

# THE TOBACCO INSTITUTE

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SAMUEL D. CHILCOTE, JR.  
President

July 7, 1987

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## MEMORANDUM

TO: Executive Committee

FR: Samuel D. Chilcote, Jr. *Sam*

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The House Committee on Ways & Means today commenced three days of public hearings on options to increase revenues. Today's witness list and statements relating to excise taxes and advertising limitations are attached.

Today's session was chaired by Rep. J.J. Pickle (D-TX), who made no opening statement. Most witnesses on the first three panels addressed excise taxes: Six expressed general opposition to excises; two supported increased excise taxes. A fourth panel discussed proposals related to advertising as Rep. Pete Stark (D-CA) presided.

### Highlights include:

o In opening testimony, Dennis E. Ross, Tax Counsel for the Treasury Department, assured the Committee that President Reagan will accept no deficit-reduction tax increase. Ross affirmed the administration's opposition to all options included in the Joint Taxation/House Ways & Means staff report, except for the President's own revenue increase proposals. He also suggested that Reagan may accept a proposal to tax as corporations certain limited partnerships.

o Rudolph A. Oswald, director of the AFL-CIO's Economic Research Department, reaffirmed the federation's opposition to excise taxes. In a strong statement, Oswald said, "Turning to excise taxes now would represent a breach of faith with the American people. A shift to excise taxes merely creates more inequity in the tax system. They are bad public policy."

o Paul Huard, National Association of Manufacturers' vice president of taxation and fiscal policy, said, "We oppose without exception any change that would increase federal revenues derived from selectively-imposed excise taxes." Huard said if Congress is determined to raise additional tax revenues, it should be done by imposing a consumption-type tax at a uniform rate on the broadest possible base of taxable goods and services.

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o Robert S. McIntyre, director of Citizens for Tax Justice, said that Congress should avoid regressive tax increases that undermine the benefits middle and low income families gained from last year's tax reform act. McIntyre, who testified for over an hour, presented loophole closing options to preserve and extend tax reform.

o Also appearing on McIntyre's panel was Robert Greenstein, executive director, Center on Budget and Policy Priorities, representing the Children's Defense Fund. Although Greenstein stated general opposition to excise taxes, he indicated a willingness to support excise taxes on "discretionary items" such as tobacco and alcohol. Rep. Charlie Rangel (D-NY) expressed concern over delineating between "discretionary" and "necessary" items. "In terms of regressivity, there is no distinction," Rangel said.

o Rep. Patrick Sweeney, majority whip, Ohio House of Representatives, described proposals to increase federal excise taxes as an encroachment on state revenue sources that would severely hamper state fiscal options. Sweeney made his remarks on behalf of the National Conference of State Legislatures.

o Representatives from the National Association of Counties and the National League of Cities specifically endorsed increased excise taxes on tobacco products.

o Barry Lynn, legal counsel of the American Civil Liberties Union, led off the advertising panel with a hard hitting objection to tobacco and alcohol proposals as a violation of First Amendment protections. Advertising groups, magazine publishers and broadcasters rounded out the panel, focusing their main objections on proposals that discriminate against advertising expenses. However, all also registered their opposition to options that would disallow the deductibility of tobacco or alcohol advertising.

The hearing schedule for tomorrow also is attached. We will report promptly as these hearings continue.

Attachments

cc: TI Senior Staff

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J. ROBERT AVE

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