



# FEDERAL RELATIONS REPORT

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- Rep. Fortney Stark (D-CA 9) introduced H.R. 3513
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H.R. 3513. A bill to make permanent the increase in the tax on cigarettes and to provide cost-of-living adjustments in the amount of such tax; to the Committee on Ways and Means.

## CIGARETTE TAX TO GO TO MEDICARE TO PAY FOR TREATING SMOKING-RELATED DISEASES

**HON. FORTNEY H. (PETE) STARK**  
OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Monday, July 11, 1983

● Mr. STARK. Mr. Speaker, in January, I introduced H.R. 698 which would make permanent the recent increase in cigarette excise taxes and adjust this increase annually to reflect increases in the cost of living. I am today introducing an amended version of that legislation to require the transfer of the revenues raised by this tax to the medicare trust funds.

Although the hazards of smoking are well documented in our society, it may be worthwhile to go over some of the more staggering statistics. Two Surgeon Generals have estimated that at least 300,000 deaths each year are caused by smoking. In fact, smoking has killed more people in this country than all the Americans killed in major wars and traffic accidents. The diseases differ—cancers of the lungs, larynx, oral cavity, esophagus, heart disease, and complications during pregnancy—but the ensuing suffering is often indistinguishable. Ironically, this suffering and death is preventable. Smoking is, in fact, the major preventable cause of illness and death in our society.

The costs to society of these illnesses, without even considering the anguish of victims and their families, are equally staggering. The National Council on Health Statistics estimated that the total cost of treating smoking-related diseases in 1980 was \$13.6 billion. This is nearly 10 percent of all health care costs in the United States for that year. In addition, a \$25 billion cost to the economy due to the loss of productivity can be directly linked to smoking. Nearly 80 million lost working days, about 20 percent of the total of lost days, can be attributed to the effects of cigarette smoking. Recently, an alarming study made in the State of Massachusetts concluded that the additional health costs incurred by smokers in that State averaged \$1.10 per package smoked, thus exceeding the actual price of the cigarettes (cite: *New England Journal of Medicine*, vol. 308, No. 28, p. 1185).

Mr. Speaker, my bill, if enacted, would simply shift part of this enormous public financial burden from nonsmokers to the smokers who cause these health expenses. The concept is a simple one: Because cigarette smokers clearly incur a higher percentage of health costs, they should pay a greater percentage of those costs that

smoking generates. Remember, every smoker has made the decision to smoke. The nonsmoking public and the Federal Government should not be forced to subsidize the economic costs produced by these decisions. In short, this tax is a user fee to repay the public for some of the costs of smoking cigarettes.

By transferring this tax revenue directly to the medicare trust fund, the money would be directly available to cover a portion of these health costs. It would also be the first of many necessary steps to aid the ailing medicare program. According to experts, the cost of medicare may run as much as \$400 billion ahead of its revenue between now and 1995. At that rate, the medicare hospital fund will be depleted by 1990. Medicare and Medicaid spend nearly \$4 billion annually for the treatment of smoking-related diseases—or about \$50 billion between now and 1995. Studies presented to a special advisory council set up by the Department of Health and Human Services have found that earmarking excise tax revenue for the medicare trust fund is one way to meet this huge deficit. My bill is a step in that direction and would raise roughly \$3 billion each year for medicare.

The Tax Equity and Fiscal Responsibility act of 1982 raised the Federal excise tax on cigarettes for the first time since 1951 from 8 cents to 16 cents per pack. Unfortunately, the legislation provided for termination of the increase in 1985. My bill would make the increase permanent and would provide yearly cost of living adjustments on the tax. The revenues from cigarette taxes in real amounts have actually dropped since 1951, even considering the increase of last year. Had the tax been adjusted for increases in the Consumer Price Index, the tax would currently be 30 cents per package. During the 1970's, cigarette excise tax collections fell from 1 percent of all Federal budget receipts to only 0.5 percent in 1980. Despite this lost ground, my bill only calls for

making permanent the 16-cent tax and then adjusting by the CPI, or 1 cent per pack, whichever is less.

The Federal Government has aimed most of its efforts at educating the public about the dangers of smoking. The entire country shared the triumphs and pains with Dr. Barney Clark's family as he suffered as the result of many years of cigarette smoking. In fact, over 80 percent of the American public is aware that smoking can cause serious health problems. Since smokers are aware of these risks and can actually prevent them, it is time they began to pay a greater share of their extra health costs. My bill would accomplish this while at the same time providing billions of dollars a year to the ailing medicare system.

I urge my colleagues to support this proposal. ●