

Proposed flat taxes will affect municipal bonds

United Press International

NEW YORK — The flat-tax proposals unveiled by the Treasury Department could have a dramatic impact on all securities markets, but the outcome of debate on the proposals will be especially significant for municipal bonds.

"Out of the multi-sided debate which will ensue between the White House, Treasury, Congress, state and local governments and an array of lobbyists and special interests, significant tax reforms seem sure to emerge," said Steven J. Hueglin, partner in Gabriele, Hueglin & Cashman, a Wall Street bond house that just completed a study, "Flat Tax and the Municipal Bond Market."

"But despite the well-publicized negatives for the municipal market," Hueglin said, "the real sleepers in the proposals are positive for bondholders."

For bond holders the major elements in the proposed tax reforms are:

- Reduction in the top individual income tax rate to 35 percent with elimination of various deductions, including those allowed for state and local taxes.

- Reduction in corporate tax rates to 33 percent with elimination of accelerated depreciation, investment

Other issues likely to be eliminated from the tax-exempt sector are student loan bonds, and public purpose industrial bonds such as those issued for stadiums.

tax credit benefits and bank deductions for carrying municipals.

- Prohibition of some tax-free municipal bonds now being issued.

- Treatment of capital gains as ordinary income with gains adjusted for inflation.

Hueglin said the only real negative for bondholders is the proposed reduction in the income tax maximum to 35 percent.

"The municipal market is more sensitive to changes in supply than changes in tax rates," Hueglin said in a telephone interview.

"Fear that lower taxes will hurt it are largely unfounded."

Hueglin said proposals that effectively eliminate most tax shelters and severely reduce the appeal of real estate as an investment are "most positive" for municipal bonds.

Many issuers will be adversely affected.

"Sure to go are tax-exempt corporate bonds," Hueglin said. "Tax-exempt housing bonds are almost certainly out."

Other issues likely to be eliminated from the tax-exempt sector are student loan bonds, public purpose industrial bonds such as those issued for stadiums, and private bonds issued by hospitals and colleges, he said.

"Even if all of these are not eliminated, a third of supply could be cut off," Hueglin said.

Proposals to eliminate deductibility of state and local taxes also will have major impact on bondholders.

"People in the 50 percent bracket won't get half price on state and local taxes anymore," he said.

For example, for someone in the 42 percent bracket, \$1 of state taxes could cost \$1 instead of 58 cents as before.

But this in turn will make state and local exemptions on municipal bonds more important, especially in high-tax states like New York and California.

Although tax reforms will probably not become law until 1986 or 1987, changes affecting long-term bonds will be anticipated by the market in the coming months.

Paris Ballet to perform in festival

United Press International

SAN ANTONIO — The Paris Ballet will present three productions in the 1985 San Antonio Festival, marking the dance group's first American appearance in 36 years, festival organizers said Thursday.

Negotiations for the ballet's appearance were completed in Paris between festival director Parvan Bakardjiev and M. Andre Larquie, president du conseil of the Paris Opera Ballet.

The French troupe will perform a new production of "Swan Lake," classic ballet treatments of "Romeo and Juliet," and a full-length ballet in the grand tradition of "Raymonda."

The exclusive performance will be the ballet's first appearance in the United States since 1949.

The negotiations also call for the sets and costumes from the Paris Opera's production of "Romeo and Juliet" to be featured as part of the festival's "Romeo and Juliet" theme.

In return, the sets and costumes from the festival's 1984 production of "William Tell" will be loaned to the Paris Opera, which may participate in the 1986 Festival, Bakardjiev said.

Key witness says testimony not true

United Press International

LOS ANGELES — A key prosecution witness in the murder trial of Ricky Kyle, charged with killing his father, Texas tycoon Henry Harrison Kyle, admitted Wednesday she has not been truthful in her testimony.

Jackie Phillips, the defendant's half-sister, made her admission as defense attorneys attacked her credibility, pointing out numerous inconsistencies in her testimony at the trial and her testimony at a preliminary hearing in January.

Phillips testified Tuesday that Kyle, 22, confessed to her that he killed their father in July 1983. The alleged admission came after Kyle, Phillips and her former fiance, businessman Henry Miller, had been drinking and taking cocaine the day of the victim's funeral.

Phillips, 29, a former fashion model and admitted cocaine user, frequently responded to the lead defense attorney's questions with heavy sarcasm, mocking laughter and an occasional obscenity.

At one point, Phillips apparently became so unnerved that she admitted she had been less than completely truthful when she testified at the preliminary hearing.

When asked if she had told the truth at that hearing, Phillips replied "kinda," and then added, "I was trying to protect my brother (Ricky Kyle)."

A short time later, however, she maintained she had told the truth at the hearing.

The defense attorney pointed out numerous inconsistencies in her testimony at the trial and her testimony at the preliminary hearing. They included:

- Her assertion at the trial that Ricky Kyle told her he had shot his father twice. At the preliminary hearing, she made no mention of Kyle saying he had shot their father twice.

- Her testimony at the trial that when Kyle confessed the slaying to her, he was unemotional. At the preliminary hearing, she testified he was "extremely emotional and upset."

Despite those inconsistencies, Phillips' basic story that Kyle confessed the slaying to her at Miller's home was essentially the same at both the preliminary hearing and the trial.

Prosecutor Lewis Watnick plans to reinforce Phillips' testimony by calling Miller, who also allegedly overheard Kyle's confession.

The prosecutor alleged last week in his opening statement that Kyle "executed" his father by shooting him in the back because he feared he was about to be cut out of the multimillionaire's will. Kyle and his brother, Scott, were the principal heirs to an estate valued at up to \$100 million.

Good friends keep you going when all you want to do is stop.



Your feet hurt. Your legs hurt. Even your teeth hurt.

But your friends thought you looked terrific. And with them urging you on, your first 10 kilometer race didn't finish you. You finished it.

Now that you have something to celebrate, make sure your support team has the beer it deserves.

Tonight, let it be Löwenbräu.



Löwenbräu. Here's to good friends.

Mattress Set \$79.95
This mattress & foundation set offers true firmness at an affordable price. Bed frames \$15.00.
Texas Furniture Outlet
712 Villa Maria

"WARPED THREE, MR. SCOTT!"
Makes a weird Christmas Gift
The Third Collection of "Warped." The Comic Strip by Scott Mc Cullor.
Available soon at: Bobbie's Books, Loupot's, Hasting's and B. Dalton.

CHANELLO'S PIZZA
696-0234
846-3768
\$6 12"
\$9 16"
\$15 20"
two items
one coup. per pizza exp. 12/1/85

CUTS WITH STYLE
Get your hair cut with the style you need for your hair by our trained professionals.
Haircuts NOW ONLY \$8.50
Shampoo and conditioner included
For Men & Women
Great Styles Start At **THE VARSITY SHOP**
301 Patricia Behind Northgate College Station 846-7401

something for everyone in the
want ads