.

The current minimum wage, for adults and teen-agers both, is \$3.35 an hour.

The AFL-CIO has opposed any lowering of the minimum wage for youths, saying any such move would encourage businesses to replace older workers and heads of households with teen-agers at the lower labor costs.

The 15 million-member labor federation has argued that any change in the minimum wage law should upgrade the pay scale, which was has been frozen at its current rate since Jan. 1, 1981.

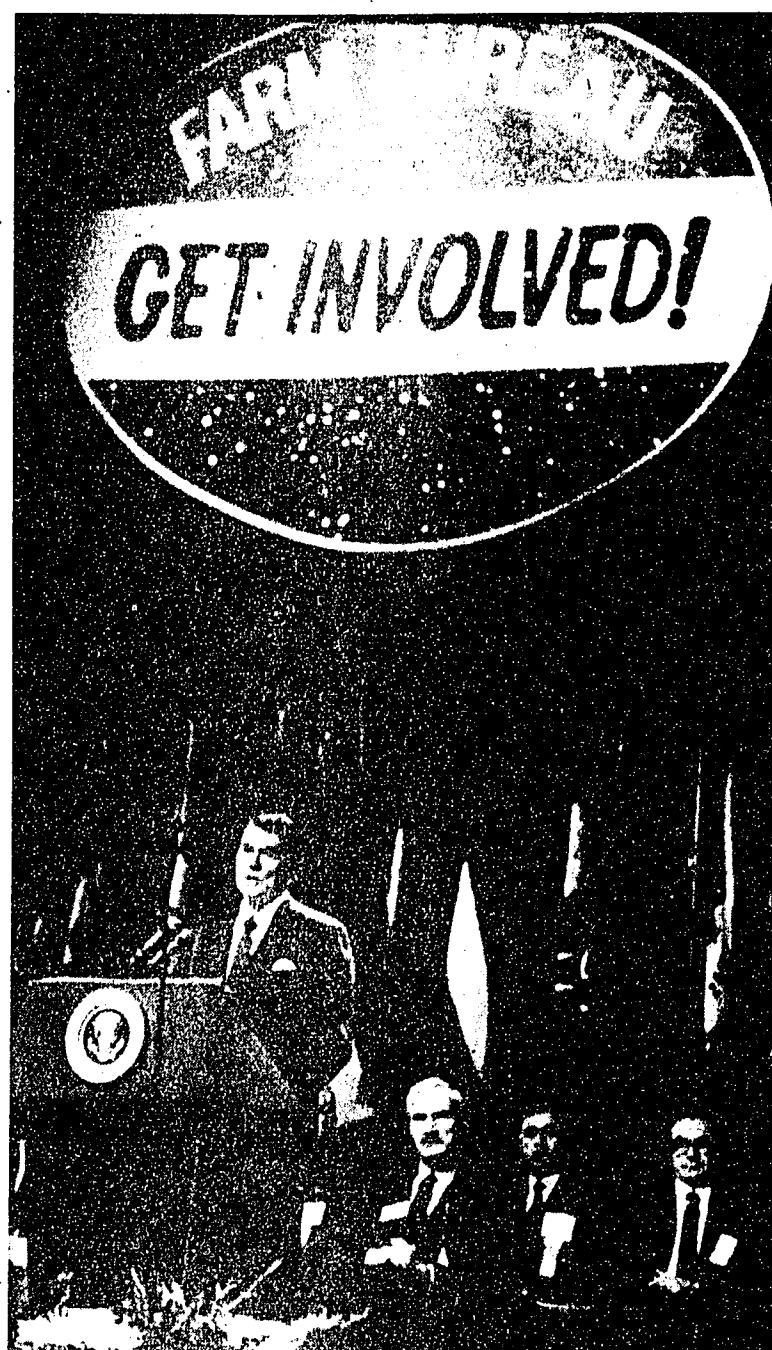
Labor Secretary Raymond J. Donovan, who has been pushing for the sub-minimum wage option, could not be reached for comment.

But in a recent interview published in *Conservative Digest*, Donovan said, "I will propose to the White House that we talk about a sub-minimum wage strictly for the summer for

16- to 20-year-olds. Our studies indicate that a sub-minimum wage for the summer would employ between 400,000 and 600,000 youngsters."

The sub-minimum wage was approved at a meeting of the Cabinet Council on Economic Affairs, the sources said. It includes Donovan, Treasury Secretary Donald T. Regan, and Martin Feldstein, chairman of the President's Council of Economic Advisers, and David A. Stockman, director of the Office of Management and Budget.

In anticipation of the White House move, Lloyd McBride, president of the United Steelworkers of America, said a sub-minimum wage for teen-agers would "encourage the replacement of adult jobholders, who have the responsibility of supporting themselves and usually families." John Tysse, a labor law attorney with the U.S. Chamber of Commerce, said the chamber for some time has supported the concept.



President Reagan addresses the American Farm Bureau Federation in Dallas. In his address, Reagan announced several plans to help the farmers.

# State College: A town still operating in the black

Editor's note: This is the first of a two part series examining how State College has stayed on a sound fiscal course while many municipalities are suffering from an urban fiscal crisis.

By TONY PHYRILLAS  
Collegian Staff Writer

The talk in the offices of municipal officials across the country is of an urban fiscal crisis — many cities are already deeply in debt, others are on the brink of bankruptcy.

Municipalities everywhere are cutting back services, reducing work forces, and having a difficult time balancing their budgets.

A survey of 79 municipalities, released last month by the National League of Cities, concluded that cities across the country are suffering from "extreme fiscal stress."

But the urban fiscal crisis seems to have bypassed State College; the borough began 1983 on a sound fiscal note with a large budget surplus and without the need to cut

back programs or raise taxes.

And while many municipalities — some here in the Centre Region — are having a difficult time balancing their budgets, State College's budget figures were a pleasant surprise to local officials.

In fact, for a brief period last year, the talk among State College Municipal Council members was of decreasing taxes, though that idea was finally ruled out.

Is State College immune from the urban fiscal crisis?

No, says municipal manager Carl B. Fairbanks, the man who has put the borough's budgets together for the past 13 years.

However, State College does seem to fare better than most municipalities in bad economic times because it takes a while for economic fluctuations to reach the area, he added.

"We're more immune than many other communities — especially the ones based on an industrial economy," Fairbanks said.

"We tend to have a more steady employment scene because the economic

stability of one of the basic industries here, the University, tends to fluctuate slowly."

The figures for this year's \$6.5 million budget — the largest in State College's history — added up very well, Fairbanks said.

An initial \$662,000 surplus left over from the 1982 budget was twice the surplus left after 1981 and the largest Fairbanks has worked with since assuming his present position in March, 1969.

Although about half the surplus has already been committed to balance the 1983 budget and set aside for an emergency fund, the borough still has about \$305,000 in surplus funds available.

Fairbanks attributes the borough's 1982 fiscal success to a number of events including high returns on investments, improved tax collecting methods and some unexpected one-time revenues.

About \$250,000 from last year's budget went unspent; half of that savings resulted primarily from the borough's inability to fill seven vacancies in the police force.

Because of the timetable involved when

the vacancies occurred early last year, the police department operated seven officers short for almost six months, saving about \$130,000.

Another unexpected source of income was the continuation of higher state contributions for highways, netting the borough \$115,000 more than anticipated.

And although high interest rates were causing problems for the average consumer, the borough came out ahead last year by investing when rates were at 16 percent. This more than doubled the expected return on investment, from \$40,000 to \$83,000.

The borough also received a substantial increase in federal revenue sharing funds over last year. About \$90,000 more federal dollars will reach State College this year due to new population and taxation data.

The total can be translated into more than 2 mils of savings in real estate taxes, Fairbanks said.

And a major indirect contributor to the surplus was the first allocation of Community Development Block Grant

money to State College, which allowed the borough to spend federal money on several projects that normally would have been funded from the budget.

"If we didn't have the CDBG money last year, we would have done about \$200,000 worth of projects out of our regular budget," Fairbanks said.

Some of the grant money was used to rebuild borough streets, construct curb cuts at downtown intersections, and repair and do outside work at the State College Senior Citizens Center.

Though many other municipalities have eroding tax bases and problems collecting taxes, the borough fared well in both categories.

State College showed a 97 percent collection rate of borough property taxes last year and a \$55,000 increase in income tax earnings over what was anticipated.

"The combination of all these unexpected funding sources left us with money which was sufficient to meet the increased cost of providing the same level of service," Fairbanks said.

# Collegian selects new executives

## Cassidy, Smith chosen new editor in chief, business manager



Photo by Paul Chilland  
Judith A. Smith

By CHRIS KAY  
Collegian Staff Writer

Suzanne M. Cassidy (8th-journalism) and Judith A. Smith (8th-advertising) were unanimously selected editor in chief and business manager of The Daily Collegian by the Board of Directors of Collegian Inc. last night.

Cassidy, now town editor, will succeed Phil Gutis and serve as editor in chief from Spring Term through Fall Semester 1983.

"As editor, I would like the Collegian to take an active role in moving the University ahead through the period of transition we have in front of us," Cassidy said.

A Collegian philosophy in writing is necessary, she said, because "the staff members need to know what's required of them."

"It is important to put out the best product that we can while teaching the staff to be accurate, responsible, and dedicated."

Also, Cassidy said she would like to see each reporter's motivation increase and writing quality improve.

"One of the best ways to improve a reporter is to urge him to look beyond the basic story," Cassidy said. "Also, I think it is important to notify your reporters if they do a good or bad job."

Most importantly, Cassidy would like to see staff members cooperate with one another.

"It is time that the Collegian staff starts working together to make sure that not only will there be a quality newspaper out tomorrow," she said, "but that the Collegian will still be able to produce quality papers five or ten years from now."

Other applicants for the editorship were Brian Bowers (8th-journalism) and Jacqueline Martino (9th-journalism).

Smith, who ran unopposed, follows Paul Rudoy as business manager. Her term also will run from Spring Term through Fall Semester 1983.

Smith, assistant business manager, said she would like to see the rapport among the various Collegian departments improve.

"I'd like to accomplish a lot of communication between the business manager, the board of managers, the editors and their staffs," she said.

Smith emphasized that business staff managers should be more dedicated.

"Managers need to put more time in," Smith said.

She suggested time cards be used to ensure that managers work at least 12 hours a week.

In addition, Smith said she will concentrate on staff morale.

"I think it is very important to keep every staff member involved and feeling like an individual," Smith said. "I also think by keeping the staffs motivated, we can function more efficiently."



Photo by Paul Chilland  
Suzanne M. Cassidy

### inside

• Incoming University President Bryce Jordan will visit Penn State early next week.....Page 2

• Because of the University's switch to semesters, some apartment owners and managers may ask tenants to move out before their leases expire.....Page 9

• The men's basketball team will face top-ranked West Virginia of the Atlantic 10 Conference tonight at 8:10 in Rec Hall.....Page 10

• Attorneys for ABC are determining a course of action in an alleged violation of federal copyright laws involving video cassette recordings of the Sugar Bowl.....Page 16

### weather

Partly to mostly cloudy tonight with a chance of snow showers and a high of 30. Cloudy tonight with light snow developing later and a low of 22. Cloudy tomorrow with rain or snow and a high near 36.

—by Craig Wagner

### index

Comics/crossword.....15  
News briefs.....5  
Opinions.....8  
Sports.....10  
State/nation/world.....4