

Senate approves special tax breaks

United Press International
WASHINGTON — The Senate Finance Committee, acting just hours after exploring ways to simplify the tax structure, approved more than a dozen special interest tax breaks for businesses.

Early Tuesday, the panel opened three days of hearings on the "flat tax" proposal and other alternatives designed to improve taxpayer compliance by making it easier to file tax returns—a crucial element in a voluntary tax system that has witnessed a growing trend toward evasion over the past decade.

Later Tuesday, the same panel approved tax changes that would benefit a wide variety of corporate taxpayers from Apple Computer to Zeke's Floating Bait. The committee hopes to bring some of them up in the full Senate before Congress leaves for its election recess at the end of the week.

A pure flat tax would eliminate virtually all deductions, credits and exemptions—thus broadening the tax base and permitting a reduction in the tax rate to the range of 15 percent to 20 percent, with the same rate applied to everyone.

Current tax rates range from 11 percent to 50 percent, depending on income levels adjusted for myriad exemptions, deductions and credits.

"If you're rich you'll love it. If you're not rich, watch out," said the panel's senior Democrat, Sen. Russell Long of Louisiana, of the flat tax proposal.

A new study by Brookings Institution economist Joseph Pechman showed a flat tax effectively would increase taxes for people with incomes below \$50,000 and lower taxes for those with incomes above that level.

Despite its long-range goals toward simplification, the committee approved more

than a dozen tax breaks for business.

One of the committee provisions—initiated by Apple Computer—would allow manufacturers to donate computers to schools, libraries and museums and take a tax deduction for up to one-and-a-half times the cost of the equipment. A House-passed bill allows a tax deduction up to a 200 percent of cost.

Although any computer company technically would be eligible for the increased deduction, few firms have large inventories like Apple that would allow them to make the donations during the limited time period.

Sen. Lloyd Bensten, D-Texas, with a keen interest in giving other firms—like Texas Instruments—a crack at the tax break, successfully negotiated a compromise that would allow companies to get slightly less deductions and donate equipment over a three-year period.

Gas escaping from the well forced officials to evacuate 250 residents, close three Scott elementary schools and block roads in the vicinity of the site.

"The roads are covered with moisture and a petroleum product and they are still slippery," a state police spokesman said.

Families living within a mile of the well were evacuated Tuesday, but no injuries were reported in the blowout. Residents occasionally have been allowed to return home for clothes, but the area was being tightly controlled, officials said.

Blowout specialists from Gray Wolf Drilling Co.—the well's operator—were joined by other workers trying to cap the well. Wearing earplugs to block out noise from the well, they

moved equipment away from the site early today and then removed the rig itself.

Officials said there was a fire danger close to the rig, but no danger to the surrounding area and no further evacuations were anticipated.

Sgt. Dick Ray of the Lafayette Parish sheriff's department said a work crew was drilling the well when the gas started coming up, chasing them from the site.

"They were drilling and it just started blowing back through the casing," Ray said. "The crew saw it was going to get away from them so they got away from the well."

Officials turned off electricity in some areas to prevent sparks that could ignite the gas at the site about five miles west of Lafayette.

"The danger could be that if it was to catch on fire you could lose the rig," Ray said. "Then come brush fires. But I don't believe there's any danger of any homes burning or anything like that."

Hearings focus on loans

United Press International
WASHINGTON — A third hearing on the collapse of Penn Square Bank will focus on purchases of Penn Square loans by some of the nation's largest banks, a congressional aide said.

The House Banking and Finance Committee will begin its third round of hearings Wednesday into the collapse of the Oklahoma City bank, said Dale Lewis, an aide to U.S. Rep. Fehland St. Germain, D-R.I., chairman of the committee.

Penn Square was declared insolvent July 5 and is now being operated by the Federal Deposit Insurance Corp.

Lewis said representatives of three of the country's largest banks will be questioned about policies concerning the purch-

ase of loans from the Penn Square.

"We're going to look at Continental Illinois, Seattle 1st National and Michigan National Bank," Lewis said.

Before it folded, Penn Square sold about \$2 billion in loans—most of them energy-related—to larger banks, a practice known as "upstreaming."

Federal officials have estimated that more than \$200 million of those loans were worthless.

Lewis said he couldn't respond to allegations earlier this week of an FDIC memo that contained allegations of criminal wrongdoing at the bank.

"We are aware of referrals in that area to the Justice Department," he said, "but that's an

area that is not really in our jurisdiction."

Lewis said the possibility for criminal actions has always been there, and recalled that an official from the Comptroller of the Currency's office testified last month at hearings in Oklahoma City that there had been violations of the law.

The FDIC report alleges fraud and misappropriation of funds in the handling of \$71 million in loans over a two-year period before the bank closed.

Bill Price, U.S. attorney in Oklahoma City, said his office will investigate any allegations.

"We're working closely with the FBI and we will review and thoroughly investigate any allegations about Penn Square Bank that are received by us," he said.

Price said his office will decide whether information should be forwarded to a grand jury but he would not speculate on the result of any investigation.

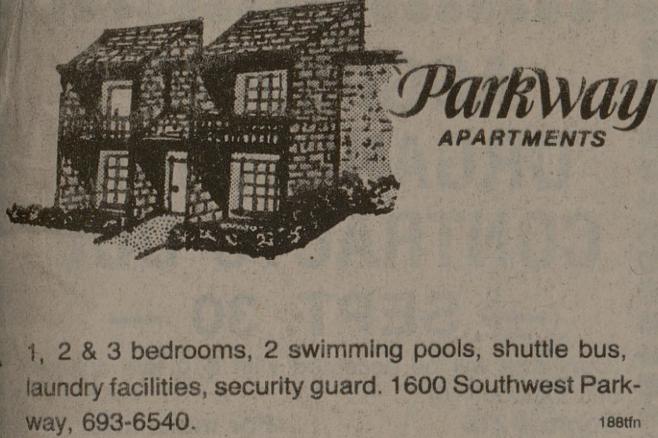
"We're certainly not going to be telling people that we're issuing indictments by the end of the year against anybody," he said.

Lewis said this set of hearings would run for two days, with Thursday's session focusing on money lost by credit unions and savings and loan companies that had money on deposit in Penn Square when the bank collapsed.

He also said two key witnesses who did not testify at the hearings in Oklahoma City—former bank president William P. Jennings and Oklahoma City oilman Robert Hefner III, who had close ties to the bank—will testify at later hearings.

Lewis said the date for the next round of hearings has not been scheduled.

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Specialists hope to cap gas well

United Press International
SCOTT, La. — Well blowout specialists today moved a rig off a blown-out natural gas well spewing 20 million cubic feet of gas an hour in southwest Louisiana and hoped to cap the well later in the day.

Gas escaping from the well forced officials to evacuate 250 residents, close three Scott elementary schools and block roads in the vicinity of the site.

"The roads are covered with moisture and a petroleum product and they are still slippery," a state police spokesman said.

Families living within a mile of the well were evacuated Tuesday, but no injuries were reported in the blowout. Residents occasionally have been allowed to return home for clothes, but the area was being tightly controlled, officials said.

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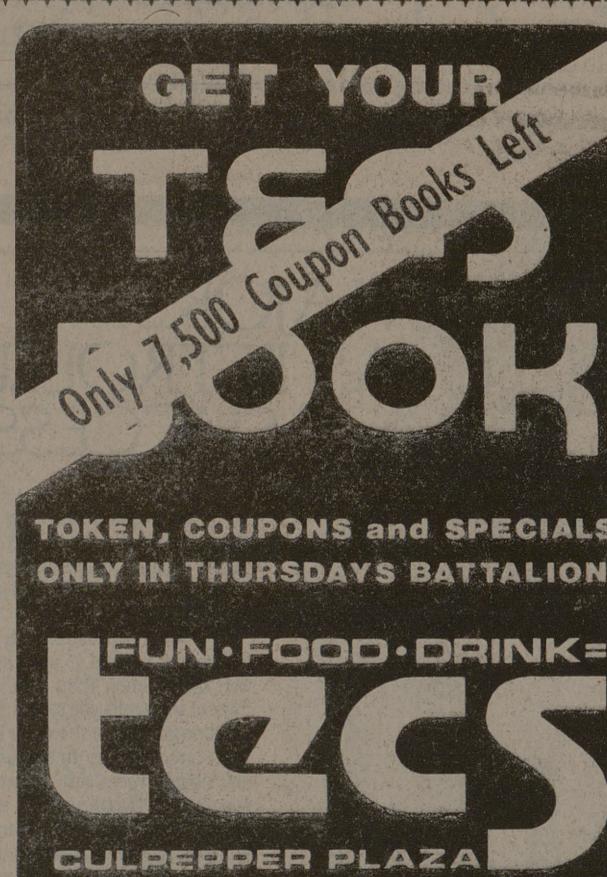
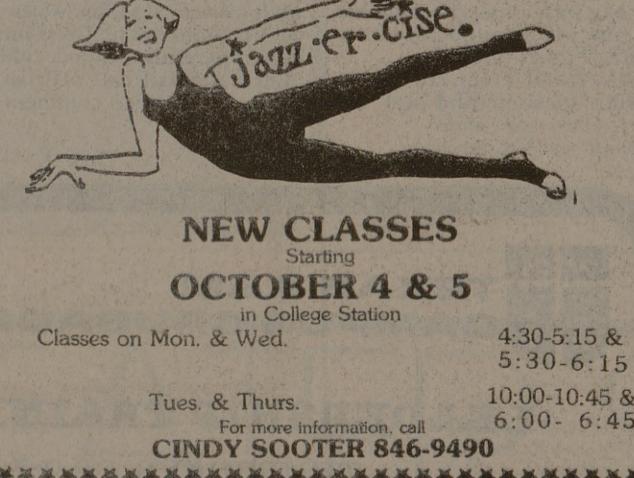
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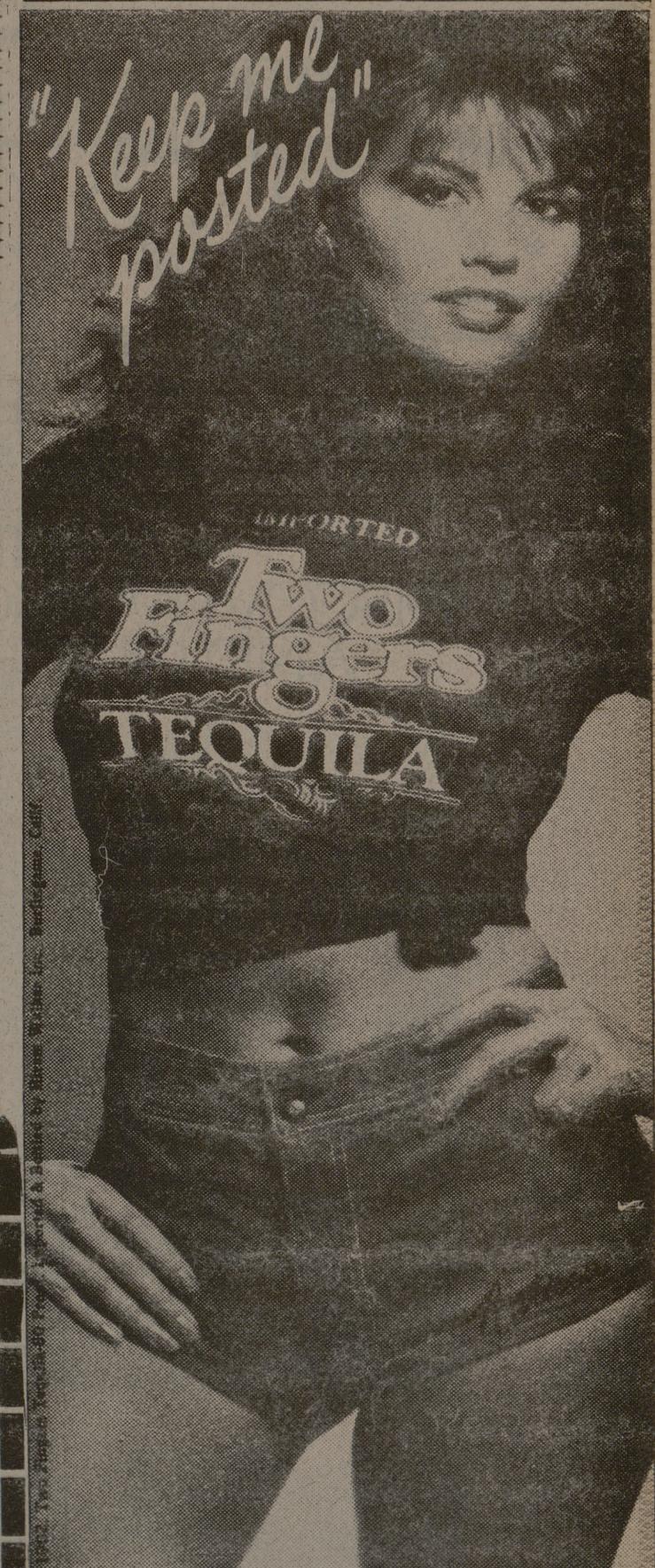
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