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TO: Tina Walls

DATE: January 26, 1996

FROM: Jim Lemperes

SUBJECT: Massachusetts Cigarette Tax

The general goal of the Health Care Committee's legislation is to expand coverage to approximately 500,000 uninsured individuals without interfering with those employees that provide or employees that presently have coverage.

There are five main tenants to the Health Care Committee's legislation. One of the tenants is the expansion of an existing program for children and a new program that will create a pharmacy assistance program for the elderly to assist in accessing prescription drugs. Both of these initiatives would be paid for through the imposition of an additional 25 cents tax increase on a package of cigarettes.

The proposed tax increase of 25 cents per pack would raise the cigarette excise tax to 76 cents per pack, the second highest tax in the nation.

The following is a brief summary of actions to be undertaken in the next two weeks.

- Contact other effected trade associations; Associated Industries, NFIB, restaurants, construction, retailers, wholesalers, convenience stores, etc.
- Coordinate with businesses opposed to mandate.
- Prepare and distribute economic analysis, regressively, declining collections cross-border issues.
- Prepare case studies to show that a tax difference as high as those that would exist between Massachusetts and New Hampshire after a 25 cent pack increase have led to large scale smuggling.
- Focus on border districts; retailers to contact legislators.
- Mobilization of phone banks to border legislators.
- Prepare and distribute material on effects of the tax to sales force.
- Testimony/op-ed piece on weakness of plan involving cigarette tax.
- Line up testimony and materials for fiscal committee hearing.

Responsibility for the above will be shared by PM, RJR, TI, and Smokeless.

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As of this moment, there is no bill number for the Health Care Reform legislation. The prime sponsors are Rep. John McDonough, Chairman of the Health Committee, and House Speaker, Charles Flaherty.

Bill has had a preliminary hearing in Health Care Committee, but has not gone to executive session in order that the bill may be reported out. Once reported out, it will go to House Ways & Means where it will be reviewed for fiscal impact. We hope to kill the bill at this stage. If not, and bill is reported out, it will go to the house floor for a vote.

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