

TO: Bob Kircher

FROM: Anne Girolamo, The Tobacco Institute

DATE: March 7, 1985

RE: 85002/1305-5200 ) - *Excise Tax ?/w/*

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Attached are revisions to Tax Charts and added copy blocks. Please revise original charts to reflect changes.

We then need copy block set to go along with each chart. This will be presented to lobbyists on the hill; we'd like them to be GBC bound so that copy and charts will be on same spread (a flip chart idea).

Would you please make a dummy for us. I would like to see all by next Thursday, March 14th, or by Friday the 15th.

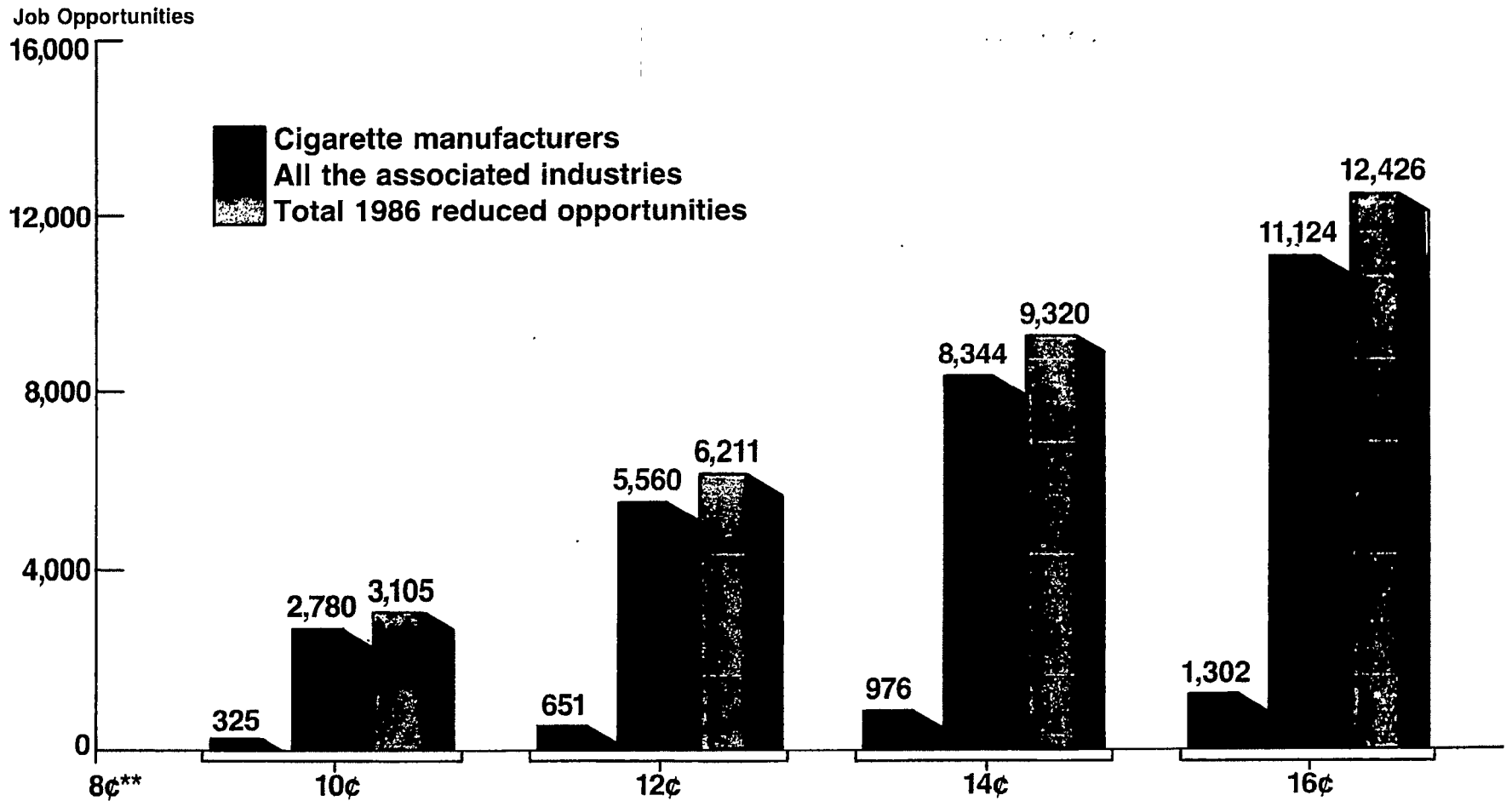
Call if you have any questions.

Thanks. *Anne!*

AGD/bb

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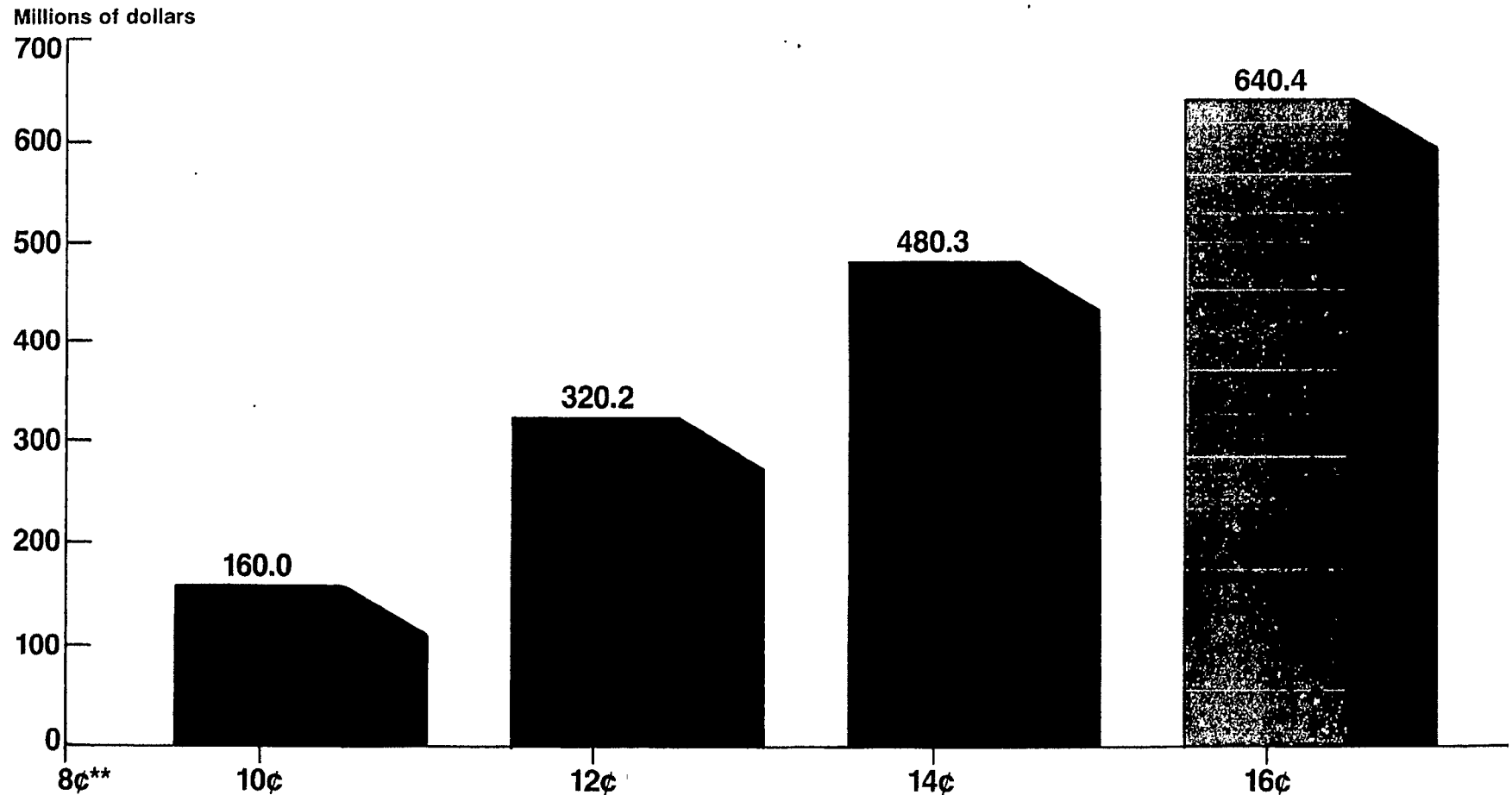
# The Decline in Job Opportunities (1986)\* Economic Impact of a Range of Federal Excise Tax Rates



\*Equivalent work opportunities that are eliminated.

\*\*8 cent base line above which these effects are measured.

# The Decline in Gross National Product (1986)\* Economic Impact of a Range of Federal Excise Tax Rates

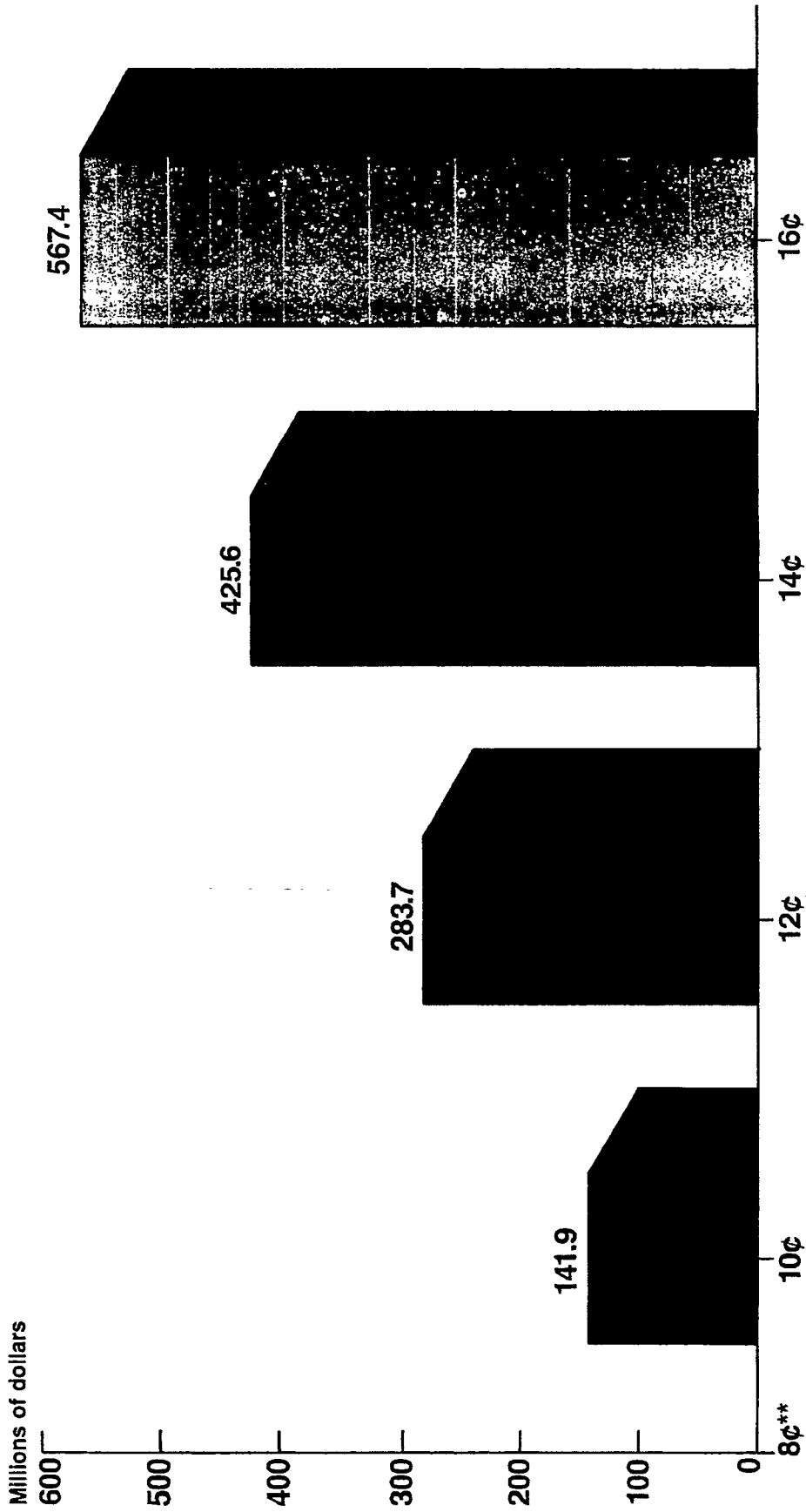


\*The value of goods and services produced in the economy annually, including capital equipment services.

\*\*8 cent base line above which these effects are measured.

# The Decline in National Income (1986)\*

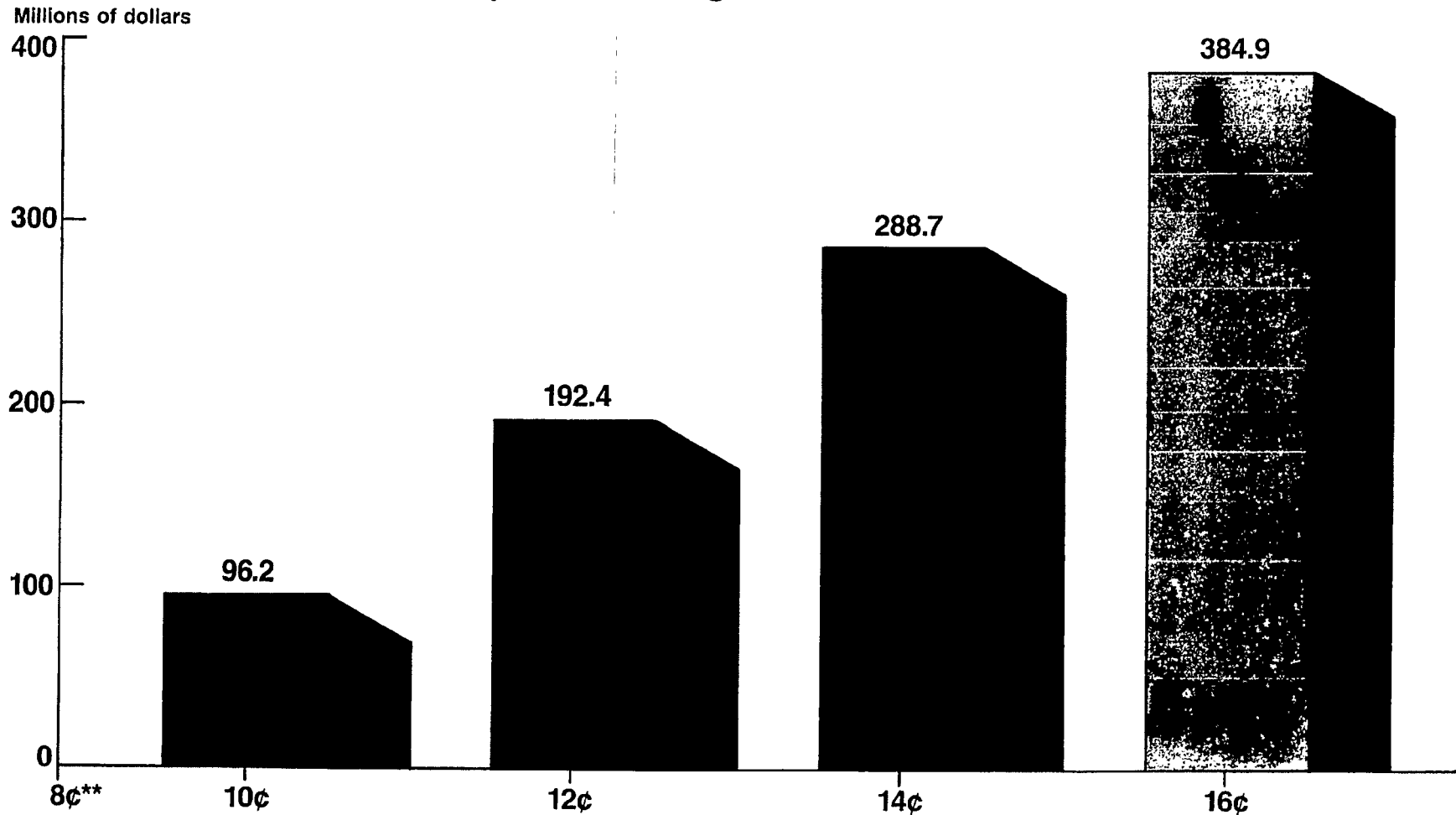
## Economic Impact of a Range of Federal Excise Tax Rates



\*National income consists of salaries & wages, dividends, interest, rents, and proprietors' income, including business excise taxes here.

\*\*8 cent base line above which these effects are measured.

# The Decline in Compensation to All Employees (1986)\* Economic Impact of a Range of Federal Excise Tax Rates

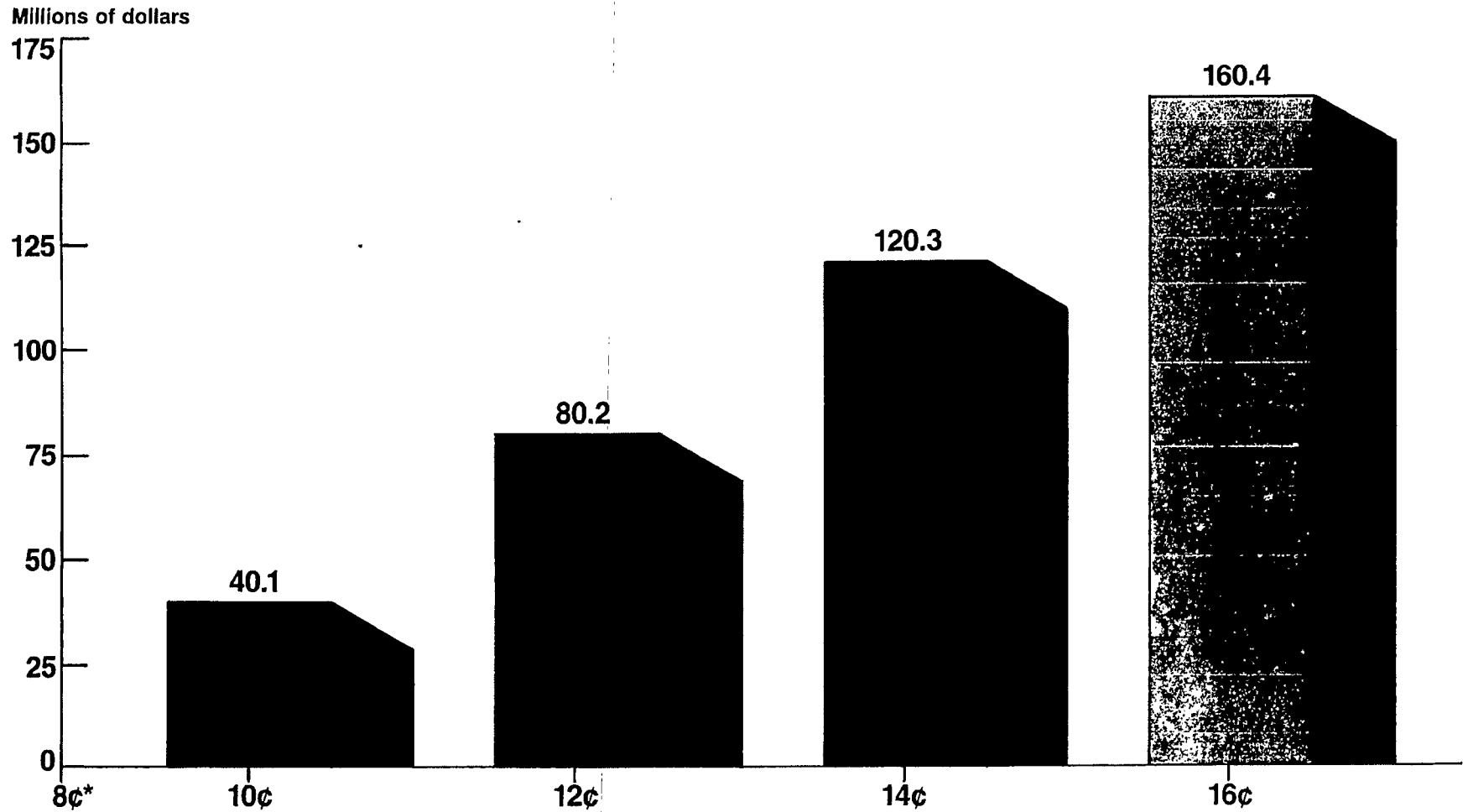


\*Refers to salaries, wages, and fringe benefits.

\*\*8 cent base line above which these effects are measured.

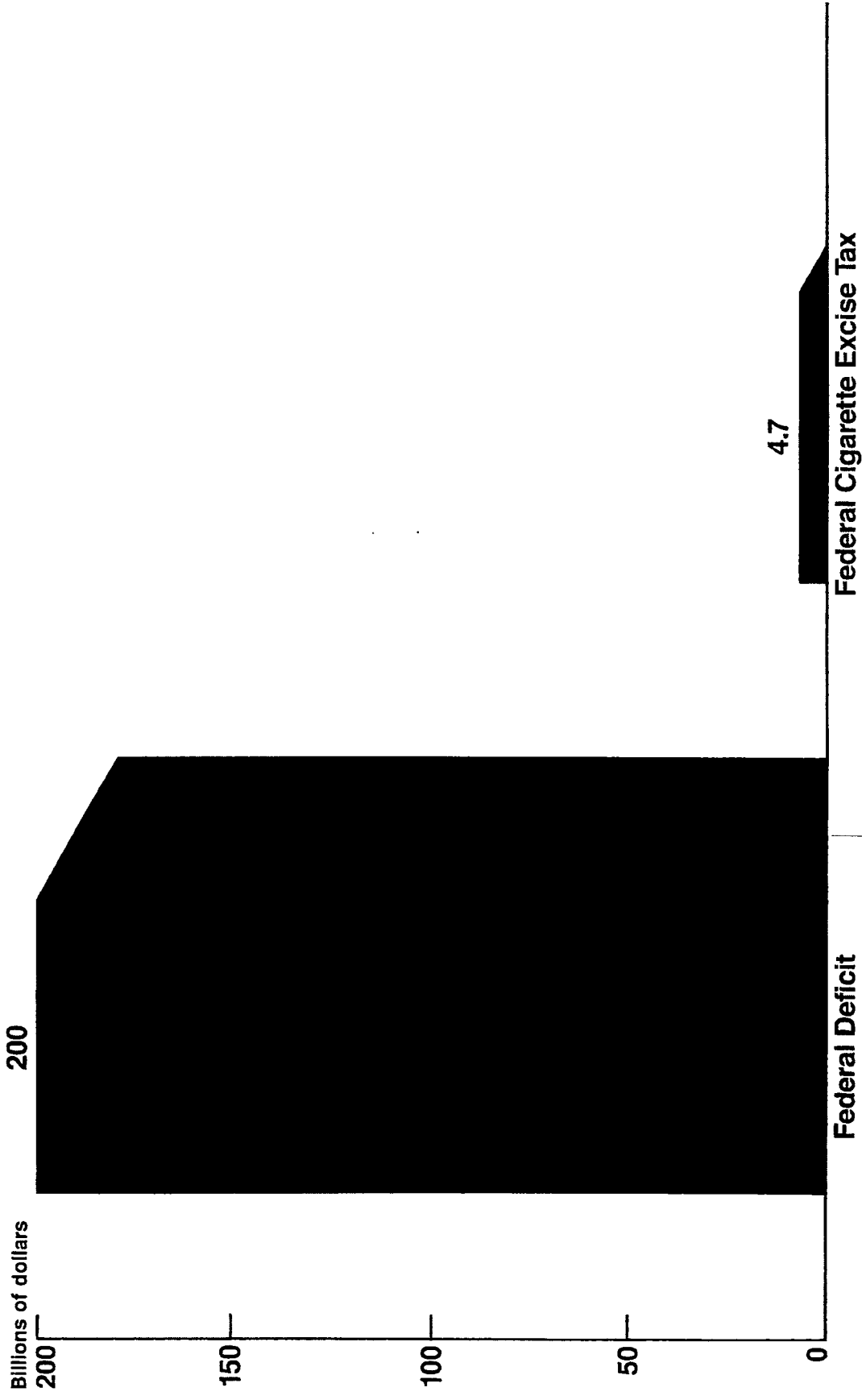
# The Economic Loss of State and Local Excise Taxes

## Economic Impact of a Range of Federal Excise Tax Rates



\*8 cent base line above which these effects are measured.

# Cigarette Excise Tax in Relation to the Federal Deficit (FY 1985)



POTENTIAL REDUCTIONS IN INCOME, WORK HOURS AND EQUIVALENT EMPLOYMENT OPPORTUNITIES IN CIGARETTE RELATED INDUSTRIES FOR CY 1986, THE REDUCTIONS COMPARED TO LEVELS WITH AN 8¢/PACK F.E.T.\*

Federal Excise Tax Rate:	32¢	24¢	20¢	18¢	16¢	14¢	12¢	10¢
Decline In Industries' Share of Total G.N.P. (\$MM)	1921.1	1280.7	960.6	800.5	640.4	480.3	320.2	160.1
Decline In National Income <sup>a</sup> Plus Business Exc. Taxes (\$MM)	1702.1	1134.9	851.1	709.2	567.4	425.6	283.7	141.9
Decline In Salaries & Wages <sup>b</sup> & All Fringe Benefits (\$MM)	1154.6	769.7	577.3	481.1	384.9	288.7	192.4	96.2
<u>Reduced Work Hours: (millions)</u> <sup>c</sup>								
In Cigarette Mfg.	8.1221	5.4146	4.0613	3.3844	2.7075	2.0306	1.3538	0.6769
In All Assoc. Industry	69.4057	46.2685	34.7029	28.9201	23.1372	17.3544	11.5656	5.7828
<u>Potential Reduction In Employment Opportunitites<sup>d</sup> Equivalent To Reduced Hrs:</u>								
In Cigarette Mfg.	3905	2603	1953	1627	1302	976	651	325
In All Assoc. Industry	33368	22245	16684	13904	11124	8344	5560	2780
Total 1986 Reduced Opportunitites:	37273	24848	18637	15531	12426	9320	6211	3105

Notes:

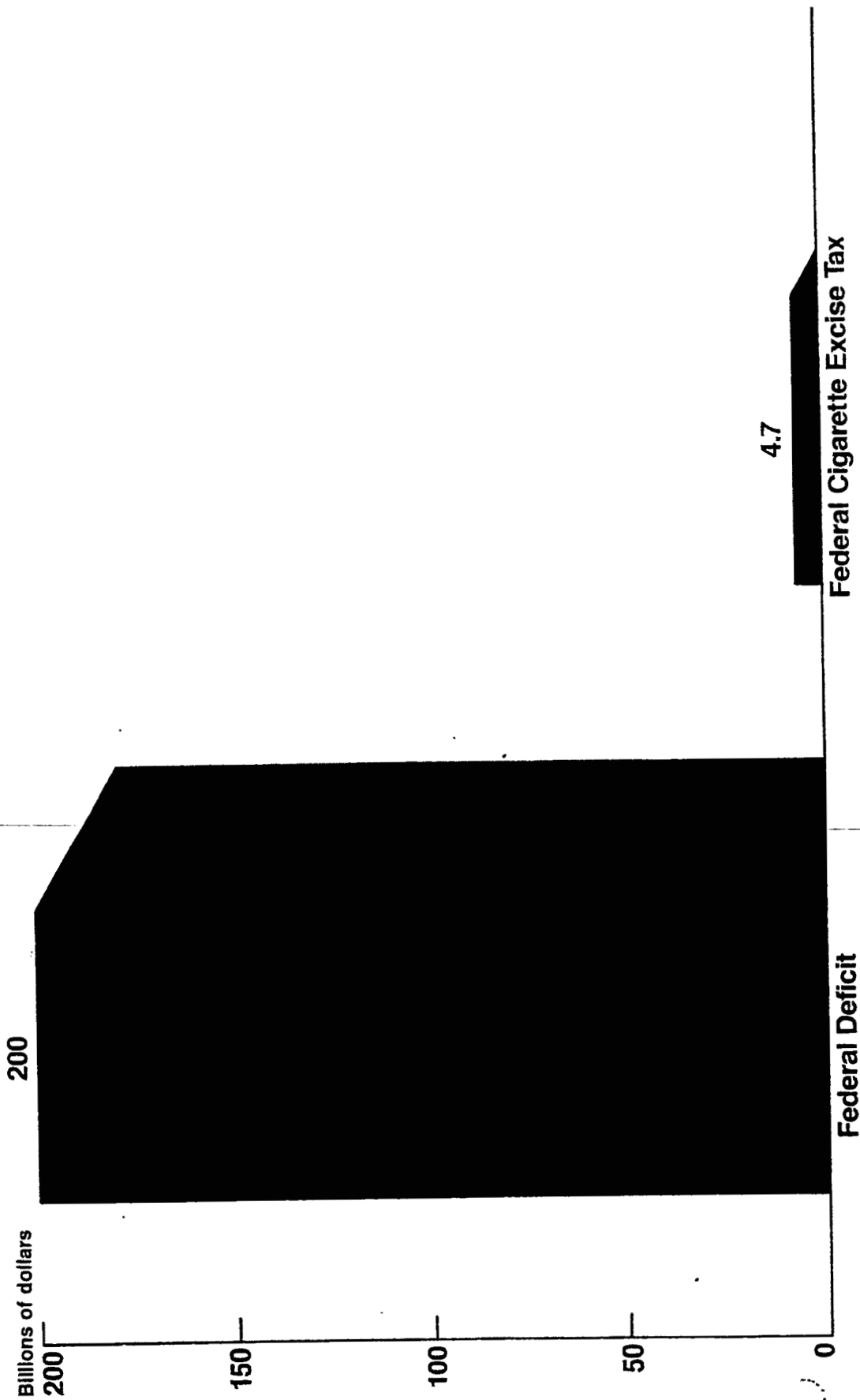
- a. This share of G.N.P. is usually about 80 percent plus business excise taxes and transfers of 8.6 percent.
- b. This share of G.N.P. usually accounts for about 60 percent of G.N.P., based on 1983 shares, for example.
- c. Based on the salary, wage, and fringe benefits share of G.N.P. with cigarette manufacturing compensation projected to 1986 at \$20.47 per hour for 14.4 percent of the total. All associated industries' salary, wage, and fringes were projected to 1986 at \$14.24 per hour for 85.6 percent of the total in b.
- d. Based on 2080 hours per year per equivalent opportunity. Note that the difference between b and a is income that would have gone to dividends, rent, interest, and to proprietors. The difference between a and G.N.P. is all depreciation of capital adjusted for inflation.

\* The estimated 1986 rates for wages, salaries, and fringe benefits are higher than the estimate used for 1983 in a former analysis. Therefore, estimated reduced hours and equivalent employment opportunities are less than the estimates made in 1983.

Associated industries include wholesale, retail, growers, warehousing, and transportation, as well as support sectors that supply such things as chemicals, paper, and similar supplies.



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Reduced Work Hours: (millions) In Cigarette Mfg. In All Assoc. Industries	8.1221 69.4057	5.4146 46.2685	4.0613 34.7029	3.3844 28.9201	2.7075 23.1372	2.0306 17.3544	1.3538 11.5656	0.6769 5.7828
Potential Reduction In Employment Opportunities Equivalent To Reduced Hrs. In Cigarette Mfg. In All Assoc. Industry	3905 33368	2603 22245	1953 16684	1627 13904	1302 11124	976 8344	651 5560	325 2780
Total 1986 Reduced Opportunities:	37273	24848	18637	15331	12426	9320	6211	3105

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Call if what? Bottom

Chart