

World and Nation

by Jeff MacNelly

SHOE



Committee revamping U.S. tax code

Associated Press

WASHINGTON — The House Ways and Means Committee, attacking the "three-martini lunch" that many Americans view as a symbol of an unfair tax system, is moving to restrict business' ability to deduct costs of meals and entertainment.

The panel's action, taken Monday behind closed doors as lobbyists for restaurants, hotels and sports teams waited outside, is far from final. Some members said they expect the issue to be raised again before the committee finishes work on a new tax code.

But for the moment, the committee has agreed that businesses should no longer be allowed unlimited deductions for costs of meals and of entertaining clients, including sports and theater tickets.

The panel endorsed President Reagan's conclusion that such deductions are abused and unfair. But members stopped short of accepting the president's proposed changes.

The committee also went against Reagan's wishes on another matter. It agreed to continue the \$1-per-taxpayer checkoff for the federal fund that finances presidential elections.

Still awaiting the 36-member panel are the tough issues of tax overhaul, including how low to reduce tax rates, how high to raise the personal exemption, and whether to repeal the deduction for state and local taxes paid.

Under current law, a business may deduct reasonable, ordinary and necessary expenses, including the cost of meals, if they are eaten in a place that is conducive to a discussion of business, and of costs of entertaining clients or potential customers.

That law favors a relative few people, the White House complained in recommending change.

House OKs agriculture bill

Associated Press

WASHINGTON — The House approved a 1985 farm bill Tuesday that pins hopes for recovery of the U.S. agricultural economy on increased export sales, and meantime offers a safety net of farm income guarantees.

The five-year, \$141 billion bill includes price supports for major crops like wheat, corn, cotton, rice and soybeans, a new soil conservation package, money for agricultural extension and research, and new statutory authority for food stamps and overseas food aid.

The Senate is not scheduled to act on its version of the bill until next week at the earliest. Prolonged House-Senate negotiations appeared likely before a final measure can be sent to President Reagan.

In its key elements — crop price supports and farm income subsidies — the House bill retains the essential structure of current farm law.

It continues to offer farmers loans on their crops to allow them to wait for the most advantageous time to sell, and bolsters income through direct payments that make up the difference between the price farmers receive and a pre-set "target price."

Rep. Arlan Stangeland, R-Minn., who had favored a more unorthodox approach to solving farm economic problems, called it "a warmed-over 1981 farm bill."

Lowest-paid workers losing overtime, wages, report says

Associated Press

WASHINGTON — Many of America's lowest-paid workers are being cheated out of overtime pay and minimum wages because the federal government isn't enforcing an important labor law, the General Accounting Office says.

The congressional watchdog agency said in a report to a House labor subcommittee that the Justice and Labor departments often ignore violations of the Fair Labor Standards Act because penalties are light and investigators feel their time is better spent on other projects.

"The maximum penalty for a first conviction — a fine of up to \$10,000 — is not considered to be severe by Department of Justice officials, and because of higher priority work, Justice is unlikely to prosecute FLSA violations," said the study, released last week to the subcommittee on labor standards.

"Based on the low priority given by Justice officials to FLSA violations, Labor's position of focusing on civil rather than criminal remedies appears reasonable," it concluded.

The report surveyed Labor Department records in Washington as well as field offices in Boston, Chicago, Dallas, Atlanta, Kansas City, and San Francisco.

Most of the affected workers do piecework in the apparel industry or are employed in light manufacturing.

The study, requested by subcommittee chairman Austin Murphy, D-Pa., followed up on a 1981 investigation that reported non-compliance with FLSA's minimum wage, overtime and record-keeping provisions was a "serious and continuing problem."

That previous investigation also reported that employers who violated the labor law often went unpunished and that the Labor Department frequently failed to seek maximum compensation for employees who were due back wages.

The new report concluded that little has changed in four years.

"Our current review showed that most investigations were not updated before settlement and firms who previously violated FLSA were

usually not being monitored and investigated," the report said.

To help correct the problem, GAO recommended that government prosecutors routinely seek heavy damage payments in addition to back wages from employers who break the law.

Murphy, who is still studying the report, had no comment.

Assistant Attorney General Lawrence Wallace responded to the report in a letter, saying that stiffer penalties might induce federal prosecutors to more actively pursue FLSA violations.

"GAO may wish to recommend its report to Congress an amendment to the FLSA allowing a term of imprisonment for convictions with a repeat offender has been subject to a prior civil judgment under the act," Wallace wrote.

As the law is now written, imprisonment is an option only after an employer's second conviction.

The maximum sentence is 18 months.

U.S. Treasury juggling books to keep government solvent

Associated Press

WASHINGTON — The Treasury Department used some creative bookkeeping Tuesday to keep the government afloat while Senate leaders spun their parliamentary wheels over a balanced budget plan that has stalled action on increasing federal borrowing authority.

At the same time, House Speaker Thomas P. O'Neill Jr., D-Mass., said Congress is in its current fix because of insane administration economic policies.

In what has become a daily letter updating Congress on the government's effort to keep balancing itself on a fiscal precipice, Deputy Treasury Secretary Richard G. Darman told Senate Majority Leader Robert Dole, R-Kan.:

"As of this morning, we project an ending balance for October 8 (today) of zero; and — absent remedial action — a negative ending balance for October 9 (tomorrow)."

Dole said the Treasury was juggling its books to maintain solvency into Wednesday.

"We're advised today by the Treasury that they may be able to avoid default until tomorrow

"As of this morning (Tuesday), we project an ending balance for October 8 of zero; and . . . a negative ending balance for October 9 (today)," — Deputy Treasury Secretary Richard G. Darman

sometime," he said. So far, the only sign of the government's financial problems has been the series of letters from the Treasury Department to Congress.

But the administration has warned Congress that continued delay could trigger a process under which the Federal Reserve System would tell banks not to honor government checks.

Nonetheless, officials have said the government will not stop issuing checks.

Some legislators said the Treasury Department was overdoing its warning.

"There is no calamity," said Sen. Steven D. Symms, R-Idaho,

adding the Treasury actions were "scare tactics."

The problem is that the government has reached its borrowing ceiling of \$1.824 trillion and can only operate with the cash it has on hand.

In order for the government to borrow more to meet its obligations, Congress must increase the debt limit.

The Reagan administration has asked for a new debt limit of more than \$2 trillion.

After days of stalemate, Senate leaders began bargaining Tuesday on a plan that would allow for a short-term increase in the government's borrowing authority and allow votes on an amendment offered by Sens. Phil Gramm, R-Texas; Warren Rudman, R-N.H.; and Ernest Hollings, D-S.C.

Republicans, with President Reagan's support, have insisted on linking the debt limit increase to the plan to impose statutory limits on budget deficits in order to achieve a balanced budget by 1991.

Democratic leaders said the sweeping balanced-budget plan is being considered too hastily and are searching for alternatives.

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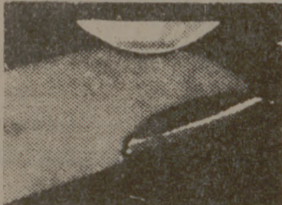
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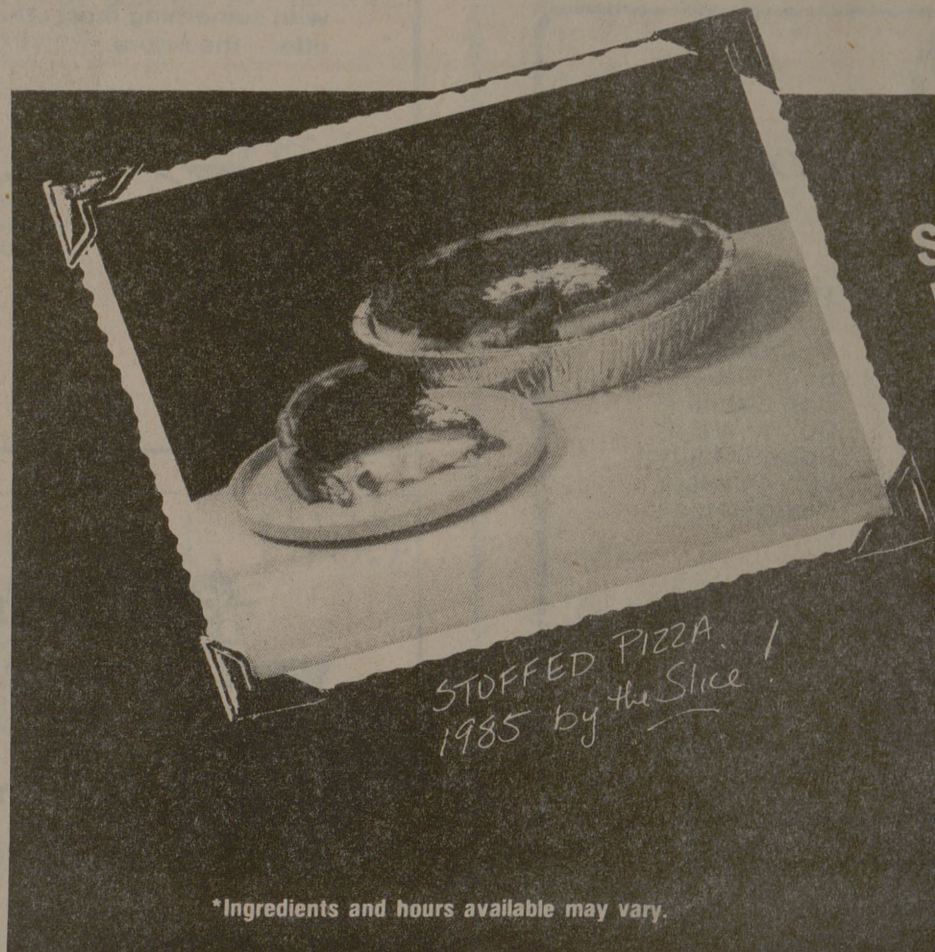
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