

RUSSIA

New Tax Code Threatens Science Funds

MOSCOW—Late last month, the Russian Cabinet approved the draft of a new tax code for the country which, if approved in its current form, would deprive research institutions of almost all the tax exemptions and concessions they currently enjoy. The Cabinet will submit the 1000-page code to the Russian parliament's lower house, the Duma, some time in the next month. Once approved, it will form the basis of the tax system, overriding other laws and presidential decrees. With Russia's research institutes already teetering on the brink of extinction because of shrinking budgets, this new burden may be enough to tip many of them over the edge.

The Russian Cabinet declared reform of the tax system a top priority following last year's presidential elections. The present tax system is extremely convoluted and almost unworkable: It gives many concessions and exemptions to a wide range of organizations, and hence tax rates are very high to generate a reasonable income for the treasury. This, in turn, has made tax evasion a real problem, and numerous poster campaigns and newspaper and TV appeals reminding people of the necessity to pay taxes cut little ice.

The new code aims to put an end to this situation by removing most current exemptions. For example, it will require all research, experimental, and educational institutions to pay property taxes, which would bring in about \$1 billion to the treasury. The sales tax exemption on grants from the Russian Foundation for Basic Research and other Russian private and state granting bodies would also be removed, bringing in another \$88 million. The new code would also impose income tax on fellowships, postgraduate and Ph.D. stipends, and grants from foreign foundations. Deputy Prime Minister Vladimir Fortov, head of the State Committee for Science and Technologies, estimates that researchers would lose \$35.2 million in tax exemptions by this route. However, many foreign foundations have stated that they only provide funding on the understanding that it is tax exempt: If they decide to pull out of Russia, researchers would be deprived of up to \$150 million of foreign support each year.

In total, the new fiscal policy could deprive Russian science of \$1.4 billion—more than half of the 1997 science budget (\$2.7 billion). Last year, research institutes actually received only about 60% of the funding they were expecting. If a similar shortfall occurs this year, institutes will be left with little more than spare change.

Fortov reacted angrily to the proposals

last week. "It seems that the authors of the tax code are not aware of the laws that are presently in force," he says. For example, the law on science and state scientific and technological policy, adopted last year, contains a definition of scientific organizations which, under the current tax laws, allows them several tax concessions, including exemption from property tax. "The tax code just ignores this definition," says Fortov. The new code does offer concessions to "budget-financed organizations"—those which get more than 70% of their funding from the state budget, exempting them from paying profits and sales taxes. But Fortov points out that if, for example, an institute was particularly successful at winning grants and grant income totaled more than 30% of its income, it would lose that status. "It would then be treated like a commercial enterprise," he says.

Fortov says that the code also "punishes industrial enterprises that fund R&D." Current laws allow companies to spend 10% of their income on R&D tax-free, and so stimulate industry-funded research. This concession will end with the new code, which will probably have a devastating effect on applied research.

Fortov and others objected strongly to the new code at last month's Cabinet meeting, but it was approved nonetheless. The next day, Prime Minister Viktor Chernomyrdin invited Fortov, Deputy Prime Minister Vladimir Potanin, Yuri Osipov, president of the Russian Academy of Sciences, and several other science officials to discuss the situation. Those who attended have declined to discuss the outcome of the meeting, but it is expected that amendments to ease the burden on science may be added to the code before it reaches the Duma.

—Andrey Allakhverdov and
Vladimir Pokrovsky

Allakhverdov and Pokrovsky are writers in Moscow.

SCIENTIFIC MISCONDUCT

Charges Fly Over Advocacy Research

Mainstream scientists often condemn public advocacy groups for pushing "junk science." Now, one major school's science faculty is going a step further, leveling what amounts to a fraud indictment against a group that provoked the wrath of a faculty member. Last week, a geologist at Brooklyn College of the City University of New York (CUNY) accused the New York Public Interest Research Group (NYPIRG) of "research misconduct." His petition, which calls on administrators to take punitive action, contains the names of 65 supporters, including most of Brooklyn College's science faculty.

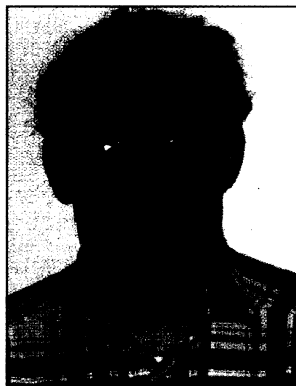
The CUNY petition raises some thorny issues for science policy-makers. It suggests that reports by an advocacy group—even if they contain no original data—should be held to the same standards used to judge peer-reviewed science. And it asks that university officials find the authors guilty of misconduct because their writings are based on faulty logic, which Brooklyn College geology professor David Seidemann calls "fabricated" conclusions.

The accused, NYPIRG, is one of 23 Ralph Nader-inspired state organizations operating under the umbrella of the U.S. Public In-

terest Research Group. The PIRGs aim to mobilize college students to fight pollution, consumer fraud, and education funding cuts, to name a few issues. Weary NYPIRG officials say the CUNY petition is the culmination of a more than decade-long "obsession" of Seidemann's. While none of NYPIRG's disputed research was conducted with university money, facilities, or personnel, Seidemann says CUNY should investigate because NYPIRG receives \$470,000 in CUNY student fees each year. And Seidemann wants this support stopped if "an independent panel of experts in research" agrees that misconduct occurred.

Seidemann, whose own research focuses on potassium and argon in terrestrial materials, first became interested in NYPIRG

after the group released a survey in 1983 that found that residents around a New York City dump complained of foul odors and health effects. Because the survey lacked a control group, among other flaws, Seidemann claims that the NYPIRG authors "just made up their results—period." His critique became a crusade after he found other "fabricated conclusions" in NYPIRG studies involving the Scholastic Aptitude Test (SAT) and "sudden accel-



Ten-year battle. NYPIRG critic David Seidemann.