

Specific Irregularities Listed by Appling in Withycombe Probe

Appling listed specific irregularities turned up by his audits. They ranged from unexplained use of cash to an elevator and a deluxe cooktop with a remote control pushbutton panel in the Hintz house.

Appling noted, however, a Clackamas county grand jury twice declined to return any indictments.

Col. Lawrence M. Blaisdell admitted he knew of what he called minor procedural irregularities on the part of some of his superiors. He said when he questioned them at the time he was assured they were proper.

Blaisdell told of one case where Hintz ignored other bids to authorize purchase of a particular lawnmower. Blaisdell said he later found out the base was buying the mower from Hintz.

Blaisdell said when he questioned Hintz, Hintz told him he did not know whether to commend or fire him, a

member of the guard for 18 years, Blaisdell said his silence was motivated in part by respect for orders and "a certain type of loyalty."

Loyalty Cited

"Had I known he was crooked, my loyalty would have ceased," he said.

Atty. Gen. Robert Thornton told the committee of several statutes that might have bearing on the general situation. They included offenses ranging from misdemeanor to felony.

Thornton said Gov. Mark Hatfield so far has refused to give him the authority he needs to act on his own in the case.

Thornton also said it was difficult to make claim to bonding firms until a final liability figure to the federal government for misuse of federal funds is established. A fiscal officer estimated earlier the state liability might reach \$40,000.

The Appling report includ-

ed these items:

— A requisition for one Tongue Point log at \$195, signed by Maj. W. H. Mosher for Lt. Col. William M. Adams, Appling said a copy of the document examined at Seattle "apparently had been altered to show 195 logs at a value of \$13,065 and bore the signature 'Anderson.' Appling said the logs were sold to the Lynwood Lumber Co. of Clackamas for \$2,712 and the proceeds purportedly put into the unauthorized fund.

SIGHTED THUG, GOT SAME

New London, Conn. — (UPI) — Sailor William J. McBritte upped periscope while making a check aboard a moored submarine Thursday and noticed unusual activity in a nearby parking lot, McBritte and Chief James A. Brissett rushed to the lot and caught Michael Kope, 16, breaking into McBritte's car and turned him over to police.

Sharp Cutback in Capital Gains Tax on Timber Sales Requested

By A. ROBERT SMITH
Mail Tribune

Washington (Special)—A big new battle involving the timber products industry is shaping up on Capitol Hill. The Kennedy Administration has asked Congress for a sharp cutback in the capital gains allowance on timber sales—one of the most beneficial features of the federal tax laws for many companies in the forest products industry since World War II.

The industry is mustering its strength and mapping strategy to fight this feature of the Kennedy tax bill. As one official of the National Lumber Manufacturers Association put it:

"This is a gut issue for our industry. All the stops get pulled out on this one."

The tax bill, a complex of suggested deductions and reforms, is before the House Ways and Means Committee.

Treasury Secretary Douglas Dillon several days ago gave the committee a detailed outline of the administration's wishes. But only Congress, by legislative enactment, can authorize tax changes.

Like many businessmen, the lumber operators aren't complaining about the most publicized tax cuts—the reduction in corporation income taxes from 52 to 47 per cent and the cut in capital gains taxes from 25 to 22 per cent.

Ordinary Gain

What has aroused them deeply is the special change covering timber sales proposed by Dillon. It would treat timber income of corporations as ordinary gain, subject to the 47 per cent corporate tax rate instead of the lesser capital gains tax which has applied since 1944. The only firms unaffected would be those earning \$25,000 or less, which would be taxed at 22 per cent.

There is no mystery about the hostile reaction of the major companies of the forestry products industry to this tax change. As Fortune magazine reported in an article last

May on the post-war expansion of Georgia-Pacific Corp., "the easiest part of the integrated producer's profit is the capital gains he gets from cutting low-cost timber and selling it to his own mills."

Because of the capital gains feature, Fortune reported that in 1961 Georgia-Pacific paid 28 per cent of its profits in taxes. Weyerhaeuser paid 27 per cent and U.S. Plywood paid 30 per cent. All of these timber products producers, and many others, would pay higher federal income taxes under the new Kennedy tax bill.

The Treasury Department reports that the distribution of capital gains tax benefits for 1959 gave the timber industry \$44 million, the plywood industry \$11 million and the paper industry \$22.5 million.

By cutting back on capital gains, Treasury estimates that timber will produce an additional \$90 million in tax revenue for Uncle Sam, \$75 million from corporations and \$15 million from individuals.

In justification of the cutback, Treasury states:

"The restriction on the capital gain treatment, which is now primarily of benefit to the larger concerns, would help restore a healthy competitive balance in the industry. Many believe that the capital gain feature has in fact been a source of distortion and overstimulation which has helped the larger firms to achieve higher after-tax profits, caused artificial and erratic bidding up of timber prices, and thus squeezed out many smaller sawmill operators."

In support of its claim that capital gains treatment chiefly benefits big corporations, Treasury stated that out of the total capital gains benefits of \$77.7 million realized in 1959 by over 7,000 corporations in the forest products industry, \$47 million went to 20 corporations, each with assets exceeding \$100 million. Three timber companies got \$18.8 million, or 42 per cent of the total timber industry benefits. Two plywood producers got nearly \$10 million, or 90 per cent of the plywood industry's total.

"There is no evidence that the capital gain provisions are helpful to the survival of small contract cutters," said Treasury. "While the economic causes of the decline of the small sawmill operator, who is typically a contract cutter, are complex, one factor is apparently the squeeze on his profits engendered by the competition of larger firms both in buying timber and selling the product."

The industry's rebuttal is being prepared in New York

by members of the Timber Tax Committee affiliated with the National Lumber Manufacturers Association. The industry hopes to kill this feature of Kennedy's tax bill, and they hope for support from the many members of Congress from states in which forest products are important, starting with Rep. Wilbur Mills (D-Ark.), chairman of Ways and Means.

Another reason given by Treasury for the cutback is that "capital gains treatment is often a factor contributing to accelerated liquidation of timber."

Heavy Borrowings

Without identifying the firm, Treasury said "X Corporation has been buying large blocks of timber with heavy borrowings backed by accelerated harvesting for debt repayment. This corporation has stated that as a matter of pol-

icy it believes in buying timberland and standing timber with borrowed money, using common stock to raise capital to build paper, lumber and plywood mills, distributions facilities, and for merchandising, in order to exploit timber ownership."

"The present tax law thus fosters a type of operation which is basically inimical to sound husbandry and development of the nation's forest resources," it said.

Another tax change affecting timber would list reforestation as an expense against current income, along with such items currently allowed like fire breaks, soil preparation, temporary roads and timber stand improvements. Reforestation costs under existing law must be capitalized.

This revision would save the industry an estimated \$10

million and "is designed to maintain and increase the pace of private reforestation efforts to meet projected demands," Treasury explained.

The NLMA regards this welcome change like "getting a mouse for an elephant!" The elephant is capital gains—and they are preparing for a hard fight to keep this jumbo benefit.

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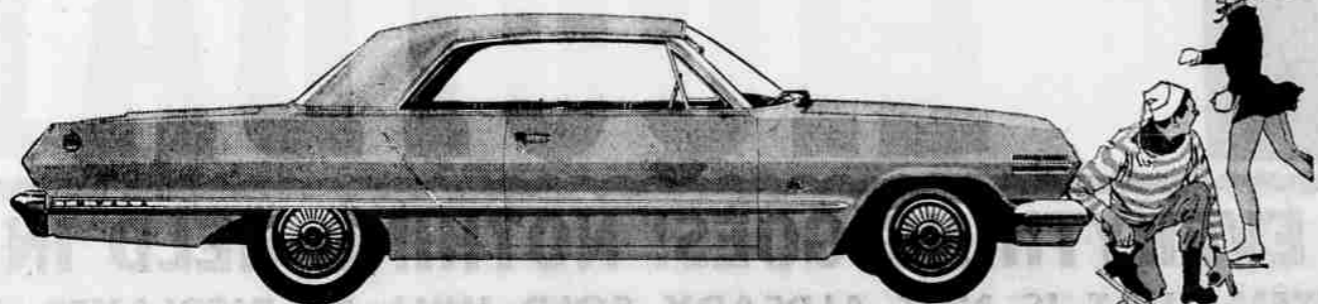
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ennial family favorite, the sporty Corvair, whose rear-engine traction will make you think that ice and snow are kid stuff; and for pure driving adventure, America's only homegrown sports car, Corvair—now in two all-new versions with looks that can stop traffic like a rush-hour blizzard. Chances are you've already picked your favorite. The next thing is to take the wheel at your Chevrolet dealer's. If that doesn't have you thinking of places to go, maybe you'd rather just have a ball around town!



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State Librarian Picks Books Over Additional Staff

Salem — (UPI) — State Librarian Eloise Ebert chose books over the governor's recommendations when put on the spot Thursday by the ways and means education subcommittee.

When asked by Rep. John Mosser (R-Portland) to choose between books and the governor's recommendations, the librarian replied, "you're trying to put me on the spot, aren't you?"

"Yes, I am," Mosser said. "I'd rather have the money for books."

Miss Ebert appeared before the subcommittee to outline the state library's \$1.1 million budget request. The budget includes funds for several new staff positions asked by the governor.

Services 'Pathetic'

She termed library services to state institutions "pathetic" in many cases and said the Oregon library system would not be adequate "even if budgets were increased."

She said the state library is "plagued by an increasing volume in publishing, and a steady rise in the cost of library materials."

"Today's mail included 65 reference requests, and more than 500 requests for different books," she said.

She explained that local libraries "do not have the material," and that the state library supplements all library services in the state.

She said in addition to being the "center of information," the library was subject to educational trends.

Purchase of fiction is steadily decreasing, while more science and technology books are being added, she explained.

Georgia-Pacific Offer Accepted

Portland — (UPI) — Georgia-Pacific Corp. announced Thursday that stockholders of St. Croix Paper Co., Woodland, Maine, have accepted an offer from the Oregon firm to acquire St. Croix.

The Maine firm has about 700 employees.

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SHAKERS — Per Set | 5c |
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For Poison Oak—4-oz. | 5c |
| SCREW DRIVERS
Wood Handles | 5c | 19c to 39c ADHESIVE TAPE
White Cross Wet Proof | 5c |
| PICNIC SPOONS
Wood—Pkg. of 12 | 5c | 29c PAINT BRUSHES
1-Inch Pure Bristle | 5c |
| HANDEE KITCHEN HELPER
Drains, Strains, Mashers | 5c | PHOTO FLASH BULBS
Odds & Ends—5M, 11A, 40B | 5c |
| MEASURING SPOONS
15c Value—Set of 4 | 5c | 39c STICK-UM-GOO
WHITE PASTE — Tube | 5c |
| 30c & 35c SHAMPOOS
Halo—Lustre Creme, etc. | 5c | 10c Bobby Pins ... 2 cards 5c | |
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