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March 19, 1986

Mr. Robert Packwood
Chairman, Senate Finance
Committee
United States Senate
Senate Dirksen 219
Washington, D.C. 20510

Dear Mr. Chairman:


I am writing on behalf of the National Network of Job Training Corporations affiliated with Opportunities Industrialization Centers of America.

We are deeply concerned about the impact that the excise tax provisions of your tax reform proposal will have on the constituents whom we serve in the inner city ghettos, the hispanic barrios, and the Appalachian hollows -- the poorest of the poor.

We see Section VII entitled "Excise and Employment Taxes" and Section VIJ eliminating excise taxes and tariffs as an income tax deductible item as creating a chain reaction that will hit the poor and lower middle income citizens harder than anyone else.

Therefore, Senator Packwood we respectfully urge your reconsideration of this particular item and substitute language that would project the interests of disadvantaged Americans. Thank you for your consideration.

Sincerely,


Elton Jolly
President

BJ/Dpag
3/19/86

AN OPEN LETTER TO SENATOR ROBERT PACKWOOD

William C. Mitchell
University of Oregon
Eugene, Oregon



UNIVERSITY OF OREGON

AN OPEN LETTER TO SENATOR ROBERT PACKWOOD

DEAR SENATOR PACKWOOD:

As a long-time student of political economy and an increasingly troubled constituent I write to protest two of your recent tax proposals.

I can readily appreciate the important, indeed, crucial role you play in resolving our more critical and troublesome tax policy dilemmas. As Chairman of the Senate Finance Committee it is your unenviable task to produce a tax bill consistent with the President's goals, the measure passed by the House, and the reelection imperatives of your colleagues. While these somewhat contradictory demands create a task no one could envy they present an unexcelled opportunity for genuinely creative statemanship.

The allocation of unwanted tax burdens and the elimination of tax privileges cannot vie with the appropriation of public monies for public acclaim. When the best tax is no tax and the second-best is one levied on others--preferably unborn--how could being a tax author be a much sought-after position?

Because government requires vast revenues you, the Chairman, are placed in a delicate spot but, also in a most powerful position to dispense tax privileges. When everyone does not pay, who is to pay? And, how much, when, how? And with what consequences for our economy and polity? While the seekers of privilege are not much concerned with the latter question they are mightily interested in the former for their personal welfares are at stake.

DEPARTMENT OF POLITICAL SCIENCE • EUGENE, OREGON 97403-1200 • TELEPHONE 503/686-4844

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Senator Packwood
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That government spends and taxes at the rates it does is hardly your fault; still it is your responsibility to lead in finding ways to slow down if not reverse these tragic developments. I should add that I also rue the use of the tax code as an instrument of social control.

The bill you have offered holds little promise for meeting the fiscal challenges confronting the nation. In particular, I direct your attention to those provisions pertaining to excise taxes. Your Committee Staff has not made its centerpiece a straightforward increase in federal taxes on the sales of airline tickets, gasoline, telephone service, imported clothing, liquor, tobacco; instead, they have devised another of those favorite stratagems of the tax-man, an indirect and concealed approach that serves only to alienate citizens and cause a further deterioration in our respect for government. The stratagem is, indeed, clever, too clever: eliminating the income tax deductibility of excise taxes on the part of business firms has the same, if unintended, consequence as boosting those taxes. Public finance specialists agree that excise taxes are inefficient and, perhaps, worse, unfair. The most likely effect of your proposal will be a dramatic increase in the prices of all affected goods and services. The next most likely effect will be to increase disproportionately taxes on lower income citizens. In short, the President's promised lower rates for most Americans will be cancelled if this provision becomes law.

To add insult to injury your proposal would have businesses not only continue as coerced tax-collectors but make them pay an income tax on tax monies they collect but are not properly their own income. Perhaps, I do not

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fully understand the matter but it seems most unfair to require stock-holders to pay taxes on money that is not a part of their income. In response, businesses will simply have to increase their prices in order to avoid losing money as a tax collector. The fact that the government will obtain an estimated \$62 billions over the next five years from this "reform" gives strong credence to the belief that governments are, despite the unpopularity of taxation, revenue maximizers. As THE NEW YORK TIMES, says, tax increases might be fine "if the revenue is used to cut the deficit but indefensible to preserve loopholes."

I noted, above, that the main excise tax proposal suggests a certain Machiavellian approach to fiscal matters unbecoming of a democracy. The Committee Staff has, however, been forthright in proposing direct increases in wine taxes as well as altering those on alcohol, tobacco and motor fuels. This feature of the bill would enact variable rates, rates that would increase with the price of the commodities. It seems to this non-smoker and sparing user of gasoline and wine that a more effective and ethical way to discourage consumption--if that be the purpose--is education. In any case, I oppose wiping out the gains of lower income tax rates for ordinary income taxpayers by these back-door moves and direct excise tax increases. That happened to me and countless others when our 1983 income tax reduction was more than matched by sharp increases in our social security payments and local property taxes.

These matters are too important to be left to politics as usual. The American people have shown the capacity to reverse the negative-sum

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tendencies of ordinary politics when they supported the efforts of President Reagan and others including yourself to lower income taxes, reduce rates of spending, and deregulate the economy. You, sir, are in remarkable position to continue the mission--to assert imaginative leadership in the endless battle for a sensible tax policy.

William C. Mitchell
Professor of Political Science
University of Oregon

PACKWOOD EXCISE TAX/OP-ED PROJECT

April 1, 1986

	<u>In Writing Stage</u>	<u>Submitted to Newspaper</u>	<u>Letters Writte to Senators</u>
ARKANSAS			
Prof. David Gay		x*	x*
COLORADO			
Prof. Barry Poulson		x*	x
DELAWARE			
Prof. Lee Anderson		x*	x*
IDAHO			
Prof. Allan Dalton		x*	x*
IOWA			
Prof. Thomas Pogue		x*	x*
KANSAS			
Prof. John Howe		x*	x*
LOUISIANA			
Prof. Michael Kurth		x*	x
MAINE			
Prof. Bruce Vermeullen		x*	x
MINNESOTA			
Prof. Raymond Raab	x		
MISSOURI			
Prof. Richard McKenzie		x*	
MONTANA			
Prof. Terry Anderson		x*	
NEW JERSEY			
Prof. Michael Crew		x*	x*
NEW YORK			
Prof. J.J. Boddewyn		x*	
OKLAHOMA			
Prof. Joseph Jadow		x*	x

*Attached

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	<u>In Writing Stage</u>	<u>Submitted to Newspaper</u>	<u>Letters Written to Senators</u>
OREGON			
Prof. William Mitchell		x*	
PENNSYLVANIA			
Prof. Ann Harper-Fender		x*	
RHODE ISLAND			
Prof. Arthur Mead	x		
TEXAS			
Prof. Charles Maurice		x*	x
WYOMING			
Prof. Scot Atkinson		x*	x*

*Attached