

BUSINESS AND POLITICS.....	-
CORPORATE GOVERNANCE.....	5
BUSINESS AND SOCIETY.....	7
LOBBYISTS/LOBBYING.....	8
BUSINESS AND THE MEDIA.....	4
CORPORATE/TRADE ASSOCIATION	
PUBLIC AFFAIRS.....	2
BUSINESS AND PUBLIC OPINION.....	1

Volume VIII, Number 4
 April 15, 1986

BUSINESS & PUBLIC AFFAIRS

FORTNIGHTLY

✓ BUSINESS AND PUBLIC OPINION

Two polls suggest hard going for the new excise tax burdens proposed in the Packwood tax options now being considered by the Senate Finance Committee...

Both late March samplings -- one by R.H. Bruskin Associates for the business-funded Coalition Against Regressive Taxation, the second by Fingerhut-Granados Research for the labor-backed Citizens for Tax Justice -- show strong public opposition to Senate Finance Committee Chairman Bob Packwood's plan to use new direct and indirect excise tax increases to help finance 1986 tax reform. The significance... without Packwood's new excise tax revenues, the Committee's tax reform efforts just may not be able to add up.

Per the Bruskin/CART survey, 43.5% of those sampled opposed Packwood's overall new approach to excise taxes, 19.2% supported it, and 37.3% felt neutral or didn't know. The union-backed CTJ survey was even more negative, producing its reactions with loaded questions. The two principal questions/results are as follows:

"Would you favor or oppose a proposal that increased by 50 percent the federal tax which American consumers have to pay for airline tickets, gasoline, tobacco, beer, wine, and other alcoholic beverages in order to pay for loopholes for big corporations?"

"There's a proposal by Senator Packwood of Oregon increasing the taxes on products that people consume in order to keep the tax breaks for large corporations. Do you think that is generally a good or bad idea -- that is raising taxes on products people use in order to keep tax breaks for large corporations?"

Favor	Oppose	Agree	Disagree
14%	77%	6%	81%

It goes without saying that the CTJ poll skews reaction to Packwood's plan with highly pejorative questions. The problem, though, is that any debate is likely to be couched in some of the same pejorative terms. To be sure, sin-type excise taxes are popular in polls, and consumption taxes score well with the public when they're focused on deficit reduction or aimed at imports. But Packwood's current legislative context lacks either of these two larger justifications and thus plays into the hands of critics out to make the same connection made in the CTJ survey. Under the circumstances, it's hard to see the Finance Committee's April 21 hearings on the excise tax issue yielding success...legislative and public opinion is just too dubious. The upshot...weakness of the Packwood excise tax provision is one of a series of developments casting increased doubt on 1986 tax reform.

© 1986 Published on the 1st and 15th of each month by the American Political Research Corporation, 4312 Montgomery Avenue, Bethesda, Maryland 20814. Telephone (301) 654-9990. Kevin Phillips, editor-publisher; Michelle Moore, assistant editor. Annual subscription: \$135. Reproduction or quotation without specific permission is prohibited by law.

THE TAX PICTURE



President Reagan has urged Congress to develop legislation to create broadly based, fair and revenue neutral tax reform for the American people. The president has called for a "level playing field" for consumers and business alike.

Now the Senate Finance Committee is considering a measure that would have the exact opposite effect and would tip the playing field even more sharply than it is today.

Simply put, the proposal by Sen. Robert Packwood (R-Ore.), the committee chairman, would not allow businesses to deduct from their income taxes the excise taxes they pay to the government. Currently, the federal government imposes excise taxes on things like gasoline, alcohol, cigarettes, telephone service, airline tickets and many others. The excise tax is usually included in the product's price, and consumers pay the tax when they buy the product. The maker of the product acts as a tax collector—receiving the tax from consumers and handing it over to the federal treasury.

Sen. Packwood's proposal would tax businesses on the excise taxes they are merely collecting for the government. The senator says this is just an increase in corporate income taxes, and that it won't hurt consumers. But according to the Citizens for Tax Justice, a labor-sponsored research group, Packwood's proposal will have the effect of increasing excise taxes by 50 percent. And those increases will flow straight to the consumer in the form of higher prices.

Gasoline prices would rise by four or five cents per gallon. The tax on distilled spirits would jump from \$2.50

to \$3.50 a fifth. Cigarettes would cost between nine and 20 cents more per pack. The 8 percent airline ticket tax would increase to about 12 percent, and phone service taxes would go from 3 percent to about 5 percent.

Other prices would be affected indirectly. Higher excise taxes on the trucking and other shipping industries would increase the prices of virtually everything that is transported on the U.S. highways—from potatoes to color TVs.

Not only will Sen. Packwood's proposal increase the prices consumers pay for everyday goods, it will fall disproportionately hard on low-income families because excise taxes take a greater percentage of their income.

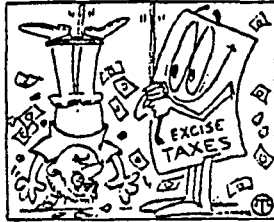
The Packwood proposal also ignores the effect of higher prices and distribution costs on business and jobs. When the price of a product increases dramatically, sales drop. When sales drop, businesses lay off employees, close plants, work shorter and fewer shifts and generally cut back to make ends meet. The Distilled Spirits Council of the United States, a trade association, estimates that 23,000 jobs would be lost and up to 10,000 small businesses would close in that industry alone if the Packwood plan becomes law.

Under Packwood's proposal, the consumer loses. Business loses. And the government may not gain as much as it thinks. Higher taxes on products don't bring in much if the products are priced out of the reach of millions of consumers.

Tax reform is serious business. And Sen. Packwood's plan is seriously flawed. It should not become law.

TAX BRIEF

The People's Choice



Seventy-seven percent of Americans oppose higher excise taxes on consumer products to make up for tax revenues lost through corporate loopholes, according to a recent poll by the Citizens for Tax Justice. The labor-sponsored research group's poll was taken after Sen. Robert Packwood, R-Ore., proposed tax reform legislation that would increase prices of consumer products such as gasoline, liquor, telephone service, cigarettes and airline tickets.

TAX BRIEF

TAXES & PRICES

Consumer industry analysts have predicted that prices on consumer products would increase sharply if a tax reform proposal by Sen. Robert Packwood, R-Ore., is enacted into law. Gasoline prices would rise by four or five cents per gallon, liquor would increase \$1 per fifth and cigarettes would cost between nine and 20 cents more per pack. The tax on airline tickets would increase 50 percent and the tax on telephone service could increase by about 66 percent.

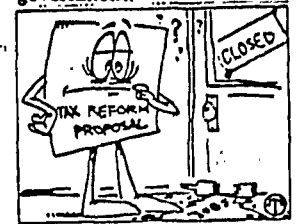


Driving up prices is a provision in the Packwood plan that would require companies to pay income taxes on the excise taxes they collect for the government on many products and services. While the tax reform proposal would lower individual income tax rates, particularly for low- and middle-income families, would be largely offset by high prices, analysts say.

TAX BRIEF

SAVING JOBS

The Distilled Spirits Council of the United States estimates that 23,000 jobs would be lost and up to 10,000 small businesses would be forced to close in the liquor industry alone if a recent tax reform proposal by Sen. Robert Packwood R-Ore., is enacted into law. The proposal would not allow businesses to deduct from their sales the excise taxes on their products which they collect and pay to the government. In effect, liquor companies would be required to pay income tax on the excise taxes they collect for the government.



The net effect of the proposal would be an increase in the income tax rate on liquor companies from fifty four percent to one hundred fifty two percent. The companies have said that unless the increased costs are passed on to consumers in the form of higher prices, they would be forced to go out of business.

BUSINESS AND POLITICS.....	-
CORPORATE GOVERNANCE.....	5
BUSINESS AND SOCIETY.....	7
LOBBYISTS/LOBBYING.....	8
BUSINESS AND THE MEDIA.....	4
CORPORATE/TRADE ASSOCIATION	
PUBLIC AFFAIRS.....	2
BUSINESS AND PUBLIC OPINION.....	1

Volume VIII, Number 4
 April 15, 1986

BUSINESS & PUBLIC AFFAIRS

FORTNIGHTLY

✓ BUSINESS AND PUBLIC OPINION

Two polls suggest hard going for the new excise tax burdens proposed in the Packwood tax options now being considered by the Senate Finance Committee...

Both late March samplings -- one by R.H. Bruskin Associates for the business-funded Coalition Against Regressive Taxation, the second by Fingerhut-Granados Research for the labor-backed Citizens for Tax Justice -- show strong public opposition to Senate Finance Committee Chairman Bob Packwood's plan to use new direct and indirect excise tax increases to help finance 1986 tax reform. The significance... without Packwood's new excise tax revenues, the Committee's tax reform efforts just may not be able to add up.

Per the Bruskin/CART survey, 43.5% of those sampled opposed Packwood's overall new approach to excise taxes, 19.2% supported it, and 37.3% felt neutral or didn't know. The union-backed CTJ survey was even more negative, producing its reactions with loaded questions. The two principal questions/results are as follows:

"Would you favor or oppose a proposal that increased by 50 percent the federal tax which American consumers have to pay for airline tickets, gasoline, tobacco, beer, wine, and other alcoholic beverages in order to pay for loopholes for big corporations?"

"There's a proposal by Senator Packwood of Oregon increasing the taxes on products that people consume in order to keep the tax breaks for large corporations. Do you think that is generally a good or bad idea -- that is raising taxes on products people use in order to keep tax breaks for large corporations?"

Favor	Oppose	Agree	Disagree
14%	77%	6%	81%

It goes without saying that the CTJ poll skews reaction to Packwood's plan with highly pejorative questions. The problem, though, is that any debate is likely to be couched in some of the same pejorative terms. To be sure, sin-type excise taxes are popular in polls, and consumption taxes score well with the public when they're focused on deficit reduction or aimed at imports. But Packwood's current legislative context lacks either of these two larger justifications and thus plays into the hands of critics out to make the same connection made in the CTJ survey. Under the circumstances, it's hard to see the Finance Committee's April 21 hearings on the excise tax issue yielding success...legislative and public opinion is just too dubious. The upshot...weakness of the Packwood excise tax provision is one of a series of developments casting increased doubt on 1986 tax reform.

© 1986 Published on the 1st and 15th of each month by the American Political Research Corporation, 4312 Montgomery Avenue, Bethesda, Maryland 20814. Telephone (301) 654-9990. Kevin Phillips, editor-publisher; Michelle Moore, assistant editor. Annual subscription: \$135. Reproduction or quotation without specific permission is prohibited by law.

THE TAX PICTURE



President Reagan has urged Congress to develop legislation to create broadly based, fair and revenue neutral tax reform for the American people. The president has called for a "level playing field" for consumers and business alike.

Now the Senate Finance Committee is considering a measure that would have the exact opposite effect and would tip the playing field even more sharply than it is today.

Simply put, the proposal by Sen. Robert Packwood (R-Ore.), the committee chairman, would not allow businesses to deduct from their income taxes the excise taxes they pay to the government. Currently, the federal government imposes excise taxes on things like gasoline, alcohol, cigarettes, telephone service, airline tickets and many others. The excise tax is usually included in the product's price, and consumers pay the tax when they buy the product. The maker of the product acts as a tax collector—receiving the tax from consumers and handing it over to the federal treasury.

Sen. Packwood's proposal would tax businesses on the excise taxes they are merely collecting for the government. The senator says this is just an increase in corporate income taxes, and that it won't hurt consumers. But according to the Citizens for Tax Justice, a labor-sponsored research group, Packwood's proposal will have the effect of increasing excise taxes by 50 percent. And those increases will flow straight to the consumer in the form of higher prices.

Gasoline prices would rise by four or five cents per gallon. The tax on distilled spirits would jump from \$2.50

to \$3.50 a fifth. Cigarettes would cost between nine and 20 cents more per pack. The 8 percent airline ticket tax would increase to about 12 percent, and phone service taxes would go from 3 percent to about 5 percent.

Other prices would be affected indirectly. Higher excise taxes on the trucking and other shipping industries would increase the prices of virtually everything that is transported on the U.S. highways—from potatoes to color TVs.

Not only will Sen. Packwood's proposal increase the prices consumers pay for everyday goods, it will fall disproportionately hard on low-income families because excise taxes take a greater percentage of their income.

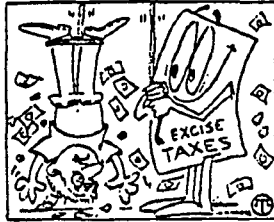
The Packwood proposal also ignores the effect of higher prices and distribution costs on business and jobs. When the price of a product increases dramatically, sales drop. When sales drop, businesses lay off employees, close plants, work shorter and fewer shifts and generally cut back to make ends meet. The Distilled Spirits Council of the United States, a trade association, estimates that 23,000 jobs would be lost and up to 10,000 small businesses would close in that industry alone if the Packwood plan becomes law.

Under Packwood's proposal, the consumer loses. Business loses. And the government may not gain as much as it thinks. Higher taxes on products don't bring in much if the products are priced out of the reach of millions of consumers.

Tax reform is serious business. And Sen. Packwood's plan is seriously flawed. It should not become law.

TAX BRIEF

The People's Choice

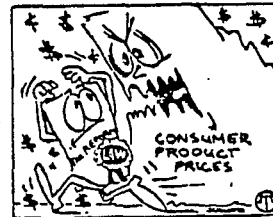


Seventy-seven percent of Americans oppose higher excise taxes on consumer products to make up for tax revenues lost through corporate loopholes, according to a recent poll by the Citizens for Tax Justice. The labor-sponsored research group's poll was taken after Sen. Robert Packwood, R-Ore., proposed tax reform legislation that would increase prices of consumer products such as gasoline, liquor, telephone service, cigarettes and airline tickets.

TAX BRIEF

TAXES & PRICES

Consumer industry analysts have predicted that prices on consumer products would increase sharply if a tax reform proposal by Sen. Robert Packwood, R-Ore., is enacted into law. Gasoline prices would rise by four or five cents per gallon, liquor would increase \$1 per fifth and cigarettes would cost between nine and 20 cents more per pack. The tax on airline tickets would increase 50 percent and the tax on telephone service could increase by about 66 percent.

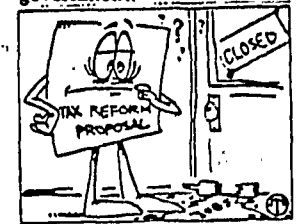


Driving up prices is a provision in the Packwood plan that would require companies to pay income taxes on the excise taxes they collect for the government on many products and services. While the tax reform proposal would lower individual income tax rates, particularly for low- and middle-income families, would be largely offset by high prices, analysts say.

TAX BRIEF

SAVING JOBS

The Distilled Spirits Council of the United States estimates that 23,000 jobs would be lost and up to 10,000 small businesses would be forced to close in the liquor industry alone if a recent tax reform proposal by Sen. Robert Packwood R-Ore., is enacted into law. The proposal would not allow businesses to deduct from their sales the excise taxes on their products which they collect and pay to the government. In effect, liquor companies would be required to pay income tax on the excise taxes they collect for the government.



The net effect of the proposal would be an increase in the income tax rate on liquor companies from fifty four percent to one hundred fifty two percent. The companies have said that unless the increased costs are passed on to consumers in the form of higher prices, they would be forced to go out of business.