

MEMORANDUM

September 19, 1986

TO: PETER SPARBER  
FROM: FRED PANZER  
SUBJECT: TAX ISSUE - AUGUST 1986 REPORT

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Overview

This month was devoted to rescuing the cigarette excise tax victory from the jaws of deficit-reduction defeat. After successfully keeping excise taxes out of tax reform, The Institute, member companies, and the Coalition Against Regressive Taxation was forced to fight the battle over again to prevent excise taxes (especially a cigarette tax increase) being used to meet the FY 1987 Gramm-Rudman deficit target.

On the issue of military sales, we won a clear victory. When the Defense Authorization Act came up, Senator Bingaman (D-NM) offered an amendment to raise the price of cigarettes in commissaries and post exchanges. It was tabled by a 57 to 43 vote. Democrats split 25-22, Republicans 32-21 -- in our favor. Our strategy: inserting appropriate language in this bill, which is permanent legislation.

The Waxman hearing seemed to stopped the forward movement of an ad ban, which had received a big shot in the arm from the Supreme Court's Posades decision. The hearing (and tax reform) laid to rest the Bradley/Stark cigarette advertising tax proposals for this Congress. The issue, however, will not go away.

Earmarking of a cigarette tax simmers, waiting to come to boil next year. Prime example is the Roybal bill. It has 15 cosponsors, many from the Congressional Black Caucus, who favor upping the cigarette tax to 32 cents and indexing it. The proceeds would go to lower Medicaid costs to the elderly.

Highlights

1. Reconciliation --

o Hispanic, Black and citizen/labor-oriented tax groups sent a series of communications to selected Congressmen and Senators -- tax writing and budget committee members. The campaign was conducted in close support of the Federal Relations Division. The message: don't use regressive taxes to reduce the deficit.

o Joining the campaign to keep excises out of reconciliation, the Coalition Against Regressive Taxation, at our urging, took three positive steps: (1) published under

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their auspices our regressivity study (2) distributed it with a press release to key Washington and economic media, and (3) sent it with a strong letter to all Members of the House.

o Our economic study of the impact of tobacco excises on various demographic groups has been "endorsed" by the following groups: BCT for labor, OIC for Blacks, LULAC for Hispanics. Former O&M account executive was working on a women's group. Each of the three organizations have agreed to be an official "recipient" of the report.

o Our "anti-excise tax wall poster" has been completed. It was offered to CTJ but was declined because they felt the poster would have been perceived as too rich for their budget. Before using it, CART wanted to test the reaction of a key tax reform staff aide. Distribution is on hold until after passage of the tax bill expected early next month. It will also be made available to State Activities Division for use in their area.

o Agency has been asked to study placement of Bob Tollison's rebuttal of Roger Mentz' testimony is being revised for publication in a tax publication and/or a scholarly journal.

## 2. The Advertising/Marketing Attack

One day of hearings August 1 required assistance in contribution to an extensive report to the executive committee. Plus extensive follow up written communications for Sam Chilcote to the many advertising and media allies we had mobilized and motivated to go on record with Waxman's staff requesting an opportunity testify. Also extensive post-hearing correspondence from TI's president to Congressmen who were helpful.

## MONTHLY PROGRESS TOWARDS PLAN

Strategy I: Increase public awareness about the negative effects of excise taxes, making them less attractive as economic, social or political policy options ...

### Reportable Items

#### Tactics:

1. Encourage production of papers on topics supportive of our general position regarding excise taxes i.e. regressivity ...

"An Analysis of the Burden of Tobacco Taxes on Selected Demographic Groups" has been "accepted" by LULAC, BCTU, and OIC. I have no report from the New Populist Forum. This publication has been sent to

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Federal Relations for endorsement and advice on most effective use from their tactical perspective. It will be used to generate constituent and coalition interest in opposing excise increases on both the federal and state levels.

"An Analysis of the Regressivity of Excise Taxes," has been released to the media by the Coalition Against Regressive Taxation (CART). It also has been made available to TI federal and state staff and lobbyists.

Another tax publication that has been completed is Robert Tollison's study rebutting arguments made in testimony of Roger Mentz, assistant secretary of the Treasury for tax policy. There is no report regarding our request that Tollison try to place it in a scholarly journal. I have asked agency to try to place it in a tax publication.

Also completed is a pamphlet highlighting Hispanic opposition to excise taxes. It will be distributed by LULAC to the Hill and Hispanic media with a letter from Oscar Moran, president of the organization. Joe Trevino, LULAC executive director, will personally visit key Hill offices to distribut

2. Produce and distribute minimum of two op-ed articles per newspaper per market.

We are following up on the lack of results in two projects involving merchandising op-ed pieces by economists and CTJ. As reported last month, copies of op-ed pieces which were not previously published were resubmitted by their authors to different newspapers for publication in June. In addition, the economists were asked to send sent letters forwarding copies of their articles to appropriate Ways & Means and Finance Committee members.

Similar action was requested using press material distributed by Citizens for Tax Justice (CTJ), again concentrating on the districts of tax committee members.

Strategy II: Gain support of a broad spectrum of organizations from tobacco industry allies to public interest, business, labor, and citizens groups -- all of which are potential opponents of excise taxes.

Reportable Items

Tactics:

1. Maintain and enlist the support of groups in opposing excise taxes on consumer products, including tobacco.

A. Coalition Against Regressive Taxation.

o I am gratified with our progress with this group. I have become a member of two influential committees: the steering committee and the public relations committee. CART has surprised many observers by its willingness to combat all excise taxes. The American Trucking Associations (ATA) has been impressive in this and are receptive to my suggestions that we begin to work together regarding state excise taxes.

o We are preparing position and policy papers for inclusion in the basic CART press package.

Strategy III. Support and supplement federal relations and state activity divisions in continually monitoring the changing economic and fiscal environment.

Reportable Items

Tactics:

1. As part of the process, have our economic and other consultants provide periodic input on national and regional tax situations.

The American Council for Capital Formation sponsored a large conference for the first week in September. The subject: "The Consumption Tax: a Better Alternative?" We learned that high Administration officials were interested in reaction. We were able to arrange for five friendly consultants to audit the sessions -- and ask cogent questions if the opportunity arose. (Tollison, Savarese, Forscey, Wilhelm, Battison.) In addition we prepared Ken Simonson, ATA economist, to do the same.

COMPLETED IN 1986

1. NBCSL Excise Tax Brochure. (Strategy II Tactic 1)
2. Brief Remarks from Sam Chilcote for IAC meeting on Ad ban and Bradley/Stark bills. (New Issues).
3. Chase Executive Summary; Vol I. National Report; Vol II. State Report; Pop Version; Boxed Edition; Chase Speech and Slide Presentation; Chase Order Form.
4. Letter to Caspar Weinberger jointly signed by 10 service  
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organizations opposing adverse action on commissary sales.

5. Analysis of Regressivity of the Tobacco Excise Tax, a deSeve study report.
6. Analysis of the Impact of the Senate Finance Committee Tax Reform Proposals, a study to conducted by deSeve for CART.
7. The Effect of Excise Taxes on Selected Groups, a study of the impact on selected groups.
8. Fingerhut opinion research on Senate Tax Reform.
9. Economic Impact Study of Commissary Price and Sales Restrictions, conducted by Savarese.
10. Speech for Raymond Pritchard, CEO of Brown and Williamson Tobacco.
11. TTO lead article on Tax Reform.
12. Draft Testimony for Gov. Baliles, SFC hearing.
13. Draft Testimony for President, NBCSL for SFC hearing.
14. Chase order form publication.
15. Rebuttal by Robert Tollison of testimony of Roger Mentz, Assistant Secretary of Treasury.
16. Statement for Rep. Steve Neal for Scheuer-Ritter hearing.
17. Statement for Rep. Hal Rogers for Scheuer-Ritter hearing.
18. TI-Industry statement for Waxman hearing, first draft.
19. Dear Colleague letter responding to Synar letter.
20. TI-Industry statement for Waxman hearing, second draft.
21. Fingerhut opinion study on American Medical Association.
22. Statement for Rep. Hal Rogers, Waxman hearing.
23. Statement for Rep. Robin Tallon, Waxman hearing.
24. Statement for Rep. Larry Hopkins, Waxman hearing.
25. CART News Release on Policy Economics Group regressivity study.
26. CART letter to all Members of the House opposing use of

excise taxes to reduce the deficit.

27. Hispanic brochure on opposition to excise taxes.

28. CART statement of purpose.

29. CART letter to all Senators opposing use of excise taxes to reduce the deficit.

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Cost Center Name Public Relations No. 1305 Prepared by Fred Panzer

Variance Analysis of Budget vs Actual Expenditures  
For Eight Month Period Ending August 31, 1986

	-----Year to Date-----			Projected Year End Variance
	Actual	Budget	Amount Over<Under>	
5200 Reproduction & Printing	\$189,638	\$120,000	\$69,638	\$80,000
(A) Chase Media Publications Reassigned to this cost center.				
(B) Additional coalition pub- lications (C.A.R.T.) due to Packwood activity.				
(C) Publication of Cigarette Tax Study for Late-Breaking Legislative Support on Reconciliation Bill.				
7300 Professional Fees	\$547,790	\$400,000	\$147,790	\$185,000
(A) Additional Chase Media consultants reassigned to this cost center.				
(B) Health tax film and other health cost consultant fees.				
(C) Hispanic Caucus Seminar cost reassignment.				
(D) Use of Hispanics in late- breaking "Packwood" tax contacts.				
(E) Black, Hispanic and Labor Opposition to Excise Tax Increase for Deficit Reduction Purposes.				
7500 Support Tobacco & Others	\$149,299	\$125,000	\$24,299	\$45,000
Additional Billings for Hispanic Caucus Seminar.				
<b>TOTALS</b>	<b>\$931,375</b>	<b>\$645,000</b>	<b>\$286,299</b>	<b>\$305,000</b>

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