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iret Institute
for research on the
economics of
taxation

May 2, 1986

Mr. William B. Pendergast
The Tobacco Institute
Suite 800
1875 Eye Street
Washington, DC 20006

P.R. MAY 5 1986

Dear Bill:

I am writing you because we share a concern about proposals to increase selective excise taxes and tariffs.

The fate of tax reform is, at present, uncertain. But Senator Packwood's excise tax proposal and indications that the Administration will go along with excise increases raise the possibility that selective increases in excises will be used as revenue raisers, either as a part of tax reform or as a deficit reduction measure.

Raising excise taxes and tariffs would intensify the adverse economic effects of these taxes. Selective excises not only burden those who buy the taxed products and services, they also seriously distort the way the economy uses its productive resources and adversely affect capital investment and employment. The entire economy suffers from the disruptions caused by excise taxes.

IRET, a nonprofit, nonpartisan tax policy research organization, is keenly interested in meaningful tax reform to achieve a tax system that is fair and contributes to economic progress. Increasing excise taxes serves neither purpose.

Enclosed is IRET's Economic Policy Bulletin on Senator Packwood's excise tax proposal along with information about IRET and our programs. Excise tax revisions pose only one set of issues that IRET must address now if we are to contribute to achieving a tax system that is fair and less of a barrier to economic growth.

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