

Senate votes no to taxing of interest

By JIM LUTHER
Associated Press Writer

WASHINGTON (AP) — The Senate voted 64-4 yesterday to kill the withholding of income taxes from interest and dividends, barely nine months after Congress approved the law as part of a major crackdown on tax cheats.

But because Congress is expected to take several more days to complete the repeal, Treasury Secretary Donald T. Regan announced that the scheduled start of withholding would be delayed one month, to Aug. 1. Thus, it likely will never go into effect.

The only condition attached to the delay was that the Senate approve a Republican-backed substitute for withholding. And on a 48-41 vote, the Senate did just that, stiffening reporting requirements on interest and dividends and strengthening penalties on those who fail to comply.

The Senate was acting under pressure from the banking industry and many of the country's 22 million savers. William Kenne-

dy, president of the American Bankers Association, hailed the vote and said the industry is "committed to support these (compliance) measures."

The vote sends the fight back to the House, which has voted to repeal withholding without any substitute measures. Although President Reagan earlier had vowed to veto repeal, congressional leaders say they now are convinced the president will accept the new compromise.

The White House had no immediate comment on the Senate vote, according to Sheila Dixon, a White House press officer.

Making the bill more attractive to Reagan are two of his pet projects: his initiative to help build the economies of the Caribbean nation, chiefly by measures to open U.S. markets to their products, and his plan for working businesses into slums and other blighted areas. Also attached is a provision, opposed by Reagan, which would make permanent a tax exemption for bonds used to subsidize first-time homebuyers.

Earlier, on a 51-46 vote primarily along

party lines, the Senate had defeated a Democratic effort to simply repeal withholding without anything to replace it.

The Treasury estimates that withholding, which had been scheduled at a flat 10 percent rate, would bring the government \$13.4 billion through 1988. The Republican substitute would produce only about \$4.9 billion, and much of that would go back to the Internal Revenue Service to beef up its force.

The substitute would require withholding at a 20 percent rate on people who had more than \$50 in interest and dividends in the past year or who did not file a tax return. The penalty for not including all interest and dividends on a tax return would be raised to \$1,000. Failing to disclose a mean a \$100 penalty per account.

Starting next year, taxpayers would be required to file with their tax returns the bank report, Form 1099, they currently get showing how much interest and dividends they were paid.

If the IRS finds it feasible — and so far it has not — it would begin matching each tax return with the Forms 1099 to try to catch some of the 20 million couples and individuals who cheat the tax collector on interest and dividends.

Since 1983, the government has been withholding taxes from wages and salaries — at rates up to 37 percent. Reagan says earnings requires withholding from those who earn income from investments.

Withholding on interest and dividends was approved last year as part of a revenue-raising plan aimed at cutting the federal deficit by \$100.4 billion over three years.

Banks and other savings institutions began an advertising campaign that often portrayed withholding as a new tax that would loot savings accounts. But unless a person is cheating on taxes now, withholding would cost less than 50 cents a year for each \$1,000 of savings.

Congress was inundated by more than 22 million letters demanding repeal.

Senate and House leaders originally

fought repeal and were able to postpone the inevitable. But on April 21, the Senate voted 91-5 to block withholding and to impose some other compliance measures, a move Reagan assailed as a victory for tax cheats.

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Senior Vice Chancellor Jack Freeman said the university has imposed "significant reductions (totaling about \$2.1 million), especially in administrative support programs and certain academic areas."

Pumping station may be constructed

PHILADELPHIA (AP) — Bucks County Commissioners are mapping their strategy against the proposed \$50 million Point Pleasant water pumping station, now that a judge has removed a legal roadblock.

Commissioner Andrew Warren said he and other commissioners hope to meet with the county's legal staff and develop a course of action by Monday, when work at the controversial project is scheduled to resume.

Possible options include dismantling the Neshaminy Water Resources Authority, or appointing authority members who are opposed to the project, Warren said.

In a hearing yesterday, Commonwealth Court Judge Robert Williams said he lacked jurisdiction to hear a suit by two Montgomery County water authorities that sought to bar Bucks County officials from interfering with state permits issued for the project.

Andropov elected new president of the Soviet Union

By ALISON SMALE
Associated Press Writer

MOSCOW — Communist Party chief Yuri V. Andropov became president of the Soviet Union yesterday, tightening his grip on power in the Kremlin and completing his acquisition of the late Leonid I. Brezhnev's leadership posts.

The presidency had been vacant since the death of Brezhnev last November, and it was believed that there was a political struggle in the Politburo to settle the question of the presidency. Two days after Brezhnev died, Andropov was named general secretary of the party, the country's most powerful position.

In May, Andropov took over as head of the Soviet Union's military council, the other major post held by Brezhnev.

Nominated by Konstantin U. Chernenko, the man thought to be his chief Politburo rival, Andropov was elected unanimously by the 1,500 deputies of the Supreme Soviet, or parliament. The body, which meets semi-annually, always gives its approval unanimously.

Chernenko, who was a close associate of Brezhnev and reputedly the late party leader's chosen successor, said it was "expedient" for the head of the Communist Party also to be president.

The president is head of state and although little formal power goes with the position, the title makes it more appropriate in terms of protocol for him to meet with world leaders.

The 69-year-old Andropov, who has looked increasingly frail in recent public appearances, walked slowly but unassisted to his seat at the Supreme Soviet. On winning election, he stood to acknowledge loud applause and made a brief acceptance speech.

Brezhnev had become Communist Party leader when Nikita S. Khrushchev was ousted in 1964, but it was not until 13 years later, in 1977, that he took the presidency from Nikolai A. Podgorny.

Swift and sure though Andropov's rise has been, he is not thought to have an unrestrained power in the party, which essentially rules this nation of 280 million people.

Andropov addressed the Supreme Soviet on Wednesday, reiterating the need for increased discipline and efficiency — watchwords of his rule so far — in Soviet society.

Many Western analysts in Moscow were surprised that the Politburo membership remained unchanged this week at 11 members, its lowest strength in years. The Politburo is the party's governing body.



Fallen tavern
Dot and Shorty Vosseler's tavern on Thomas Street in Phillipsburg, N.J., collapsed yesterday when the second story of the tavern sank to ground level after water from a broken pipe washed away the earth supporting the building. With the help of police, those in the building fled without injury.

Astronauts ready for tomorrow's shuttle flight



Shuttle Challenger crew members prepare to leave Houston for Cape Kennedy Wednesday. From left to right are commander Robert Crippen, mission specialist Sally Ride, mission specialist John Fabian, pilot Frederick Hauck, and an unidentified astronaut.

By HARRY F. ROSENTHAL
Associated Press Writer

CAPE CANAVERAL, Fla. (AP) — Commander Robert Crippen tuned up with a series of rehearsal landings. Sally Ride cracked the books and joined her near-anonymous colleagues for twisting acrobatics in the skies above the Cape. On launch pad 39A, Challenger was being groomed for flight tomorrow.

"Minus two and counting toward the first flight of an American woman in space."

Officials said the weather forecast was fine for 7:33 a.m. liftoff.

The daily dramas turned out to be not so dramatic. Yesterday morning the space agency sweated over a "master events controller," which briefly returned aboard in responding to computers about the spacecraft.

The electronic black box is one of two controllers which relay commands to the explosives that cast off the shuttle's spent booster rockets and its huge external tank as the orbiter heads to space.

After the unit garbled, and then did it again, NASA engineers cleared its memory and tried again. The controller performed flawlessly for the rest of the day and NASA eventually blamed its morning failure on start-up gremlins.

If the box had to be replaced, liftoff would have been delayed two days.

Yesterday was the 20th anniversary of the flight of Soviet cosmonaut Valentina Tereshkova, the first woman in space. The date passed without official notice as Ride, an astrophysicist-turned-astronaut and her male companions got in some final training.

"Sally, during ascent and entry will be acting the the capacity I like to refer to as sort of flight engineer," Crippen said recently. "She keeps us directed on the procedures."

Ride labored over the check lists yesterday while Crippen spent two hours after dawn at the controls of an airplane fitted out to handle like the shuttle, touching down repeatedly on the three-mile concrete runway far from Kennedy Space Center's launch tower. If launch is on time, Challenger will return there next Friday after 96 turns around Earth.

It will be the shuttle's first landing at its Florida base and Crippen will have become the first astronaut to have made two shuttle missions.

Previous pilots have made the same Cape Canaveral practice runs, but theirs were rehearsals for emergency — a worst-case scenario where the shuttle might have to return after a liftoff emergency.

When the shuttle lifts off on its tail of smoke and flame, the 45-year-old Crippen will be in the commander's seat on the left; pilot Frederick Hauck, 42, at his right, and Ride in the middle, behind them. One other mission specialist, John Fabian, 44, is also on the flight deck. Dr. Norman Thagard will be strapped in a seats on the deck below.

state news briefs

Pitt tuition will increase 9.5%

PITTSBURGH (AP) — A new budget adopted by the University of Pittsburgh will increase tuition 9.5 percent for undergraduate students and 20.8 percent for first-year medical students.

The \$336.7 million budget is an increase of \$17.4 million, or 5.4 percent, over last year's budget of \$319.3 million. It includes salary increases of \$6.6 million, about 4 percent, plus increases in fringe benefits of 2 percent.

The budget hikes semester tuition fees for undergraduates by \$210 to \$2,210, the lowest increase at 9.5 percent. First-year medical students are hit the hardest.

The university said the budget, approved on Wednesday, is contingent upon the \$79.7 million state appropriation recommended by Gov. Dick Thornburgh.

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nation news briefs

U.S. factory production recovering

WASHINGTON (AP) — The nation's factories operated at the highest level in 15 months and housing starts hit a 9½-year peak last month as the recovery spread throughout American industry, government figures indicated yesterday.

A third report said that the broadest measure of U.S. foreign trade showed a \$3.65 billion deficit in the first quarter of the year, down from \$6.6 billion in the final three months of 1982.

Officials at the Commerce Department, which compiled the foreign trade report, have said they expect the deficit to widen to \$20 billion for 1983. They say this is because the slower pace of the rebound abroad will mean slower growth in U.S. exports than in imports and the strong dollar will make American goods more expensive to U.S. trading partners.

Senate to give members 15% raise

WASHINGTON (AP) — The Senate voted 49-47 yesterday to give itself a 15 percent pay increase to the \$87,133 a year earned by House members, while delaying for six months tough new limits on income from moonlighting.

After a week of sometimes bitter debate, the Senate decided to raise its annual pay of \$80,692 by \$8,438 effective July 1.

But beginning Jan. 1, 1984, senators' earnings from speeches and similar sources would be limited to 30 percent of salary, or nearly \$21,000 under the new pay schedule.

The 45 House members have operated under similar limitations for more than a year, but senators are better known, and thus able to attract more speaking invitations.

The pay raise amendment was attached to a \$15.8 billion spending bill for the rest of fiscal year 1983, which now goes to a House-Senate conference committee.

House negotiators on the committee are almost certain to accept the change because it brings the Senate into conformity with the House's own pay schedules.

world news briefs

Chilean miners begin illegal strike

SANTIAGO, Chile (AP) — Workers at a copper mine began an illegal strike yesterday, protesting the arrest of their union leader with a walkout scheduled to spread through all four mines producing Chile's most important export product. But other unions refused to join the miners' action.

The government copper monopoly, Codelco, said it dismissed 550 employees at the Salvador mine for taking part in the 48-hour strike, a test of workers' willingness to confront President Augusto Pinochet's iron-fisted rule.

Hugo Estay, vice president of the copper workers' confederation, said about 80 percent of the 3,200 unionized employees on the day shift at the mine in northern Chile were on strike, including 97 percent of some 600 underground miners.

The company disputed this, saying 3,400 were supposed to work the shift, 2,850 showed up, and the remaining 550 were fired under a law banning strikes not related to collective bargaining.

Protest marks riots' 7th anniversary

SOWETO, South Africa (AP) — Black protesters clashed with police yesterday after a church service marking the seventh anniversary of the Soweto race riots. Police sprayed the blacks with tear gas and the crowd broke up into roving bands, burning a bus and stoning cars.

A priest said police broke into the church and arrested more than 50 blacks who had remained behind in the Regina Mundi Roman Catholic Church, locked the door and raised the flag of the outlawed African National Congress. The congress is the main guerrilla movement trying to overthrow the white-minority government.

One policeman suffered facial cuts, police said.

Elsewhere in South Africa, shopkeepers in black districts closed for varying periods to mark the anniversary of the start of the worst racial violence in South Africa's recent history. But despite four of widespread trouble, no other organized demonstrations or violence were reported.

stock report

Market holds steady advance

NEW YORK (AP) — Stock prices staged another strong advance in heavy trading yesterday, extending Wall Street's latest bull-market surge.

The Dow Jones average of 30 industrials, up more than 51 points in the last five trading sessions, rose another 11.02 to 1,248.30.

The average's 10-point gain on Wednesday carried it past the previous closing high of 1,232.59, which was reached on May 6.

Volume Shares	144,164,050
Issues Traded	1,968
Up	1,064
Unchanged	323
Down	599
NYSE Index	1,248.30 + 11.02
Dow Jones Industrials	1,248.30 + 11.02

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