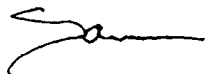


March 20, 1986

MEMORANDUM

VIA ELECTRONIC MAIL

TO: The Members of The Executive Committee
FROM: Samuel D. Chilcote Jr. 
RE: Packwood Tax Reform Proposals

On March 19 the Senate Finance Committee began consideration of the Packwood tax reform proposals. At this session most of the Committee members expressed general comments on the proposals.

The excise tax provisions drew critical comment from several members including Pryor, Mitchell, Bradley, Moynihan, Wallop, Armstrong and Danforth. Four members called for hearings on these provisions.

Only Packwood expressed support for the excise tax provisions saying they would discourage consumption and pay for the parts of the package favorable to capital formation.

Sixteen members signed a letter saying they would not go to conference with the House on a bill until the House agrees to defer changes in the tax code to January 1, 1987 instead of allowing them to take effect in 1986 as provided in the bill passed by the House last December.

In view of the widespread support for hearings on the excise tax provisions, we are preparing for this eventuality.

A mark-up schedule for next week was agreed to with agricultural provisions for Monday, natural resources and ACRS for Tuesday, and accounting issues for Wednesday.

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SAMUEL D. CHILCOTE, JR.
President

VIA FEDERAL EXPRESS

March 25, 1986

MEMORANDUM

TO: Members of the Executive Committee
FROM: Samuel D. Chilcote, Jr. *Sam*
RE: Senate Tax Reform Bill

This is the second report on Institute activities regarding the Packwood proposals to index certain federal excise rates and eliminate deductibility of all excises as business expenses.

Please note that we deem it most important for member company executives to present their views on these proposals directly to senior officials at the White House and Treasury Department, and to members of the Senate Finance Committee and senators from tobacco states.

Senate Finance Committee

Legislative consultants in the states represented on the committee, and in Washington, have made major progress in contacting committee members to protest the excise provisions. State consultants are providing me with daily telephone reports. Their contacts will increase in the states after the beginning of the Senate's Easter recess later this week.

The committee is meeting this week on Packwood's proposals on agricultural and natural resource taxation, accelerated cost recovery and accounting. On April 8, after the recess, it will meet daily, taking up trusts and estates, pensions and tax-exempt financing. These meetings are likely to continue through most of May, with excise provisions discussed toward the end.

Eleven of the committee members have asked Chairman Packwood for hearings on his excise proposals: Durenberger, Symms, Wallop, Roth, Grassley, Armstrong, Mitchell, Pryor, Boren, Baucus and Matsunaga.

Sentiment is running against the excise plans as a way to offset revenues lost through tax reform, but there is likely to be much more support for these provisions, or something like them, for deficit reduction. We are fully aware that we cannot afford to lessen our activities on this issue.

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Coalitions

Targeted Industries: We have attended two tactical meetings hosted by the American Truckers Assn., and two points have emerged: The all-industry group has focused its efforts against the deductibility proposal, and in many cases chief executive officers are making personal visits to finance committee members. At another meeting this week, Institute representatives will seek broader alliances on the indexing proposal. Meanwhile, we feel it is essential for tobacco company executives to contact members of the committee.

Citizens for Tax Justice: Its opinion poll on the excise issues has been completed. We are advised the results are highly favorable to our position. CTJ is planning a public announcement.

Institute for Research on the Economics of Taxation: Norman Ture, director, yesterday delivered to all finance committee members a sharp critique of the Packwood plans. He leads with and documents a statement that the Packwood tariff and excise proposals "would intensify the seriously adverse economic effects of these taxes...would impair productivity, cost jobs and income, and waste our economic resources."

It should be noted that CTJ and IREC present attacks from the political left and right, respectively.

Blacks: Opportunities Industrialization Centers of America, chaired by Rev. Leon H. Sullivan (two Institute members are members of it) has written Sen. Packwood to protest his deductibility plan as "creating a chain reaction that will hit the poor and lower middle income citizens harder than anyone else."

Hispanics: League of United Latin American Citizens has written Sen. Packwood to protest "increasing the already excessive federal excise taxes."

Economic Consultants

Each of our university consultants in finance committee member states has accepted our assignment to submit op-ed articles to major newspapers. Six have reported doing so; their deadline is today, and we expect to have copies of all of them next week.

We have commissioned deSeve Associates to compare the Packwood excise increases and low-income tax deductions. We expect to have the report this week. Preliminary data indicate that the two provisions would be a "wash", or no tax relief, for lower income groups.

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SAMUEL D. CHILCOTE, JR.
President

April 2, 1986

PERSONAL AND CONFIDENTIAL

MEMORANDUM

TO: EXECUTIVE COMMITTEE
FROM: SAMUEL D. CHILCOTE, JR. *Sam*
SUBJECT: PACKWOOD TAX REFORM ACTIVITY

This is our third report to you. As promised earlier, it highlights the media activity that is under way, most of it encouraged by The Institute, to educate the public about the Oregon Senator's proposal and the groups that are emerging as an opposing constituency. Relevant documentation is enclosed.

Labor:

- o U.S. trade unions have taken a strong position against the entire package in a letter from the AFL-CIO Executive Council signed by its president, Lane Kirkland. (Copy enclosed.)
- o Citizens for Tax Justice (CTJ), a labor tax policy group, sounded public opinion on the issue via a survey by Vic Fingerhut Associates. The very favorable results show voters overwhelmingly reject excise increases and would be inclined to vote against Congressmen who support them. (Press kit enclosed -- see especially the 77 percent response to question !!.)

The news was released today by CTJ at a press conference in Washington, D.C. Media attendance was encouraging and good press is expected. In addition, the news release was distributed to 800 media outlets throughout the nation and 700 labor newspapers of AFL-CIO affiliated unions.

- o CTJ has advised us it will publish a 3/4 page advertisement in next Tuesday's Washington Post. Timed for the return of Congress and markup session of the Senate Finance Committee, the ad will hit hard at

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