

PLAINTIFFS' EXHIBIT 1424
DATE 10-16-97
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REG. PROF. COURT REPORTER

ACTION-TRAC

September 24, 1990

TO: TI HEADQUARTERS
FROM: REGION IV, MADISON, WI

STATE/LOCALITY: Minnesota
ISSUE: Cigarette Excise Tax
SUMMARY: Anticipated legislation is likely to ask for a \$.03, \$.05 or more increase.
SPONSOR: Possibly Gov. Perpich or anyone of several Senators and Representatives.
INTRO DATE: First week of session.
COMMITTEE: House and Senate Taxation
HEARING DATE: Unknown.
BILL COPY TO DC: When available.
LEGISLATIVE STATUS: Anticipated 1991 legislative action.

INDUSTRY ACTION During the 1990 legislative session, the legislature and the administration were faced with a budget short fall of approximately 160 million dollars. Since the legislature was in an election year mood, they chose to address the problem by making selected budget cuts and by dipping into the State's 1/2 billion dollar reserve fund. Current revenue projections indicate that the quick fix from last year has only delayed a likely 500 million dollar short fall for the coming budget year.

Fresh from re-election, the legislature will not be so austere in 1991. The danger of a major excise tax increase on cigarettes, alcohol and gasoline is serious. Additionally, the past few years have produced legislation introduced by individual legislators that call for dedicated excise taxes for drug programs, health programs and environmental programs. In short, there is a multitude of threats on the excise tax issue.

In terms of the general budget, it is arguable that at a yield of approximately 3 million dollars per penny of cigarette tax, excise tax increases are not the answer to large budget short falls. In terms of excise dedication legislation Gov. Perpich and others in the legislature, have been moving away from the segregation of revenues from the general fund. Dedicated taxes afford an opportunity to attack the program to which funds are to be dedicated.

Lobbyists for the Tobacco Institute and member companies will be working with the Gov., his staff and legislative leadership to steer them away from excise taxes as a solution for budget problems.

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tobacco activity in the State of MN, the Region IV office has at it's disposal, several pre-qualified lists of merchants and retailers. Even though we cooperate with retail associations and their Executive Directors, we have the capability to go directly to the grassroots on economic issues. This independent grassroots capability allows us to cut down on start-up time and provides us flexibility in targeting individual legislative districts. Additionally, our lists include individual businesses that may not be members of a particular trade association. Anticipated cost between \$20,000 - \$30,000.

COMPANY RESOURCES? YES When needed
Mobilization of member company sales force for grassroots retailer contact and distribution of anti-tax material to key accounts.

In advance of more important committee votes and floor action, it will be necessary to activate PM and RJR customer grassroots programs. A mixture of letters and phone calls to committee chairman, leadership and crucial swing votes is the most desirable use of these grassroots resources.

PUBLIC AFFAIRS/MEDIA RESOURCES? YES On-going
TI labor consultant, Wes Lane, is most helpful through his association with the Teamsters Union. Mr. Lane has the capability of aiding us in tax fights in various ways since the Unions are traditionally opposed to regressive modes of taxation.

The MN Taxpayers Association is an emerging force in the state of MN. There is also a small chapter of the Citizens for Tax Justice in the state. These groups need to be cultivated and stimulated on the excise tax issue. Region IV requests that TI consultant David Wilhelm do an assessment of taxpayer groups in MN in order to determine if resources and support should be provided. Additionally, the industry should ascertain if these groups would be potential sponsors for an anti-regressive tax publicity campaign.

ADDITIONAL NEEDS? Not at this time

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