

## New York Specific Federal Excise Tax : Master Talking Points

### I. Higher Excise Taxes Will Cost New Yorkers Their Jobs

A. The tobacco industry generates nearly 240,000 New York jobs, with a payroll of over \$9 billion. In addition, the tobacco industry generates \$4.9 billion in taxes: \$3.1 billion in federal taxes and \$1.8 billion in NY state and local taxes. (1992 Price Waterhouse Data)

B. Higher excise taxes will result in increased cigarette prices. This in turn will cause a decline in consumption. As consumption decreases, tobacco-related industries will have no choice but to reduce the size of their work forces. In fact, the tobacco industry has already lost thousands of jobs this year. Increasing the excise tax at this time would create further job loss during difficult economic times.

C. An increase in the excise tax of 50-cents could cost 20,000 New Yorkers their jobs. (An increase of 75-cents per pack could cost as many as 27,500 jobs. A \$1 per pack excise tax increase proposal would be devastating to New York's workforce, costing as many as 38,000 jobs. (1992 Price Waterhouse Data, TI Data))

### II. Higher Excise Taxes Will Raise Inflation and Increase Unemployment

A. A common indicator of inflation is the Consumer Price Index. An increase in excise taxes of 50-cents per pack will raise the CPI 0.7%. Since many federal entitlement programs, like Social Security and federal pensions are indexed for inflation, there will be automatic spending increases in these programs as the CPI increases.

B. The rising costs of unemployment compensation and entitlement spending must be considered in the light of lost income tax and revenue, the lost excise tax revenue due to declining consumption, and the loss of state sales, income, and excise tax revenue the (1993 Americans For Tax Reform Data). Many of New York state's entitlement programs are indexed by the CPI. A federal excise tax increase will mean substantial additional spending with a declining revenue base.

### III. New Yorkers Who Smoke Already Pay More Than Their Share

A. Nearly four (3.9) million smokers in New York currently pay \$1 billion in taxes that non-smokers do not. Smokers are already over taxed:

\$580.7 million (Federal Excise Tax)  
\$297.8 million (State Excise Tax)  
\$113.7 million (State Sale Tax)  
\$43.9 million (Local Excise Tax)  
(TI Data for FY'92 and estimates for FY'93)

B. If the federal excise tax is increased, state and local governments can expect a significant drop in their estimated \$450 million excise tax base.

C. An increase in the cigarette excise tax will directly impact those who can least afford it--lower and middle income Americans. People in these income brackets pay far

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more tax, as a percent of income, than do wealthier individuals. Ironically, President Clinton campaigned across America promising to ease the burden on middle-and-lower income tax payers.

D. Excise taxes in New York, such as those on tobacco, take about two and one half times the amount from the poorer consumers with incomes below \$11,700, than from the middle class with incomes exceeding \$46,100. (Citizens for Tax Justice 1992)

E. There is an inherent question of fairness. It is not fair to single out and triple the tax burden on one group of consumers -- smokers -- and force them to pay the costs of a government program that are designed to benefit all Americans.

#### **IV. Excise Taxes Rob Peter to Pay Paul--And Put State Revenues In Jeopardy**

A. Excise taxes will lower consumer purchases, raise inflation and raise unemployment. In addition, federal and state governments will be forced to adopt alternative revenue plans in the future, when anticipated excise tax revenue fails to materialize.

B. The Administration's cigarette excise tax plan will leave the health care program grossly underfunded, hundreds of thousands of Americans unemployed, inflation on the increase, government spending spiraling upward, and the economy in ruins.

#### **V. Higher Excise Taxes Will Result in Increased Criminal Activity**

Significantly higher cigarette taxes will be a boon for smugglers and other criminals who will jump at the chance to profit from the sale of stolen and smuggled cigarettes. For example, cigarettes are routinely transported in tractor trailers. A single tractor trailer can hold 60,000 cartons of cigarettes. Criminals understand the enormous profits they can make from the sale of stolen cigarettes, and will likely be eager to satisfy the demand that will result if higher taxes cause cigarettes to become more expensive.

#### **VI. The Administration's Public Statements Prove the Unfair Nature of the Healthcare Excise Tax Proposal**

The Presidents healthcare reform proposal calls for large tax increases on 55 million Americans who smoke, forcing them to shoulder virtually the entire burden of funding healthcare reform, despite the fact that smokers already pay \$13 billion more in taxes each year than do non-smokers. This simply isn't fair, and the Administration knows it.

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