

NATION/WORLD DIGEST

Obama: VAT May Be Option Against Deficits

WASHINGTON (AP) — President Barack Obama suggested Wednesday that a new value-added tax on Americans is still on the table, seeming to show more openness to the idea than his aides have expressed in recent days.

Before deciding what revenue options are best for dealing with the deficit and the economy, Obama said in an interview with CNBC, "I want to get a better picture of what our options are."

After Obama adviser Paul Volcker recently raised the prospect of a value-added tax, or VAT, the Senate voted 85-13 last week for a nonbinding "sense of the Senate" resolution that calls for such a tax "a massive tax increase that will cripple families on fixed income and only further push back America's economic recovery."

For days, White House spokesmen have said the president has not proposed and is not considering a VAT.

Obama: Supco Pick To Back Women's Rights

WASHINGTON (AP) — President Barack Obama, treading carefully in the explosive arena of abortion and the Supreme Court, said Wednesday he will choose a nominee who pays heed to the rights of women and the privacy of their bodies. Yet he said he won't enforce any abortion rights "litmus tests."

Obama said it is "very important to me" that his court choice take women's rights into account in interpreting the Constitution, his most expansive comments yet about how a woman's right to choose will factor into his decision.

He plans to choose someone to succeed Justice John Paul Stevens within "the next couple weeks," he told CNBC.

Obama accelerated his political outreach and his conversations with candidates, positioning himself for one of the most consequential decisions of his presidency. He invited Senate leaders — Republicans as well as Democrats — to discuss the issue at the White House and commented briefly to reporters before their private meeting.

His rejection of the idea of "litmus tests" was standard presidential language, keeping him from being boxed in and protecting his eventual nominee from charges of bringing preconceived decisions to the bench.

At Least 11 Missing In Oil Rig Explosion

NEW ORLEANS (AP) — An explosion rocked an offshore oil drilling platform, sending a column of fire into the sky and touching off a frantic search at sea Wednesday for 11 missing workers.

Most of the 126 workers on the rig Deepwater Horizon escaped safely after the explosion about 10 p.m. Tuesday, the Coast Guard said. Three were critically injured.

The rig, more than 50 miles southeast of Venice on Louisiana's tip, was still burning Wednesday afternoon. It was tilting about 10 degrees. There was no estimate of when the flames might be out.

Helicopters and boats searched the Gulf of Mexico for any sign of the workers who had not been accounted for.

Volcano Crisis: Airlines Total Up \$2B In Losses

AMSTERDAM (AP) — Airlines toted up losses topping \$2 billion and struggled to get hundreds of thousands of travelers back home Wednesday after a week of crippled air travel, as questions and recriminations erupted over Europe's chaotic response to the volcanic ash cloud.

Civil aviation authorities defended their decisions to ground fleets and close the skies — and later to reopen them — against heated charges by airline chiefs that the decisions were based on flawed data or unsubstantiated fears.

The aviation crisis sparked by a volcanic eruption in Iceland left millions in flightless limbo, created debilitating losses for airlines and other industries and even threatened Europe's economic recovery. An aviation group called the financial fallout worse than the three-day worldwide shutdown after the 2001 terrorist attacks in the United States.

It was a lesson in mankind's dependency on air travel, the vulnerability of a vital industry, and the confusion that can ensue when each nation decides for itself how to handle a problem that crosses borders.

The air space over most of Europe opened Wednesday after the vast, invisible ash-laden cloud dispersed to levels deemed safe. Restrictions remained over parts of Britain, Ireland, France and the Scandinavian countries.

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BUDGET CRISIS

Millions Could Face Tax Hikes

Democratic Plan Would Cut Deficit; Increases Would Start In 2012

BY ANDREW TAYLOR
Associated Press Writer

WASHINGTON — President Barack Obama's Democratic allies in the Senate promise to cut the deficit by almost two-thirds over the next five years, but their budget plan could threaten about 30 million people with tax increases averaging \$3,700 in 2012 and after because of the alternative minimum tax.

The alternative is tax increases elsewhere in the revenue code averaging up to \$100 billion a year after 2011 to continue alternative minimum tax relief and also curb taxes on people inheriting large estates.

The Democratic plan released Wednesday by Senate Budget Committee Chairman Kent Conrad of North Dakota relies on such boosts in revenues to carve the deficit from \$1.4 trillion last year down to \$545 billion by 2015.

The minimum tax, or AMT, was enacted four decades ago to make sure wealthy people couldn't avoid taxes altogether. But it wasn't indexed for inflation in people's incomes, so it gets "patched" every year or so in order to prevent people from being surprised by multi-thousand-dollar tax bills at tax time.

Estates larger than \$7 million would also be threatened with higher taxes after 2011 if Conrad's plan is carried out.

Conrad says lawmakers will have to find

revenues elsewhere in the budget to pay for AMT and estate tax relief after 2011, which could require tax increases averaging up to \$100 billion a year elsewhere in the code if Congress is going to keep its promises under tough new budget rules.

Conrad says he hopes the dilemma will force Congress to overhaul the complicated and inefficient U.S. tax code. The Tax Policy Center, a joint project of the Brookings Institution and the Urban Institute, says that 33 million taxpayers would face the AMT in 2012, adding \$3,700 on average to their tax liabilities.

Extending AMT and estate tax relief would cost \$300-\$400 billion over 2012-2015, Conrad said. Many observers say it'll be virtually impossible for Congress to produce offsetting revenues to extend the tax relief. GOP Sen. Judd Gregg of New Hampshire predicted that when Congress confronts the problem in two years it will blink and simply borrow the money as it has done in the past.

The looming tax hikes result from the structure of President George W. Bush's 2001 and 2003 tax bills, whose provisions generally expire at the end of this year. Obama promises to fully extend them except for individuals earning more than \$200,000 a year and couple making \$250,000 a year. They include lower income tax rates, a \$1,000 per-child tax credit, and tax breaks for investments and reductions in the estate tax, and their five-year cost of almost \$800 billion would be covered by adding to the nation's

\$12.8 trillion debt.

But in the case of the AMT and estate tax, congressional Democrats have broken with Obama and promise that after two years of deficit-financed alternative minimum tax and estate tax cuts, Congress will have to come up with the money.

"If we want those things taken care of ... they've got to be paid for," Conrad said.

That's easier said than done. Gregg said the Democratic plan is "a budget that kicks the can down the road. More spending. More deficits. More debt. Less prosperity."

The annual congressional budget is a non-binding blueprint for the fiscal year that begins Oct. 1 and sets the parameters for subsequent tax and spending bills. This year, that means a cut of almost \$9.5 billion from domestic agency budgets and foreign aid and a freeze, on average, of those accounts for the following two years.

Conrad's plan, to be approved by the Budget panel Thursday, would permit Democrats to advance legislation on priorities such as taxes, energy and job creation without fear of a Republican filibuster. That could boost clean energy programs and revive Obama's stalled jobs agenda.

Democrats haven't decided exactly what to include in the filibuster-proof measure, though Conrad promised it wouldn't be used to pass deeply controversial legislation to curb global warming.

Government Goes High-Tech To Redesign \$100 Bills

WASHINGTON (AP) — The folks who print America's money have designed a high-tech makeover of the \$100 bill. It's part of an effort to stay ahead of counterfeiters as technology becomes more sophisticated and more dollars flow overseas, Federal Reserve Chairman Ben Bernanke says.

The makeover, unveiled Wednesday by Bernanke and Treasury Secretary Timothy Geithner, may leave people wondering if there's magic involved.

Benjamin Franklin is still on the C-note. But he has been joined by a disappearing Liberty Bell in an inkwell and a bright blue security ribbon composed of thousands of tiny lenses that magnify objects in mysterious ways. Move the bill, and the objects move in a different direction.

The new currency will not go into circulation until Feb. 10 of next year. That will give the government time to educate the public in the United States and around the world about the changes.

The \$100 bill, the highest value denomination in general circulation, is the last bill to undergo an extensive redesign. The Bureau of Engraving and Printing began the

process in 2003, adding splashes of color to spruce up first the \$20 and then the \$50, \$10 and \$5 bills. The \$1 bill isn't getting a makeover.

The changes are aimed at thwarting counterfeiters who are armed with ever-more sophisticated computers, scanners and color copiers.

The \$100 bill is the most frequent target of counterfeiters operating outside of the United States while the \$20 bill is the favorite target of counterfeiters inside the country.

The redesigned \$100 bill had originally been expected to go into circulation in late 2008 but its introduction was delayed to give the government time to refine all the new security features.

The government has prepared education resources in 25 languages to inform the public about the design changes and is giving people a chance to view the new bills on its website.

Makeover for the \$100 bill

The new changes are aimed at thwarting counterfeiters; the redesigned bill will go into circulation February 2011.

New features	Blue ribbon Woven into paper, not printed	Portrait watermark Visible from both sides
		Color-shifting bell Changes from green to copper when bill is tilted
Raised printing		
New vignette Back of Independence Hall		
Pale blue background		Large gold numeral Helps those with visual impairment

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