

## Why President Clinton's Cigarette Tax Plan Is Unfair to America's Smokers

You'll have many opportunities in 1994 to convince others that a massive increase in the cigarette tax is a bad idea. You can write to your members of Congress, send letters to the editor of your local newspapers, maybe even call and visit your elected officials in person. When you do, here are some of the points you might want to make.

### Smokers Alone Can't Pay for Health-Care Reforms

- Over the next seven years, the Clinton administration says it will spend \$431 billion on its health-care plan. Cigarette taxes account for a whopping \$105 billion of the total. The rest of the money will come from cuts in Medicare and Medicaid, other federal health-care programs, and new "contributions" from businesses. These make up a huge hidden tax that all Americans will wind up paying.
- For a number of reasons, cigarette tax revenue is likely to fall below the administration's forecast.
  - The tax will drive up inflation — and cost-of-living adjustments for federal pension programs.
  - It will drive up unemployment — meaning the government will lose income tax revenue and will pay more for unemployment benefits.

- And it will cause a drop in cigarette sales — meaning there will be fewer smokers to pay the tax.

In a statement to the House Ways & Means Committee on November 18th, University of Georgia economist Dwight R. Lee said these factors will reduce net cigarette tax revenue to half of what the administration expects. Who'll make up the difference? All Americans will wind up paying more.

### Cigarette Taxes Are Bad for the Economy

- A cigarette tax increase will raise unemployment. According to estimates based on a Price Waterhouse analysis, a 75-cent cigarette tax increase will wipe out 274,000 American jobs in tobacco farming, manufacturing and sales; and in businesses that depend on spending by the tobacco industry. And, according to *Newsweek*, the demands the Clinton program places on small business will cost America an additional 500,000 jobs.
- State governments will feel the loss. President Clinton's tobacco tax will drive down cigarette sales. When that happens, state governments will see their cigarette tax revenue shrink. State governments use this revenue for everything from meals for senior citizens to roads and schools. Programs will have to be cut — or other taxes will have to be raised.

#### **Can Government Be Trusted with Health Care?**

- The administration's plan will lead to an explosion of new bureaucracies — as many as 60 at the federal level and hundreds more at the state level. Americans count on the health-care system to operate quickly and effectively — and to be there when they need it. Reforms are needed. But is a maze of government-run bureaucracies really the best answer?

#### **Cigarette Taxes Won't Reduce Youth Smoking**

- Many anti-smokers support higher cigarette taxes to discourage minors from buying cigarettes. California increased its cigarette tax for this purpose in 1988. Four years later, officials conceded that the tax had "little effect" on youth smoking, and that their rate of smoking appeared to be virtually unchanged.
- The tobacco industry does not condone tobacco sales to minors. The industry supports enforcement of minimum-age laws and sponsors programs to help retailers comply with such laws.

#### **A Massive Cigarette Tax Will Lead to an Increase in Crime**

- Canada has proved that excessive cigarette taxes increase crime. With taxes there averaging about \$3.50 a pack, a "black market" in cigarettes has developed. This billion-dollar market is supplied through smuggling along the U.S. border, robbery and theft. With America's long and vulnerable border with Mexico, the same thing will likely happen here if the president's tax plan passes.

#### **Apply Cost-Savings to Health Care Reform**

- As part of its "Reinventing Government" program, the Clinton administration identified \$100 billion in savings. Why not apply those savings to the health-care program — instead of imposing a cigarette tax that will cost a quarter-million people their jobs?

#### **Target Waste in the Health-Care System**

- A study by the Economic Policy Institute reports that the Clinton plan will produce \$72 billion in health-care savings in the fifth year of the program. Yet, according to First Lady Hillary Rodham Clinton, the health-care system wastes \$200 billion a year. The government shouldn't ask taxpayers for another dime until the problem of waste is solved.

#### **Cigarette Taxes Are Simply Unfair**

- Smokers didn't cause the problems in the health-care system. It's unfair to single out smokers for higher taxes to fix it.
- According to the Congressional Budget Office, the excise tax rate paid by low-income families is nine times higher than the rate paid by wealthy Americans. Excise taxes, like those on cigarettes, are the wrong taxes to raise.
- With extreme cigarette taxes, the government is trying to regulate personal behavior. Today it's smoking. But what will they want to regulate tomorrow? Weight? Cholesterol levels? Leisure activities? It's time to stop taxing away Americans' personal freedoms!