

Economist Defends Income Tax Defeat

By Cheryl Tritt
Junior Staff Writer

The defeat of the proposed state income tax in the Nov. 8 election "is not necessarily a condemnation of this specific amendment or of a state income tax in general," according to E. B. Schmidt, University professor of economics.

"No doubt there were many voters who simply did not favor this form of taxation, but I am convinced many persons voted against the income tax so the Unicameral could start from scratch to enact a completely revised tax system," Schmidt said.

After questioning people from all over the state, I believe the majority of the citizens want a combined income and sales tax, Schmidt added.

No Panic

Because both the income tax and property tax were defeated in the election, the state's economic situation is critical Schmidt said, but there is no reason for panic.

The state will be collecting revenue from the property taxes which were levied this fall until Sept. 1, 1967.

Personal property taxes will be delinquent Dec. 1 and the first payments of the real estate taxes won't be delinquent until May 1, 1967. The last real estate payments will be due Sept. 1, 1967.

Therefore the state will be able to operate on the money from the property taxes for another year, Schmidt explained. Other forms of taxation such as cigarette, liquor, inheritance and local property taxes are still in effect.

Forced To Decide

However, the Unicameral is forced to decide upon a new tax system at its next session, Schmidt said, and the system should be formulated by next July or August.

Schmidt noted that the legislature could probably enact LB797, the defeated income tax bill, combined with a sales tax without having the act stymied by a petition drive or the courts.

The vetoed income tax bill suggested the tax be levied on a flat rate basis, incorporating the State Board of Equalization to compute the percentage rate by means of a formula.

Advantages Outweigh

The advantages of the low flat rate taxation outweigh those of a graduated income tax method, Schmidt said. The main objections to the flat rate income tax maintain this method is regressive but this isn't true, he added.

"There are two ways of making a tax progressive," Schmidt explained. "One way is a graduated tax and the other way is incorporating uniform exemptions."

The proposed income tax had uniform exemptions," he added.

Schmidt said that with uniform exemptions each dependent in a family would receive a \$600 exemption regardless of his income.

As an example he explained that a family of four with an income of



Schmidt

\$2,200 would not pay any income tax because its exemptions would total \$2,400.

However, another family of four with an income of \$12,000 would still receive exemptions totaling \$2,400 but they would then pay a flat rate tax on the difference, Schmidt stated.

Situation Improved

Schmidt noted that the tax situation could have been improved if the property tax had been retained to a limited extent.

First, building projects would be more readily financed with a property tax as a source of revenue rather than other sources.

"Secondly, we can't escape having the state equalize assessments as long as we tax utilities," Schmidt said.

Last, if the state begins giving aid to public education, it must use assessed valuations to determine fairly how much aid individual school district will receive.

Earmark Opposition

Schmidt said he believed the main reason Amendment 14, allocating at least 20 percent of tax proceeds to public schools, was defeated because the voters were opposed to earmarking. Earmarking is setting aside a certain percentage of the proceeds from taxes for some designated purpose.

He added that the citizens probably wish to let the legislature decide what percentage of taxes should be allocated to the school systems.

Schmidt added that the state could afford to increase its spending. "My computations show if the state did increase its tax collections to approximately \$117 million, Nebraska would be on a level with the vast majority of the neighboring states," he said.

... City, State, National, World Week In Review

GOP Gains Thin Democratic Margin

Republicans captured House seats in every section of the country Tuesday, but particularly in the Midwest, where their 1964 losses were heaviest.

Their apparent gain was 47 seats, which could cost the Administration effective working control of the House.

The ranks of the 44 freshman Democrats elected to GOP seats two years ago, who frequently provided the Administration with the margin of victory in the last Congress, were badly broken.

The Democrats next year will have a numerical majority in the House, about a 60-seat edge. But that advantage could disappear when Republicans and conservative Democrats put their heads—and votes—together.

The Republicans made even more impressive gains in Nebraska, sweeping all the major contests. In one of the more closely watched races, incumbent U.S. Senator Carl Curtis gained an impressive victory over Democrat Frank B. Morrison, who after three terms left the statehouse in an attempt to gain a seat in the Senate.

In the race for governor, Norbert T. Tiemann won by comfortable margin over his Democratic opponent Phillip Sorenson, Robert Denney, an underdog, edged incumbent Democrat Clair Callan in the contest for the First District's seat in the House. Rounding out the sweep, John E. Everroad won the lieutenant governor's position over Democrat Ross Rasmussen.

Peking Chided For Blocking Red Unity

Soviet Communist Party chief Leonid I. Brezhnev has blamed Peking again for blocking a Communist united front on Viet Nam.

But Brezhnev's speech to a rally in Tiflis was his first major statement in more than a year and a half in which he failed to set out any of the Kremlin's conditions for an end to the Viet Nam war.

Western observers in Moscow saw it as the latest indication that there might be some fluidity in the Soviet position now.

They pointed out that top-level Kremlin speeches in the last three weeks have omitted the Soviet Union's long-standing demand for American troop withdrawals and failed to report support for Hanoi's

four-point "peace plan" which also calls for a United States pull-out.

He said Peking's unwillingness to coordinate action with other Communist countries in Viet Nam was "of great importance for the entire cause of the liberation struggle of the Vietnamese people."

The Soviet leaders' recent failure to refer to conditions for ending the Viet Nam war except in the most general terms has sparked intense speculation in diplomatic circles in Moscow.

It has led to a vague impression that Russia may be looking for a way out. The Soviet press has also toned down the virulence in its anti-American attacks.

The Christian Science Monitor

Europe Gains Confidence In NATO

The Western alliance is emerging with new confidence from the crisis of the last several months.

Two new psychological gains for NATO were apparent according to roving Ambassador W. Averell Harriman's report to the North Atlantic Council.

European fears that the United States will drift into a war against Communist China and perhaps drag Europe in have declined recently.

European fears that the American commitment in Southeast Asia would cause it to lose interest in its European commitment seem to have passed.

Harriman also told the council that the Manila meeting had reached full agreement on the limited objectives which the United States has been pursuing in Viet Nam.

He said that the United States was not in Viet Nam as an Asian power. He said that the United States is both an Atlantic and a Pacific power and is interested in both Europe and Asia.

Mr. Harriman declared that the United States has the "will and the means to fill our commitments in Europe," while checking aggression in Viet Nam.

DeGaulle in 1966 had tried to force a division between (1) the alliance as

set up in the North Atlantic Treaty and (2) the North Atlantic Treaty Organization.

DeGaulle said that France could remain a member of the Western alliance, but he wanted to see NATO dismantled. If it were not, France would withdraw.

The smaller nations stood firm along with the larger ones. NATO remains intact except for the absence of France.

France's absence leaves a big gap in NATO supply and communication lines but it does not prevent the alliance from pushing ahead toward needed new goals.

At the moment NATO is engaged in extensive housekeeping changes. These tend to stress its problems more than its progress.

But alliance leaders are already engaged in matters beyond the relocation of NATO bases. These concern new political directions for the alliance as well as new military planning.

One of the biggest political changes to overtake NATO in more than 15 years is that it now aims to improve peace-time relations with countries which have been regarded as the possible source of aggression.

The Christian Science Monitor

Repeal Of State Taxes Forms 'Act Of Protest'

Repealing both the state income and property taxes in Tuesday's election was "an irrational act of protest" on the part of Nebraskans, according to Dr. A. B. Winters, associate professor of political science.

"It is comparable to some of the more recent types of demonstrations of one kind or another, that have been occurring throughout the U.S.," Winters stressed. He based his conclusion on

Nebraska Farm Bureau Federation.

"The city opposition to the property tax was probably a result of the voters being misinformed. They were ignorant of the meaning of number 301, they felt that they would not only abolish the property tax but also that of the city, local, and school tax jurisdiction, which are based on property valuations," Winters said.

The third factor behind the defeat of both tax proposals, according to Winters, was that many Nebraska voters voted no on 300 and yes on 301 simply because they were disgusted with the way the state government has been dealing with the Nebraska tax structure.

"This feeling can be paralleled in the French peasant who votes for the Com-

munist party candidates, even though the peasant is probably the most conservative and thrifty person in all of Western civilization," he continued.

"The French peasants, like the Nebraskan, in this case votes the way he does because he is dissatisfied and frustrated with government policies," Winters said.

Winters stated that he did not know whether or not a special session of the Nebraska legislature would be called. However, he did declare that if he were governor of the state, he would call a session to deal with the tax problem.

Winters pointed out the fact that the legislature could only pass an income or sales tax, or a combination. This is because there is a provision in the constitution that says that a Constitutional amendment can not be submitted by initiative petition more often than once every three years.

"Therefore, the legislature would have to wait three years if it wants to repeal amendment 301 (property tax) by initiative petition," Winters explained.

"It is the people's fault, not that of the legislature, that the income tax got on the ballot by a referendum. Nor is it the fault of the legislature that the question of repealing the property tax was put to the voter. This was done under the leadership of the Nebraska farm Bureau Federation," he said.



Dr. Winters

POPCORN

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