

6 August 1986

The Honorable Sam Gibbons
House Ways & Means Committee
2204 Rayburn House Office Building
Washington, D.C. 20515

Dear Mr. Gibbons:

I am writing to thank you for your continued opposition to excise taxes -- those levied on liquor, airfares, and all goods or services, but particularly those levied on cigarettes.

As the executive director of the League of United Latin American Citizens, LULAC, the nation's oldest and largest Hispanic membership organization, I am opposed to excise taxes because of their adverse effects on the membership of the organization I represent.

As you know, excise taxes are regressive. They disproportionately impact middle- and lower-income working people. In fact, the percent of income taken by excise taxes among individuals in lower tax brackets is ten times as high as that paid by individuals who earn more than \$50,000 a year. The proposed 8-cent increase in the cigarette excise tax, for example, will simply aggravate this already unfair situation.

Moreover, it is the small, local businesses rather than large manufacturing operations that most often are hardest hit by excise taxes -- such as small Hispanic-owned businesses. As a result of an excise tax increase, regular customers at small, local businesses begin shopping at larger stores that can absorb the increased tax which small businesses cannot. Sales subsequently drop, and small businesses quietly go out of business.

An increase in excise taxes also results in a substantially larger underground market. Consumers are attracted by low black market prices because of the high costs of goods and services they must normally pay which are then substantially marked-up by excise taxes. These sales not only affect private sector profits; they also affect government receipts.

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It is commonly acknowledged that as excise taxes increase the cost of goods and services, they simultaneously erode sales. What is often overlooked or forgotten, however, is that lost sales affect not only producers and their profits, but also employees and their jobs. Consequently, any revenues amassed by excise taxes must be weighed against those lost to employee or corporate income taxes.

Congressman, the economic affects of excise taxes are damaging. For this reason, and those specifically mentioned above, I applaud your opposition to excise taxes -- now and in the future.

Sincerely,

Joe Trevino
Executive Director

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