
What's wrong with excise taxes?

"Taxes are what we pay for civilized society," said former Supreme Court Justice Oliver Wendell Holmes.

But what kind of "civilized society" can America be if it continually raises taxes on everyday consumer items at the expense of low- and middle-income citizens who are striving to realize their American dreams?

Federal, state and local governments nationwide are quietly proposing initiatives to increase the cost of basic goods and services to consumers through consumption-based "excise" taxes. These taxes would burden taxpayers throughout the country just as they are regaining confidence in the nation's tax system.

Any way you look at them, excise taxes are wrong.

- ▶ **Excise taxes are regressive.** They weigh heaviest on low- and middle-income families who can least afford them. Taxes should be distributed equitably, and based upon one's ability to pay.
- ▶ **Excise taxes are arbitrary and unfair.** They discriminate against consumers and producers of selected goods and services, leaving others untouched and unscathed.
- ▶ **Excise taxes reduce consumer spending power.** By increasing the cost of selected goods and services, families have less income available for expenditures and/or savings.

Leading Organizations
Speak Out...

TICT 0014912

American Agriculture Movement

"Excise taxes are the most regressive form of taxation, hitting hardest those who can least afford to pay them. These arbitrary and unfair taxes single out certain members of our society — particularly low- and middle-income Americans — to carry a disproportionate share of the tax burden."

*David Senter
National Director*

Coalition on Human Needs

"The excise tax on basic commodities is regressive and unfair, costing the poor far more in terms of percentages of their income than it does for the middle-class and wealthy. If there is any tax that is more unfair to the poor than an excise tax, we hope that Congress never discovers it."

*Susan Rees
Executive Director*

National Black Caucus of State Legislators

"Excise taxes are regressive, actually taking a smaller percentage of income as income increases and, therefore, placing a larger tax burden on working families and the poor rather than the rich. What little fairness an individual gains from our progressive income tax code, is often cancelled out by the regressive excise taxes levied by the local, state and federal governments."

Caucus informational brochure

Congressional Budget Office

"The average increase in (excise) taxes as a percentage of total income would be about twice as large for families with incomes between \$10,000 and \$20,000 compared to families with incomes of \$50,000 or more."

"The Distributional Effects of an Increase in Selected Federal Excise Taxes," January 1987

Mexican-American Political Association

"Excise taxes are arbitrary and unfair, singling out low-income members of our society — a large proportion of whom are Hispanics — to carry a disproportionate share of the tax burden. These taxes severely impact middle-income wage-earners and the poor while leaving the wealthy relatively unaffected."

*Beatrice Molina
President*

The League of Women Voters

"The League supports raising revenues in a progressive manner to fund needed government services."

*Nancy M. Neuman
President*

COST (Coalition Opposed to Secret Taxation)

"How can our representatives even think of proposing an increase in excise taxes when excise taxes fall most heavily on the backs of those least able to pay?"

*The Rev. Robert J. McEwen, S.J.
Chairman*

AFL-CIO

"We believe that turning to excise taxes now would represent a breach of faith with the American people. Instead of using the income tax system that is based on ability to pay, a shift to excise taxes would be a move toward a regressive tax structure. Increasing excise taxes merely creates more inequity in the tax system. They are bad tax policy."

*Rudolph A. Oswald
Director, Economic Research*

League of United Latin American Citizens

"When the median income of Hispanic families is only \$19,000 per year and 29 percent of all Hispanic-Americans live below the national poverty line, it is evident that any increases in excise taxes would have a severe and detrimental effect on the Hispanic-American community."

*Oscar Moran
President*

Opportunities Industrialization Centers of America, Inc.

"Excise taxes are regressive, increasing in relative magnitude as income decreases. They are a thinly-disguised attempt to raise taxes at the expense of consumers who are least able to afford them."

*Elton Jolly
President and Chief Executive Officer*

American Farm Bureau Federation

"Higher excise taxes have an adverse trickle-down effect on farmers whose commodities, such as tobacco, grains, and wine grapes, go into tobacco and alcohol products."

*Grace Ellen Rice
Associate Director, Washington, D.C. Office*

National Conference of State Legislatures

"Proposals to increase federal excise taxes are an encroachment on state revenue sources and would hamper state fiscal options."

*State Rep. Patrick Sweeney (Ohio)
Member, Executive Committee*

Citizens for Tax Justice

"The biggest threat to tax reform is that Congress may attempt to meet its 1988 budget targets through stiff increases in federal excise taxes."

"Meeting the Revenue Targets in the 1988 Budget: Will Tax Reform be Extended or Undermined?" May 1987

National Association of Manufacturers

"NAM opposes without exception any option that would increase the amount of federal revenue derived from selectively-imposed excise taxes."

*Paul R. Huard
Vice President, Taxation and Fiscal Policy*

Labor Council for Latin American Advancement

"Along with losing the benefits gained from the Tax Reform Act, Hispanic workers and their families face an even greater degree of unemployment and additional economic burden if Congress agrees to increase excise taxes."

*Jack Otero
National President*

Coalition Against Regressive Taxation

"... Raising excise taxes would undo the relief granted to lower-income groups by last year's Tax Reform Act. Congress should leave excise taxes alone."

*Thomas J. Donohue
President*

"An excise tax increase would raise the taxes of low-income taxpayers disproportionately and would substantially more than offset the income tax reduction these taxpayers received from the Tax Reform Act of 1986."

*"An Analysis of the Regressivity of Excise Taxes,"
Peat Marwick Main & Company*

Congressional Black Caucus

"For all poor families, even a modest increase in excise taxes will take more than all of the tax relief afforded them in the 1986 tax bill. These increases will cost the poor **five times as much** — nearly \$2 billion — as they would receive in income tax cuts from the Tax Reform Act of 1986. This will considerably magnify the incidence, prevalence and the enormity of poverty in the United States."

*Rep. Mervyn Dymally (D.-Calif.)
Chairman*

U.S. Chamber of Commerce

"Additional tax increases of any type will impair the vitality and competitiveness of American business and impede economic growth. Moreover, consumers would suffer from higher prices and lower disposable income."

*Dr. Richard W. Rahn
Vice President and Chief Economist*

Cuban American National Council, Inc.

"We reject revenue-raising proposals which would increase excise taxes on everyday goods and services such as gasoline, tires, cigarettes, beer and telephone service."

"Hispanic-owned businesses would be particularly affected. The majority of Hispanic businesses are small, and so are especially vulnerable to the loss of revenue (resulting from higher excise taxes)."

*Guarione M. Diaz
Executive Director*

National Governors' Association

"When considering excise taxes or an increase in excise taxes, Congress should carefully consider the fact that these options have an adverse impact on states' ability to raise revenue or result in a disproportionate burden among various states."

Statement of Position

The National Conference of Black Mayors

"Excise taxes are both regressive and unfair. They place a disproportionate burden on lower- and middle-income Americans. Increasing excise taxes this year effectively would wipe out and even surpass the gains made for the poor and middle classes in last year's Tax Reform Act."

*Mayor John Smith (Pritchard, Ala.)
President*

Council of State Governments

"Excise taxes are regressive and increasing them at the federal level would cause further revenue losses to the states and limit states' options for new revenue from limited sources."

Council Resolution

TICT 0014914

- ▶ Excise taxes would invalidate the 1986 tax reforms. Economic benefits gained by low- and middle-income families by a lower federal income tax burden would be offset by increased excise taxes.
- ▶ Excise taxes reduce economic growth. By decreasing the overall sales of selected goods and services, excise taxes reduce available funds for capital investment. Businesses that service these industries experience a simultaneous drop in business and funds for investment.
- ▶ Excise taxes constitute bad fiscal policy. Revenues gained through excise taxes fluctuate so greatly from year to year that lawmakers cannot rely on them to solve long-term policy solutions.
- ▶ Excise taxes are hidden taxes. They are incorporated into the price of a product, and are not readily apparent to consumers like retail sales taxes. Excise taxes go against the nation's democratic principles not to levy "secret" taxes.

A broad spectrum of interests and organizations throughout the country oppose excise taxes. They will continue to speak out on behalf of a "civilized" tax policy that is fair for all Americans. Here is what they are saying:

CART

Coalition Against Regressive Taxation

The Coalition Against Regressive Taxation, CART, represents a diverse group of businesses and industrial organizations opposed to increases in excise taxes and tariffs at the federal, state or local level. Among the organization's members are companies in the agriculture, manufacturing, transportation, wholesale, and retail industries.

CART membership is open to all interested in becoming involved. For further information, contact:

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