

Cracks Developing In GOP Over Tax Cuts

WASHINGTON (AP) — The first cracks are developing among Republicans over whether to accept a quick deal with President Barack Obama on allowing the top two income tax rates to expire, even as an administration official said the White House was stepping up behind-the-scenes negotiations.

Conservative Oklahoma GOP Rep. Tom Cole told GOP colleagues in a private meeting Tuesday that it's better to make sure that tax cuts for the 98 percent of taxpayers who make less than \$200,000 or \$250,000 a year are extended than to battle it out with Obama and risk increasing taxes on everyone.

Cole's remarks are noteworthy because he's a longtime GOP loyalist and a confidant of House Speaker John Boehner, R-Ohio. They were made in a meeting of the House GOP Republican whip team, which is a sounding board for GOP leaders.

"If we don't believe taxes should go up on anybody, why can't we accept a deal that takes 98 percent out and still leaves us free to fight on the other grounds," Cole said in an interview on Wednesday. "I'm not for using the American people for leverage or as a hostage."

Meanwhile, it was announced that two of Obama's chief negotiators will meet on Thursday with congressional leaders to gauge prospects for a deal. Treasury Secretary Timothy Geithner and White House legislative chief Rob Nabors will meet separately with Boehner, Senate Republican leader Mitch McConnell of Kentucky, Senate Majority Leader Harry Reid, D-Nev., and House Democratic leader Nancy Pelosi of California.

Factory Fire Made Clothes For Wal-Mart, Sears

DHAKA, Bangladesh (AP) — A hooded Mickey Mouse sweatshirt from Disney. Piles of children's shorts with Wal-Mart's Faded Glory label. Clothes with hip-hop star Sean Combs' NYNCE tag.

The garment factory in Bangladesh where 112 people were killed in a fire over the weekend was used by a host of major U.S. and European retailers, an Associated Press reporter discovered Wednesday from clothes and account books left amid the blackened tables and melted sewing machines at Tazreen Fashions Ltd.

Wal-Mart had been aware of safety problems at the factory and said it had decided well before the blaze to stop doing business with it. But it said a supplier had continued to use Tazreen without authorization.

Sears, likewise, said its merchandise was being produced there without its approval through a vendor, which has since been fired. The Walt Disney Co. said its records indicate that none of its licensees have been permitted to make Disney-brand products at the factory for at least a year. Combs' Sean Jean Enterprises did not return calls for comment.

Labor activists have long contended that retailers in the West bear a responsibility to make sure the overseas factories that manufacture their products are safe. They seized on the blaze — the deadliest in Bangladesh's nearly 35-year history of exporting clothing — to argue that retailers must insist on more stringent fire standards.

Administration Bars BP From Federal Contracts

WASHINGTON (AP) — The Obama administration put a stop to new federal contracts with BP on Wednesday, admonishing the British oil company for a "lack of business integrity" and also disqualifying it indefinitely from winning new leases to drill on taxpayer-owned lands.

A lengthy list of criminal counts against BP stemming from the Deepwater Horizon disaster in the Gulf of Mexico in 2010 prompted the Environmental Protection Agency to temporarily suspend new contracts with BP and its affiliates, the agency said. Existing contracts won't be affected.

"EPA is taking this action due to BP's lack of business integrity as demonstrated by the company's conduct with regard to the Deepwater Horizon blowout, explosion, oil spill and response," the EPA said in a statement.

Eleven oil workers were killed when a rig explosion sent oil gushing unabated into the Gulf in the largest oil spill in U.S. history. More than two years later, BP faces criminal proceedings and massive civil claims related to environmental damage. Wednesday's decision creates yet another obstacle in BP's uphill battle to revive its tarnished image in the U.S. and abroad.

The London-based company sought to minimize the effects of the suspension, and said it already is working with the government to resolve the concerns. BP said it has been informed by the EPA that an agreement that would lead to lifting the suspension is already in the works.

Palestinians Hope Recognition Brings Leverage

RAMALLAH, West Bank (AP) — The expected U.N. vote Thursday to recognize a state of Palestine will be far more than symbolic — it could give the Palestinians leverage in future border talks with Israel and open the way for possible war crimes charges against the Jewish state.

The Palestinians want the 193-member General Assembly to accept "Palestine" on the lands Israel occupied in 1967, as a non-member observer state. They anticipate broad support.

For Palestinian President Mahmoud Abbas, the U.N. bid is a last-ditch attempt to stay relevant as a leader after years of failed peace talks with Israel, at a time when his Islamic militant Hamas rivals are gaining ground.

The U.S. and Israel have tried to block the quest for U.N. recognition of Palestine, saying it's an attempt to bypass Israeli-Palestinian negotiations that broke down four years ago.

The U.S. deputy secretary of state, William Burns, met with Abbas in New York on Wednesday, asking Abbas again to drop the idea and promising that President Barack Obama would re-engage as a mediator in 2013, said Abbas aide Saeb Erekat. Abbas told Burns it was too late.

Marijuana Not Legal On Washington Campuses

SPOKANE, Wash. (AP) — Young voters helped pass laws legalizing marijuana in Washington and Colorado, but many still won't be able to light up.

Most universities have codes of conduct banning marijuana use, and they get millions of dollars in funding from the federal government, which still considers pot illegal.

With the money comes a requirement for a drug-free campus, and the threat of expulsion for students using pot in the dorms.

"Everything we've seen is that nothing changes for us," said Darin Watkins, a spokesman for Washington State University in Pullman.

So despite college cultures that include pot-smoking demonstrations each year on April 20, students who want to use marijuana will have to do so off campus.

Obama Says He'll Do What It Takes To Avoid Cliff

BY DAVID ESPO
AP Special Correspondent

WASHINGTON — The White House and a key congressional Democrat hinted at fresh concessions on taxes and cuts to Medicare and other government benefit programs Wednesday as bargaining with Republicans lurched ahead to avoid the year-end "fiscal cliff" that threatens to send the economy into a tailspin.

Increasing numbers of rank-and-file Republicans also said they were ready to give ground, a boost for House Speaker John Boehner and other party leaders who say they will agree to higher tax revenues as part of a deal if it also curbs benefit programs as a way to rein in federal deficits.

"I'll go anywhere and I'll do whatever it takes to get this done," President Barack Obama said as he sought to build pressure on Republicans to accept his terms — a swift renewal of expiring tax cuts for all but the highest income earners. "It's too important for Washington to screw this up," he declared.

For all the talk, there was no sign of tangible progress on an issue that marks a first test for divided government since elections that assured Obama a second term in the White House while renewing Republican control in the House.

"It's time for the president and Democrats to get serious about the spending problem that our country has," Boehner said at a news conference in the Capitol. He, like Obama, expressed optimism that a deal could be reached.

At the same time, he publicly disagreed with one GOP lawmaker, Rep. Tom Cole of Oklahoma, who said he was ready to go along with Obama's plan to renew most but not all of the expiring income tax cuts. "It'll hurt the economy" to raise rates for anyone, said Boehner.

Separately, at a closed-door meeting with the rank and file, the speaker told fellow Republicans they are on solid political ground in refusing to let tax rates rise. He circulated polling data showing the public favors closing loopholes to raise revenue far more than it supports raising rates on incomes over \$250,000.

There were no face-to-face talks between the administration and lawmakers during the day, although the White House is dispatching Treasury Secretary Tim Geithner and top legislative aide Rob Nabors to a series of sessions with congressional leaders on Thursday.

On Wednesday, a group of corporate CEOs pushing for a deal met separately with top Democratic and Republican leaders in the House, joined by Erskine Bowles, who was co-chairman of a deficit commission Obama appointed earlier in his term.

Speaking to reporters before a session with business leaders, House Democratic leader Nancy Pelosi of California said the bargaining ought to begin where deficit talks between Obama and Boehner broke down 18 months ago "and go from there to reach an agreement."

She didn't say so, but at the

time, the two men were exchanging offers that called for at least \$250 billion in cuts from Medicare over a decade, and another \$100 billion from Medicaid and other federal health programs. Among the changes under discussion — with Obama's approval — was a gradual increase in the eligibility age for Medicare from 65 to 67, as well as higher fees for beneficiaries.

Also on the table at the time was a plan to curtail future cost-of-living increases for Social Security and other benefit programs.

Those negotiations faltered in a hail of recriminations after the president upped his demand for additional tax revenue and conservatives balked. At the same time liberals were objecting to savings from Medicare and Social Security.

Now, more than a year and one election later, Obama has said repeatedly he is open to alternatives to his current proposal to raise additional tax revenue. But he also says he will refuse to sign legislation that extends the current top rates on incomes over \$200,000 for individuals and \$250,000 for couples.

Instead, he is pushing Congress to renew expiring tax cuts for all income below those levels as an

interim measure — an offer Boehner and Republicans generally say is unacceptable because it would mean higher taxes on small business owners.

Bowles said during the day that Obama might be willing to back off his demand that the top rate revert all the way from 35 percent to 39.6 percent, where it was a decade ago before tax cuts sought by then-President George W. Bush took effect.

At the White House, spokesman Jay Carney sidestepped questions. "If I told you how much flexibility the president had, it would eliminate his flexibility," he said.

He noted that Obama has said he will listen to alternatives, but the spokesman said, "The most basic, simplest, most efficient way to achieve that revenue target is by returning the rates for top earners back to those that were in place in the Clinton era," when the top rate on personal income was 39.6 percent.

The goal of the talks is to produce a long-term deficit-cutting deal that will allow the cancellation of tax increases and spending cuts scheduled for the end of the year that numerous economists say threaten a new recession.

While the obstacles are numerous, there are other political imperatives pushing the two sides toward an agreement.

Unemployment benefits expire for some of the long-term jobless at the end of the year. Additionally the government is expected to need an increase in borrowing authority early next year or face the possibility of a default. Any agreement on that is expected to raise the current \$16.4 trillion level.

Obama wrapped up the day by meeting with CEOs from about a dozen corporations, many of whom came away optimistic that an agreement could be reached that would help the economy.

"They feel like this can be done if there is a willingness on the other side to get in a room and do it," said Arne Sorenson, Marriott's president and CEO, who called Obama's approach "resoundingly reasonable."

Sorenson said he urged the president and his team to "do as much as you possibly can now. Don't just talk about down payments, small down payments that leave the uncertainty hanging out over 2013. Because I think the uncertainty would be a threat to the economy."

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