

BUDGET '96

EXCISE TAXES AND ECONOMICS PROGRAMS

GOALS: To defeat or minimize cigarette excise tax increases at the federal, state and local levels. To discourage reliance on such taxes by demonstrating that such taxes lead to cross border sales, retailer losses, job losses, enforcement problems, and are regressive and inconsistent with fair taxation.

DISCUSSION: While 1995 has been a good year for us, 1996 could lead to substantial tax activity. At the federal level, the anti-^{advocates} and their allies will continue to push for large cigarette tax ^{increase} hikes. In addition, many members of the relatively more conservative Congress could possibly be comfortable with endorsing significant federal excise tax hikes. ^(the principles of) ~~TI~~ State Activities Division believes that 1996 will result in substantial tax increase activity due to a declining economy and emerging state deficits. ^{-tobacco}

The following are proposed tax programs and budget estimates:

* Economic Impact of U.S. Tobacco Industry While the American Economics Group will complete its tobacco and jobs impact study in 1995, other maintenance programs may be needed in 1996. This could include sets of job loss sheets for all states for various federal tax increase proposals, state tobacco data cards, and copies of the American Economics Group study. (3 to 8K)

* Economists Program We will ~~more than likely~~ have a need for ~~our~~ consulting economists to testify at the state level and possibly the federal level ~~as well~~. In addition, op-ed articles could be useful to amplify our tax arguments. We expect about 5 or 6 testimony requests at the state level and ^{participate} possibly 1 or 2 requests at the federal level. (35 to 50K)

* Cross Border Studies Program While only utilizing 2 cross border studies in 1995, deficit pressures at the state level in 1996 could lead to a request for about 7 or 8 studies. These studies involve an econometric analysis of state tax increases by a reputable economics/accounting firm such as Price Waterhouse or Peat Marwick. (60 to 90K)

* Cross Border Retailer Surveys These surveys focus on retailer commercial losses or gains in border counties and cities. They entail actual data collection from a representative sample of merchants on or close to state borders. They are only used in priority cases. ~~In some cases we co-finance these projects with the companies in other cases we finance the entire survey~~ (40 to 60K).

These projects are sometimes co-financed w/ member companies.

In addition, many of the new ^{and relatively conservative} members of Congress may be amenable to the idea of significant federal excise tax hikes

while not comfortable with ~~the~~ ~~idea~~ ~~of~~ ~~tax~~ ~~increases~~ in general,

* Tax Foundation Cross Border Outreach Program In 1995 ~~we~~ ^{IT} contracted with the Tax Foundation to begin a comprehensive public affairs and tax studies program to educate the general public about the rising menace of cross border sales, bootlegging and cigarette tax enforcement problems. ~~Major~~ ^{Major} cigarette tax increases in key states (over the past 5 years) ~~have~~ ^{have} led to a pronounced shift in consumer purchasing patterns from high to low tax states, somewhat ^{Thit} similar to the Canadian ^{experience} and other international experiences. The time is now ~~ripe~~ ^{ripe} to relay this message through the media. Maintenance efforts on this project will be necessary in 1996 as tax hotspots appear and more data and surveys emerge. This will lead to more op-eds and amplification by the Tax Foundation. (20K)

* Support For Pro-Growth and Fiscally Conservative Think Tanks

Low tax advocates and libertarian leaning think tanks have been quite useful to ~~us~~ ^{us} in the past. Groups such as the De Tocqueville Institution have written studies and op-eds that have carried ~~our~~ ^{our} message on ETS, state and federal tax increase proposals, and the CPI issue. These groups ~~can~~ ^{can} be of important ~~value~~ ^{value} in 1996. (25K)

* Tax Burden On Tobacco Our annual compilation of tobacco statistics will require the usual printing and distribution expense. (25K)

* Social Costs Program Maintenance efforts on the new 1995 social cost program will probably be needed in 1996. (10 to 20K)

* Special Projects Un-anticipated joint projects with the companies (such as co-financing a Rod Stamler enforcement-bootleg study and media ^{tour} in Michigan in 1996). (20K)

(for example)