

STATE TAX PLANS
1990

October 2, 1989

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MEMORANDUM

October 2, 1989

TO: W.E. Ainsworth, Jr., Esq.
James R. Cherry, Esq.
Mr. John H. Hager
Mr. Edward D. Kratovil

Mr. Donald E. Mott
Mr. Roger L. Mozingo
Mr. John R. Nelson, Jr.

FROM: Kurt L. Malmgren 
RE: 1990 Priority State Tax Plans

In our preliminary 1990 legislative forecast, we identified 29 states where significant tobacco excise challenges are anticipated next year. Attached are outlines of our plans to deal with the tax issue in 22 of these predicted priority states.

As with most early planning documents, however, our preliminary forecast is subject to change. For example, a plan for Louisiana has been added. Since tax concerns in Indiana, Kansas, New Hampshire (OTP tax only) and West Virginia have dropped to a lower priority, plans have not been included for them. Tax plans for Alabama and Hawaii may be found in our "1990 Pro-Active Legislative Targets" booklet.

Of the priority states, we draw your particular attention to 12 which may present critical threats:

| | |
|---------------|------------|
| Arizona | Missouri |
| Florida | New Jersey |
| Louisiana | New York |
| Massachusetts | Ohio |
| Michigan | Vermont |
| Minnesota | Wisconsin |

Tax action in on-going 1989 legislative sessions may affect plans for 1990. Where further action is anticipated this fall, those possibilities are incorporated in the outlines.

Earmarking proposals also may influence 1990 tax battles. For example, President Bush's campaign against the illegal drug problem has already prompted some state leaders to suggest "sin tax" increases to finance state drug programs. As you know, the state of Washington raised its cigarette and alcoholic beverage excises this year to fund a major drug enforcement package. We are monitoring such earmarking proposals carefully and will prepare accordingly.

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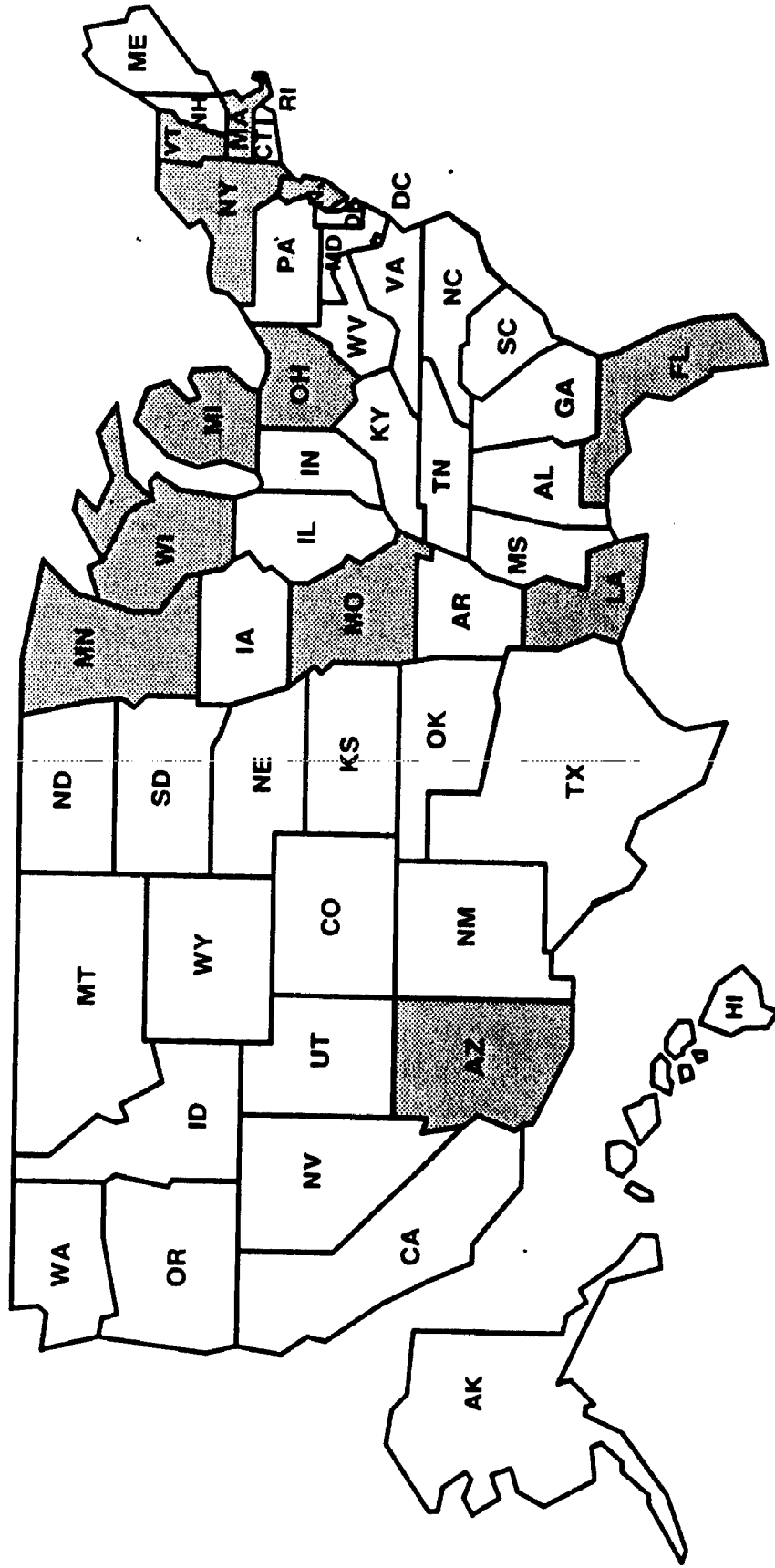
It is essential that the industry approach this important issue in a unified, coordinated manner. The Tobacco Institute will continue to serve the industry as the leader in each state legislative battle. These plans will be revised as events warrant, and you or your representatives will be included in strategy discussions.

KLM:sc

Attachments

cc: Mr. Samuel D. Chilcote, Jr.
Mr. Charles H. Powers
Ms. Susan M. Stuntz
Stanley L. Temko, Esq.

1990 Critical Tax States



☐ Priority 1
 ☐ Priority 2
 ☐ Priority 3
 ☐ No Session

CONFIDENTIAL

STATE TAX PLANS - 1990

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STATE TAX PLAN

ALASKA

OBJECTIVE

In the face of continuing economic difficulties, ensure the state's cigarette excise tax rate is not increased.

BACKGROUND

Severe fiscal pressures made a tough excise tax fight even more difficult in this distant state. In the end, lawmakers backed away from a 19-cent per pack increase, but adopted a 13-cent increase in 1989.

GENERAL STRATEGY

The industry took the correct course in fighting this tax in 1989. However, resources must be fine-tuned, and given a home-state look if we are to be successful in 1990 and beyond. The Exxon oil spill has made "outside" groups and "big corporations" even more suspect in a state wary of the lower 48. Therefore, the industry must direct events while maintaining a relatively low profile.

Events this fall on the Anchorage initiative will be studied carefully. Lessons learned will be applied at the state level. We will build on the base of allied support developed for Anchorage for state tax battles in 1990 and beyond.

We are developing a target list of key legislators for more extensive constituent contact in 1990. Because Alaska's legislature makes drastic changes in organization each biennium, this targeting will have to be monitored closely; and we must be adept at focusing on the key members.

The Institute is exploring improved relationships with Governor Cowper, a native North Carolinian. Efforts will continue to ensure that he is aware of the effects of cigarette excise taxes on his home state.

RESOURCE NEEDS

In Alaska, the messenger can be as important as the message. The Institute, through headquarters assistance, is examining the possibility of identifying an Alaskan economist to present economic arguments. Institute staff and consultants will continue to develop the economic messages.

During 1989, assistance from tobacco wholesalers was limited. Geographic distances make it difficult to create a solid grassroots effort among wholesalers. Therefore, Chuck Hord of the Washington State Tobacco & Candy Distributors is working to develop a tri-state association of wholesalers to include Washington, Oregon and Alaska. Such an umbrella organization will improve our grassroots capabilities.

The Institute also will build on solid Alaska vendor contacts developed during the past few years.

While the state's retailers are not organized, Institute efforts to reach retailers during the Anchorage initiative gives us a good base upon which to expand for state work in 1990.

Alaska has a statewide system of legislative offices which are used to send "Public Opinion Messages" (POMs). We plan to brief member company grassroots experts on this system so that we can mobilize "smoker lists" more effectively.

OBJECTIVE

Defeat tax increase proposals as they relate to state budget activities. If it becomes necessary, alternative measures have been planned to limit the size of proposed increases.

BACKGROUND

We anticipate two special legislative sessions to be called in late 1989, focusing on state revenue increases.

A special session on prison and drug enforcement funding was held September 20-22. Although tobacco taxes were discussed as a possible funding source, the session closed without introduction of excise increases.

A committee of key legislators and business leaders, called Fiscal 2000, is currently preparing a tax study with recommendations for the Legislature. The governor is expected to call a second special session on revenue and taxation for late October or November.

It is certain there will be at least one major bill calling for a 15-cent state cigarette tax increase (Representative Killian). However, based on strategy used with the Fiscal 2000 members, their recommendations should take into account the large volume of non-state-taxed cigarette sales on Indian reservations. While we don't expect the committee to address the Indian problem directly, members have been educated to realize higher state taxes could trigger a revenue decline through increased bootlegging.

Fiscal 2000 Committee discussion has emphasized neighboring state tax increases which in the past two years have driven Arizona's 15-cent tax rate down to 37th in the country. The feeling among many legislators is to bring Arizona up to the national state average of about 21 cents, a 6-cent state increase.

GENERAL STRATEGY

It has long been our strategy in Arizona to focus on the Indian reservation sales problem. With numerous reservation smoke shops just minutes from downtown population centers of Phoenix, Scottsdale and Tucson, most legislators understand enough economics to know additional state tax increases will greatly increase reservation sales. For years we have been charting this and our information is very good.

STRATEGY OUTLINE

- I. Continue Working with Fiscal 2000 Group.
 - A. Emphasis on revenue spending decrease vs. revenue increases.
 - B. Emphasis on Indian Sales as lost state revenue and regressivity factors.

- C. "Best Possible" Fiscal 2000 recommendation will probably be 5-8 cent tax increase that would achieve "parity" with other states. Worst case would include an index to price or inflation.

II. Attack Specific Tax Proposals.

- A. Allied coalition work to oppose tax increases.
 - 1. Possible third party sponsorship of public opinion poll on tax increase.
 - 2. On-going campaign with 7-11/Southland Corp./Circle K allies and encourage them to meet with legislators and the governor.
- B. Impact of reservation cigarette sales.
 - 1. Additional information to legislators depicting increased Indian sales vs. higher state tax.
 - 2. Introduce legislation designed to tax reservation sales.
 - a. Jeff Hill (Sen. Majority Whip) to sponsor, Indians would collect and pay tax with rebate back to Indians.
 - 3. Contingency move to tie tax increase bill to Indian sales bill, i.e., one won't work without the other.
 - a. State could realize an additional \$8-10 million with such a maneuver. (Note: This is a strategic move only, an Indian bill is not at all likely to pass.)

RESOURCES NEEDED

I. Utilization of Company/Industry Resources.

- A. The Institute's legislative counsel is leading efforts to create the best possible industry lobby team to work strengths with legislators, coalition members.
 - 1. Meeting set for September with company lobbyists/staff.
 - a. T.I. Regional V.P. to set meeting, establish agenda, present strategy, discuss individual roles.
 - b. T.I. Lobbyist Ernie Hoffman to take lobby point, support work from R.J.R. lobbyist Rich Scheffel and P.M.'s John Mangum.
- B. Other Industry resources needed.
 - 1. Statistics/tax information to be provided by The Institute's economic staff.
 - 2. Possible one-on-one meetings between economic/tax experts and key legislators.
 - 3. Industry member assistance from retained lobbyists/affiliated companies which also may be targeted for tax increases.

4. Help from industry through TAN/TAC reps and perhaps member company "smokers" lists.

II. Utilization of Outside Resources.

- A. Work with established allies-coalitions/create new coalitions.
 1. Proposal to join Arizona ALEC Chapter, future sponsorship activity.
 2. Request active support from AZ Candy & Tobacco Assn.; AZ Automatic Merchandisers Assn.
- B. Utilize grass-roots groups. Arguments will be developed to utilize the following for the most effective legislature contacts.
 1. RJR scheduling series of grass-roots meetings in Arizona.
 2. Smokers Rights Alliance based in Mesa, majority of members in Arizona. SRA talents will be used in meetings and at hearings if necessary.

III. Additional Activity Under Review.

- A. Media Education: Anti-tobacco politicians and journalists tend to move like Siamese twins joined at the brain when cigarette tax issues surface. A delicate surgical procedure could accomplish a separation or coax them to move in unison in another direction.

We will attempt to schedule appropriate meetings with editorial boards of the major dailies (there are few) and with editorial directors of TV and radio stations in an attempt to explain the true social and economic impacts of tobacco tax increases. These social and economic impacts fall disproportionately on minorities - not on the poor, but minorities, which has an entirely different connotation.

- B. Community Activation: In advance of meetings with the media we will attempt to activate as many civil rights groups as possible, including the N.A.A.C.P., the Urban League, and Hispanic organizations. We met with considerable success in California using this approach on A.B. 2288, a smoker-discrimination bill. As an Urban League representative noted, "Minorities get a double whammy" under current and proposed law. They not only pay a disproportionate share of new taxes, but also significant numbers of minorities are excluded from employment in communities that have ordinances or policies preventing smokers from being hired. Most metropolitan areas have minority television shows, usually on Sunday mornings. The impact on minorities of tobacco taxes and prohibition ordinances would be good material for these shows. Excluded from this effort would be the Indians, who would stand to gain by new tobacco tax increases at the state level.
- C. Research and White Paper: We will prepare a white paper demonstrating the impacts of tax increases and prohibition ordinances/policies on minorities. Most of the data already exists. TI headquarters will draft this document.
- D. National Media Effort: With TI headquarters, work to interest national columnist to discuss the subject of economic and job discrimination. Thomas Sowell and Walter Williams are among those we intend to screen during this process. Both of these black columnists are well-known within the minority community. An article by a national columnist would be an excellent addendum to the white paper and would help motivate the minority groups.

STATE TAX PLAN

COLORADO

OBJECTIVE

To persuade Colorado's legislative leadership that legislation to increase the state's cigarette tax rate should not be a part of any plan to improve the state's fiscal position, and thereby preempt the introduction of such legislation. Failing in this, to defeat any legislative bill proposing an increase in taxes on tobacco products.

BACKGROUND

That legislation to increase Colorado's tobacco tax rates will be introduced in 1990 is a virtual certainty. The bill's primary sponsor is not at all certain. During the 1989 legislative session several legislators either introduced tax-related measures, informally discussed the need for tax hikes, or acknowledged that some taxes (including those on tobacco products) would soon have to be increased. In 1990 it is likely that legislation proposing several tax increases in the same bill will be filed, and probably sponsored by a member of the Republican majority leadership. Such a bill will probably propose a cigarette tax hike of 10 cents to 15 cents per pack.

The most obvious special consideration relating to tax increase legislation in Colorado is the initiative petition currently in circulation to raise the state's cigarette tax by 25 cents per pack and impose comparable increases on the taxes of other tobacco products. This petition, which must be qualified by December 7, 1989, would appear on the November 1990, general election ballot.

If this ballot issue has not qualified when the legislature convenes in January, legislators may be even more inclined to increase tobacco taxes in a spirit of opportunism. However, if the initiative petition is successful, legislators could be more easily convinced that tobacco taxes will soon be a very unproductive source of revenue for the state. The actual impact of this situation is difficult to predict; but, there is no question that it will somehow influence the outcome of tobacco tax legislation.

Despite several legislative attempts to improve the state's fiscal health, Colorado remains in desperate need of new revenues. Prison overcrowding, highway deterioration, and several other serious problems requiring massive funds simply must be addressed. In circumstances such as these, tobacco and other tax increases will receive serious consideration in the legislature.

GENERAL STRATEGY

The tobacco industry's lobbying corps, led by TI legislative counsel Hays & Wilson, maintain regular contact with the legislative leadership and participate in informal discussions about action on tax measures in the next session. Key legislators are frequently reminded of the arguments against excise taxes; and, if a situation arises where additional revenue must be generated, it should come from broad-based, progressive tax sources.

If an omnibus tax package is filed, all possible efforts will be made to maintain a solid lobbying coalition with all other industries potentially affected. The groundwork for such a coalition is being laid in a number of ways, perhaps most notably through TI participation in Colorado CART.

Intensive direct and grassroots lobbying against a tax increase will be led by TI's legislative counsel. If the distasteful scenario of an inevitable tax increase should materialize, all available resources will be marshalled to minimize the amount of the increase.

RESOURCE NEEDS

Extensive use will be made of the TI economic issues staff in terms of bill analyses, one-on-one meetings with key legislators, and testimony before legislative committees. Other economists identified by The Institute will supplement this work in addition to preparing op-ed pieces for placement in important Colorado newspapers. These activities will take place early in the legislative year, probably before March 1st.

Statements of opposition to bills increasing any excise taxes will be sought from Colorado CART and their members. Specifically, we are targeting Coors Brewing, Anheuser Busch, Colorado Farm Bureau, Colorado Restaurant Association, the Distilled Spirits Council, and several representatives of the oil and gas industry.

Early in the legislative session, and as determined by legislative counsel, certain key legislators will be targeted for heavy grassroots contact from voters in their respective districts. Later in the session, it is probable that these types of contacts will be requested for Governor Roy Romer and all legislators. This grassroots effort will be generated primarily from TAN and member-company activist lists compiled in Colorado.

STATE TAX PLAN

FLORIDA

OBJECTIVE

To defeat continued efforts to pass additional excise taxes on cigarettes to fund indigent care systems in the state of Florida.

BACKGROUND

Anti-tobacco and indigent care advocates joined forces during the 1989 session to attempt to pass an additional excise tax on cigarettes to provide dedicated funding for indigent care. That legislation was defeated through industry efforts led by The Institute.

Legislators face a deficit in the coming year of approximately \$1.2 billion. As a result, we expect another tax increase proposal of 10 - 15 cents in 1990. Representative T. K. Wetherell, Chairman of the House Appropriations Committee and Speaker-Designate, has stated, however, that there will be no new taxes on beer or cigarettes.

Currently, persons representing the indigent care community are working to persuade the Florida Chamber of Commerce to support their efforts. Anti-tobacco sentiment remains strong in the State Senate, and without the proper execution of plans, it cannot be overcome.

GENERAL STRATEGY

Our best hope of defeating this legislation is to maintain the continued anti-tax commitment of Representative Wetherell and other legislative leaders. The current Speaker, Tom Gustafson, is weak, and will buckle under pressure from special interest groups. The current President of the Senate, Bob Crawford, is committed to indigent care. Senator Gwen Margolis, Chairman of Senate Appropriations (and expected to be the next Senate President), is generally opposed to taxes such as this, but her position must be confirmed. TI staff are to meet with her in September.

In addition to retaining the commitment of leadership and key legislators, the industry must work to diffuse the opposition's efforts and maintain the Governor's pledge of no new taxes. There will be bills filed, and it will be necessary for us to oppose those bills, possibly using back-up counsel and the assistance of our member companies in a letter writing campaign. At this time it is not possible to establish a time frame for the use of a letter writing campaign. The timing will depend solely on the introduction of a proposed tax.

Our best avenue is to join with other concerned industry representatives, such as Anheuser-Busch, to employ a local economist to analyze the current budget and communicate to leadership possible sources of new dollars from within existing revenues.

Based on our estimates, we suspect that there is in excess of \$500 million in waste to be found which can be diverted to more worthwhile state projects. However, in order to be effective, this project must be undertaken immediately. After January 1, 1990, staffs of both Appropriations Committee and the Governor's office will begin to prepare budget proposals and submit them to the interim committees.

In order for our analysis to be used, it must reach leadership prior to the beginning of this process. Another use for this analysis is to show possible alternative sources of income for our foes. Two alternatives are the removal of the exemption on sales taxes on soft drinks and a four-percent increase in the corporate income tax.

Research is needed into reports that as many as 80 percent of the state's businesses provide no health care insurance for their employees. This can be used to deflect the claim that smokers should pay a larger portion of health care costs. It could also be effective in the event the Chamber of Commerce chooses to oppose us, showing that employers are not properly providing for their employees.

RESOURCE NEEDS

- o Immediate analysis of current state budget by local economist, in conjunction with The Institute economic staff.
- o Develop grassroots mail program focusing on specific legislators' home districts using company lists, TAN, etc.
- o Materials for use in the state legislature on the inequity of the tax issue and showing increased instances of bootlegging, etc., with tax increases. The Institute's economic staff will prepare this document.
- o Develop resources for testimony by local smokers, tobacco distributors and retail merchants.
- o Back-up counsel to strengthen coalition effort and relationships with ethnic caucuses.
- o Use media relations unit to show regressiveness of excise taxes on cigarettes, playing especially on south Florida. Group might also be used to distribute findings of the study on businesses failing to provide health care insurance if necessary.

STATE TAX PLAN

IDAHO

OBJECTIVE

Ensure that the state's tobacco excise tax rate is not increased.

BACKGROUND

While the state enjoys a budget surplus, there are valid reasons to keep careful watch in Idaho and be prepared to trigger a full-blown tax program.

There are two main reasons for this approach: (1) the state's influential Mormon population and (2) Idaho's relatively low tax rate (18 cents) as compared with some neighboring states; i.e., Washington (34 cents), Oregon (28 cents), Nevada (35 cents), Utah (23 cents).

GENERAL STRATEGY

Should a serious tax situation come to light in Idaho, The Institute is prepared to lead industry lobbying efforts and put our allies and other resources to the test.

RESOURCE NEEDS

Solid support from allies is essential for success in Idaho.

Tobacco wholesalers assist as directed. The Institute is working to cement an even closer relationship with important individual wholesalers.

The vendors, while unorganized, are being approached on an individual basis to ensure support from that segment.

While retailers are organized and retain legislative counsel, they have been reluctant allies in some previous battles. The Institute -- with the assistance of member company sales representatives -- is working to identify key individual retailers for any tax fight.

The state's powerful Association of Commerce & Industry is supportive, but like many such groups, moves slowly through its bureaucracy on legislative matters such as excises. The Institute, a member of the Association, will continue to push for more support and may recommend more substantial member company involvement with the IACI.

Due to Institute contacts, Idaho's labor movement is becoming more and more interested in tobacco tax and indoor air quality issues. We will continue to work with this small, but perhaps pivotal, group.

STATE TAX PLAN

ILLINOIS

OBJECTIVE

- o Stop attempts by the Governor and others to increase the cigarette excise tax by 8-cents in 1989 veto session or during the 1990 session.

BACKGROUND

- o In his 1989 State-of-the-State and Budget addresses, Governor Thompson proposed an 18-cent per pack tax on cigarettes. The industry beat the tax time and again, but the Governor and his allies were successful in imposing a 10-cent increase during the final regular session hours on June 30. Dedication of funds to Chicago-area interests was key to his success.
- o Since then, the Governor has publicly stated his desire for another 8-cents per pack during the 1989 veto session. This session takes place on the following days: October 4, 17-19, 31; November 1-2.
- o Financially, the state is sound, with a \$2.4 billion surplus. Politically, the Governor announced that he will not seek reelection. These factors will be important to our success in Illinois.

GENERAL STRATEGY

- o Under the leadership of TI regional staff and legislative representatives, meetings and conference calls continue to be held on a regular basis to update the industry's members and allies on the legislative situation. The industry's lobbying strength is instrumental to our efforts and will be supported by several resources, delivered at the appropriate times.
- o In addition to Institute and member-company legislative representatives, tobacco industry Labor Management Committee consultants will continue to be employed to target key liberal/labor members of the legislature. Citizens for Tax Justice and a state CART also may be brought in as necessary and possible.
- o Direct lobbying of key leadership, including the Speaker, the President pro tem of the Senate and the Minority leaders in the House and Senate, is essential. Our allies, including the state Chamber of Commerce, elements of the labor community, and the state's distributors and retailers, are working with us in this effort. Tax fairness, cross border sales, the fact that the cigarette tax was just increased and the state's surplus, are among the points which are hammered home at every opportunity.
- o The crunch is expected in the fall of 1989. According to various Assembly rules, no new legislation may be considered during the 1990 session. The 1990 session is reserved, largely, for a review of appropriations and "special needs." Should we defeat the Governor's proposal during 1989, and should a new challenge arise during 1990, we are prepared to continue our efforts at that time as outlined here.
- o Plans and tactics for the remainder of 1989 and 1990 will be reviewed again formally during an October 3rd meeting of key industry lobbyists and leaders.

RESOURCE NEEDS

- o By the end of September, our updated economic impact paper will be shared appropriately with allies, lawmakers and perhaps elements within the media.
- o Should it become necessary, we will utilize The Institute's ability to conduct economic/"social cost" media tours in key markets in the state.
- o Before the veto session begins, Institute-identified, third-party economic experts will be deployed to discuss the ramifications of further tax increases with select lawmakers. This approach has borne fruit in past experiences. If necessary, The Institute's own economist will join in these visits. Third-party and Institute economic experts are also on call if needed for formal legislative testimony.
- o Before the veto session, we will have our allies make calls and write letters. If necessary, they will be asked to testify at appropriate hearings on tobacco taxes.
- o A TAN mailing is scheduled to go out shortly after our October 3rd meeting. Phone bank operations will be utilized to further strengthen our entire grassroots effort.
- o We also ask that R.J. Reynolds and Philip Morris activate their "smoker lists." The ideal time for such efforts is in the latter part of September. We ask that these efforts be targeted to all members of the legislature, including the leadership of both houses.
- o Similarly, we are exploring the feasibility of assistance from member-company suppliers and subsidiaries to augment our public-response campaign.

STATE TAX PLAN**IOWA****LEGISLATIVE ACTION**

September 26, 1989

STATE/LOCALITY:

Iowa

ISSUE:

Taxes

SUMMARY:

Anticipated legislation is likely to propose three-cent (or greater) increase in cigarette excise tax.

SPONSOR:

Not Known

COMMITTEE:

House/Senate Tax

LEGISLATIVE STATUS:

Anticipated 1990 legislative action.

INDUSTRY ACTION

September 26, 1989

Introduction of excise tax legislation in Iowa is likely simply because of the industry's outstanding success in sunsetting three cents of Iowa's excise tax in 1989.

RESOURCES NEEDED**YES/NO****DATE NEEDED****ECONOMIC ANALYSIS/FACTSHEET?****YES****1/1/90**

Region IV requests analysis of changes in cigarette sales since excise tax reduction on 7/1/89. Assuming that revenues have remained steady or increased slightly, such an analysis will be useful in several different ways including:

- . Measurement of sales along Illinois border. Illinois' 1989 increase eliminates excise tax differential.
- . Measurement of sales along border with Nebraska, South Dakota and Missouri. While there are no major population centers on Iowa's border with Missouri, there are numerous small towns. The differential between Missouri's and Iowa's cigarette excise taxes is the largest of any of Iowa's neighboring states. Nebraska and South Dakota have lower rates than Iowa and the significant medium-sized cities of Council Bluffs and Sioux City are communities in which persons cross borders frequently to work, shop, etc.
- . Measurement of sales in communities along Minnesota border. Minnesota's rate is 7 cents per pack higher than Iowa's current rate.

A complete tax analysis will enable TI counsel to make a more effective case with executive directors of potential trade association allies and provide a foundation for an open dispute with Department of Revenue tax yield predictions.

LEGAL MEMORANDUM?**NO**

ECONOMIC WITNESSES?**PROBABLE****When Needed**

It will be necessary for an economic expert to meet with individual legislators and, perhaps, to testify before committees. One potential argument that can be quietly used is the anticipated sales impact of looming federal excise tax increases. Economic experts can also aid in preparing allies for committee testimony on lobbying activities.

COALITION ALLIES?**YES****On-Going**

TI staff and legislative counsel will work with Iowa retailers, wholesalers and member company sales reps to demonstrate economic arguments against regressive excise taxation.

TI GRASSROOTS MOBILIZATION?**YES****When Needed**

At appropriate time, Region IV will mobilize a grassroots phonebank targeted at retailers statewide with a special emphasis on border areas. Past phone bank efforts in Iowa enable TI to mobilize approximately 1,000 pre-qualified convenience store, liquor store and tavern owner/managers.

COMPANY RESOURCES?**YES****When Needed**

Upon introduction, and/or progress of excise tax measure, Region IV will request participation in grassroots efforts by member company sales reps.

PUBLIC AFFAIRS/MEDIA RESOURCES?**YES****On-Going**

Des Moines, Iowa has been selected for a "test market" for the new anti-excise tax advertising; this could well assist our efforts on the state level.

In the next few weeks, I will be working with Iowa legislative counsel Chuck Wasker to identify and retain a labor consultant to assist the industry in defeating excise tax legislation at the state capitol by strengthening our regressivity arguments with organized labor.

ADDITIONAL NEEDS?**Not at this time**

STATE TAX PLAN

LOUISIANA

OBJECTIVE

To defeat efforts by the Governor to raise cigarette excise taxes in an effort to provide an additional revenue source for funding the Pennington Center at Louisiana State University.

BACKGROUND

The State of Louisiana continues to face massive budget deficits and the Governor is frantically searching for sources of new funds. He has been ineffective with the legislature thus far, but in recent weeks we have been told that his advisors are suggesting a new plan of attack. It is now possible that the Governor will attempt to pass, as a single shot, additional cigarette taxes in order to fund cancer and nutritional research at the Pennington Center of L.S.U. We continue to be skeptical of the Governor's ability to "get his act together," but feel we must be prepared for this possibility.

GENERAL STRATEGY

A coordinated industry lobbying effort -- led by The Institute's legislative representative -- is necessary to determine leadership's position on this issue and to obtain commitments to oppose additional tobacco taxes.

One possible way to blunt the Governor's attack on cigarettes is to persuade the food companies, owned by our members, to make standing grants to the Pennington Center for their work in cancer and nutritional research. This would remove some of the Governor's advantage in our fight.

RESOURCE NEEDS

In order to prepare for the eventuality of the Governor proposing a package of excise taxes on tobacco, liquor and gasoline, it is advisable to develop several resources.

- o Develop a paper for use with the legislature on tax issues, written preferably by a local economist, under the supervision of The Institute's economist.
- o Develop favorable op-ed pieces by our local economist where possible.
- o Build a coalition effort, working especially to garner the support of retail groups and tobacco wholesalers.
- o Develop grassroots mail program through wholesalers and company "smoker lists" to supplement direct personal contacts of coalition lobbyists, focusing on specific legislators' home districts. Grassroots mail program will only be used if we know positively that the Governor intends to introduce such legislation.
- o Persuade member companies to direct their food subsidiaries to make standing grants to the Pennington Center at L.S.U.
- o Develop resources for testimony, if needed, by local smokers, tobacco distributors and retail merchants.
- o Possible back-up counsel to strengthen our relationship with legislative leadership.

STATE TAX PLAN**MASSACHUSETTS****LEGISLATIVE ACTION**

September 26, 1989

STATE/LOCALITY:

Massachusetts

ISSUE:

Taxes

SUMMARY:

Anticipated legislation is likely to propose a \$.04 or greater increase in the cigarette excise tax.

SPONSOR:

Governor or governor's chosen sponsor. (Other increases are likely to be proposed by the anti-tobacco activists but these will not be seriously considered and will give way to the governor's or legislature's tax package.)

INTRO DATE:

Prefile or part of budget

COMMITTEE:

Joint Committee on Taxation

LEGISLATIVE STATUS:

Anticipated 1990 legislative action

INDUSTRY ACTION:

September 26, 1989

The industry's proposed activities will attempt to capitalize on our lobbying strength and the general anti-tax sentiment that is rampant in the Commonwealth. Existing situations that are likely to support our position include:

1. Multiple tax repeal initiatives certified for the 1990 ballot.
2. There continues to be a legislative scramble to prove that they can govern without new taxes or tax increases.
3. The continued media and public assault on new taxes or increases.
4. The continued lack of credibility or even presence by the governor and his staff at the legislature has all but eliminated his ability to exercise any legislative impact.
5. The majority party's fear of continuing to appear as big spenders and taxers during an election year.
6. Recent statements by all of the major candidates for governor that they will oppose new taxes and support budget cuts during 1990 -- '92. (Commonly known as "the pledge", it has been required political positioning in New Hampshire for many years. This is the first time in many years that it has appeared in Massachusetts.)

In addition to these conditions, there are added tobacco resources that may benefit the industry's state legislative program. These include selection of the state as one of the primary test sites for the industry's anti-tax advertising campaign. Radio and television ads are scheduled to be aired in Springfield, MA during the first quarter of 1990.

The industry's program must be designed to posture a cigarette excise tax increase as a "tax", not a "sin tax". The more able we are to convince legislators that a tax on cigarettes will result in the same public response as any other tax, the more likely we are to be successful.

The development of our program will call for the following general activities:

1. Identification and fortification of our position with our allies during the fourth quarter of 1989.
2. Utilization of our identified allies' resources particularly during the first and second quarters of 1990 -- the likely timeframe of the budget battle at the legislature.
3. Utilization of the resources of organized labor and our retail grocer allies will figure prominently in our efforts. Their access to large numbers of voters will increase our ability to pressure the legislature and governor.
4. Effective and timely use of the grassroots programs of our member companies will also help support our efforts to convince the legislature that even cigarette taxes are taxes of concern to the voters.
5. Coordinated use of the contract lobbyists of TI, its member companies and identified allies.

Our overall efforts are likely to be enhanced by the activities of Citizens for Limited Taxation regarding ballot initiatives (89-13 and 89-16) to repeal certain taxes increased by the legislature after 8/2/89 and before 1/1/91. If adopted, the initiatives would mandate a return of most taxes and administrative fees to the effective rate as of 8/2/89. The practical impact of this initiative process would be the repeal of any cigarette excise tax increase enacted by the legislature during the 1989 or 1990 session.

In spite of the natural inclination for the industry to be supportive of these initiatives, it would not be appropriate for either The Institute, its members or their subsidiaries to openly participate in this ballot process. The initiative process is perceived as an attack on the prerogatives of the Legislature to legislate. Our overt support for the ballot questions could erode our support at the Legislature. We will, however, monitor the process and ensure that our interests are preserved.

| RESOURCES NEEDED | YES/NO | DATE NEEDED |
|------------------------------|--------|-------------|
| ECONOMIC ANALYSIS/FACTSHEET? | YES | 1/1/90 |

There is a need to determine if the state has benefited from its decision not to increase cigarette taxes during 1989. If the state has benefited from cross-border sales, then there is a need to play this issue prominently. If there is no perceived benefit, then the economic analysis must focus on the potential erosion of current sales and further losses to other states, especially New Hampshire and Vermont.

This analysis needs to be more than boilerplate. It must assess benefit or damage to specific segments of the industry. It should focus some attention on the impact of cigarette and other excise tax increases on specific sections of the state, like the border regions. If there is reason to believe that there is an issue, the analysis should also address the "bottlelegging" issue and the potential for associated benefits for those involved in organized or casual street crime. It must also address the regressivity issue for use by allies with more credibility on this issue.

LEGAL MEMORANDUM?**NO****EXPERT WITNESSES?****YES****1st & 2nd Qtrs 1990**

Our economic analysis must be prepared by an organization with an unimpeachable reputation for integrity. The organization must be prepared to fully defend its findings and methodology to the legislature, the media and an array of economic experts from the other side. Witnesses could be presented as consultants for one of the affected retail organizations, if the analysis is well prepared and the allied group feels comfortable with the findings and the methodology. However, in the current tax-revolt climate this may not be necessary. Affiliation of any expert witness with or support from a local (liberal) economist would also be beneficial. Finally, the presence of Citizens for Tax Justice (David Wilhelm) in the state at the request of the SEIU or the Massachusetts AFL-CIO would be advisable.

COALITION ALLIES?**YES****On-Going**

The industry lacks local impact and credibility. The involvement of the following groups will overcome that deficiency:

1. Massachusetts Food Stores Association
2. Massachusetts Automatic Merchandising Council
3. New England Convenience Stores Association
4. New England Coin Machine Industry Council
5. New England Association of Tobacco and Candy Distributors
6. Massachusetts State Federation AFL-CIO
 - a. Food and Commercial Workers Union
 - b. SEIU
 - c. Bakery, Confectionery and Tobacco Workers Union
7. Citizens for Limited Taxation

Depending on the perceived seriousness of the tax threat and other legislative items on their agenda, these groups could provide access to their membership, the general public and credibility for any necessary media activities.

Their specific involvement could include direct lobbying, public testimony and one-on-one meetings by members with legislators and members of the media.

TI GRASSROOTS MOBILIZATION?**YES****Educational: 4th Qtr 1989
Action: 1st & 2nd Qtrs 1990**

Grassroots activities will be on three separate levels. These will include:

1. Allies and their members
2. Company grassroots programs
3. Direct public access

Both our allies' and our member companies' efforts will include educational efforts during the remainder of 1989. Requests for direct legislative action will be staggered among the potential supporters. There are likely to be two requests to each group -- one during the first quarter of 1990 and one during the latter part of the second quarter.

Direct access to the public will take the form of "point-of-sale" materials distributed by retailers and print advertising during the second quarter of 1990 if the tax threat is perceived as serious enough to warrant such action.

COMPANY RESOURCES?

YES

Planning: 4th Qtr 1989

Action: 1st & 2nd Qtrs 1990

It is essential that the TI and member company field staff fully coordinate the overall effort. This will include weekly sessions to coordinate the day-to-day information gathering and contact activities of the companies' lobbyists. As indicated, we will fully utilize our members' grassroots programs. In addition, occasional, pre-approved access to our members' sales force for distribution of materials to retailers or participation in public awareness campaigns during the 1st and 2nd quarters of 1990 will be essential.

PUBLIC AFFAIRS/MEDIA RESOURCES?

YES

1/1/90

Many of these have been identified on the above sections. The development of union, especially CTJ, resources in the state will help provide credibility to the effort. Coordination of the national tax advertising activities will also help us to derive maximum local benefit from this national program.

Identification of a local media consultant for possible retention by either TI or one of our allies would be helpful. This consultant could assist both TI and its affiliated allies with "Op-ed" articles and other media activities, including participation in radio "talk-shows".

ADDITIONAL NEEDS?

YES

1/1/90

The retention of a public relations and media relations counsel to help design and implement any media efforts integrated into the total program.

STATE TAX PLAN

MICHIGAN

OBJECTIVE

- o Ensure that taxes are not increased during the fall session and that any 1990 carryover tax legislation by Rep. Bryant (H4533, H4967) is defeated. To stop other attempts to increase tobacco taxes in 1990.

BACKGROUND

- o During the spring session, we were successful in containing tax increase proposals. President Bush's recent address on the drug problem, however, has caused some state leaders to suggest that state drug education and treatment needs could be funded by "sin taxes."
- o On September 7th, it was reported in the press that Governor Blanchard would "not rule out" an increase in taxes on cigarettes and alcohol to fund a stronger state assault on illegal drugs. However, Senate Majority Leader John Engler -- who is a candidate for governor in the 1990 race -- is not inclined to raise any taxes in an election year.
- o Nevertheless, the new attention to illicit drugs raises the stakes on tobacco taxes in Michigan. The danger is especially serious in the House.

GENERAL STRATEGY

- o Under the leadership of TI legislative counsel, direct lobbying efforts are being channeled to legislative leaders, including the Speaker and President pro tem of the Senate.
- o Regular meetings will result in an organized approach, with distribution of lobbying activities assigned to appropriate members of the team. In addition, we are reviewing the need for a labor consultant to improve relationships with members of the liberal and labor communities.
- o If tobacco taxes are considered, the most likely time for serious deliberations is this fall. The House reconvenes on September 20, and the Senate on September 27. With resource assistance to support our direct lobbying efforts, we are prepared to deal with the potential assault.

RESOURCE NEEDS

- o TI staff and consultants will prepare a detailed economic impact study on excise taxes. The study will be shared with appropriate lawmakers, allies and other groups. This will be accomplished through the following:
 - One-on-one sessions with lawmakers and third-party experts.
 - Meetings with business and labor allies encouraging them to distribute our information
 - Media tours on the social cost issue in conjunction with TI headquarters' staff, as necessary

- Experts witnesses at hearings as necessary
- Editorial board meetings with TI staff and economic consultants and key press elements
- Use of our economic findings as the basis for grassroots communications with various key public audiences
- o Through regular meetings with allies, a broad-based anti-excise tax coalition has been formed. Key members of the group include the State Chamber of Commerce, state distributors and vendors, and the Michigan Retail Grocers Association.
 - We are also encouraging the full participation of key members of the labor and minority communities to improve relationships with legislators representing those important groups.
- o If necessary, we are prepared to send appropriate messages to TAN and member company "smoker list" volunteers. The most likely time for such mailings would be this fall. We will use telephone banks to further improve responses. Targeted volunteers will be encouraged to call/write their lawmakers.
- o If it proves successful and appropriate, we may use results of The Institute's excise tax advertising campaign to help meet our needs in the state.

STATE TAX PLAN**MINNESOTA****LEGISLATIVE ACTION**

September 26, 1989

STATE/LOCALITY:

Minnesota

ISSUE:

Taxes

SUMMARY:

Anticipated legislation is likely to propose a two-cent (or greater) increase in cigarette excise tax.

SPONSOR:

Not Known

COMMITTEE:

House/Senate Tax

LEGISLATIVE STATUS:

Anticipated 1990 legislative session

INDUSTRY ACTION

September 26, 1989

Earlier this summer, the biggest concern facing the industry in Minnesota was that the Governor would include cigarette taxes in the taxation bill that is the subject of a special session that will begin on 9/27/89. Recently, the Governor's proposal for the special session has been released and cigarette taxes are not included.

Before the Governor's proposal was put together, we faced two dangers. One, an excise tax increase that would go to the state general fund to allow the state to pay for property tax incentives for business. Two, giving localities excise tax options to offset mandated property tax reforms.

One proposal has come from outside the legislature to raise cigarette excise taxes. Ramsey County Attorney Tom Foley called a press conference to outline his plan for increased taxes on cigarettes and alcohol to finance drug education, treatment and enforcement. Thus far, no legislator has stepped forward to introduce Mr. Foley's proposal. We will be watching this situation closely.

For the past two years, TI has hired additional counsel to lobby Senate Tax Committee Chair Doug Johnson (DFL-Cook). This program has been most helpful. On tax matters, Senator Johnson has been the industry's stopper. Over the summer, the House Taxation Committee Chair Dee Long (DFL-Minneapolis), was elected by her caucus to be the new majority leader. At this time, the probable replacement for Rep. Long is Wayne Simoneau (DFL-Fridley). The elevation of Rep. Simoneau has generated considerable optimism from our lobbyists at North State Advisers. If Simoneau is appointed as the new tax committee chair, our lobbyists' access and influence to leadership on tax matters will be much improved.

RESOURCES NEEDED**YES/NO****DATE NEEDED****ECONOMIC ANALYSIS/FACTSHEET?**

YES

1/1/90

Analysis of cigarette sales in counties adjoining other states that have lower excise taxes.

LEGAL MEMORANDUM?

NO

EXPERT WITNESSES?**PROBABLE****When Needed**

During the past two legislative sessions, legislative counsel at North State Advisers has become quite adept at arranging one on one encounters between legislators and expert witnesses on fire safe, vending, and smoking restriction issues. This method is viewed as more productive than regular committee hearing testimony. Additionally, economic experts can aid the industry's cause by briefing executive directors of association allies and by providing factual information for membership alerts.

COALITION ALLIES?**YES****On-Going**

The ongoing "Minnesota Plan" has enabled the industry to improve its capability with our traditional allies and expand our contacts with new allies. Allies in Minnesota that can be counted on in an excise tax fight are:

- . Minnesota Grocers Association
- . Minnesota Retail Merchants Association
- . Minnesota Licensed Beverage Association
- . Minnesota Association of Candy and Tobacco Distributors
- . Northwest Tobacco and Candy Distributors

One of the most useful tools we have at our disposal in the state of Minnesota is the Minnesota Grocers Association "Status of the Industry" survey. For the past two years, and again this year, this survey contains several questions about tobacco sales within the MGA membership. The survey sample is constructed so that data from stores within 30 miles of a state with a lower tax can be easily isolated. This cross-border sales data remains invaluable as an argument.

TI GRASSROOTS MOBILIZATION?**YES****When Needed**

As a result of constant anti-tobacco activity in the state of Minnesota, the Region IV office has at its disposal, several pre-qualified lists of merchants and retailers. Even though we cooperate with retail associations, we have the capability to go directly to the grassroots on "economic issues."

During the past few years, Region IV has built up a list of 3,000 Minnesota businesses that were successfully contacted on fire-safe and vending issues. These lists are broken out by house and senate districts and can be used for either committee or floor action.

COMPANY RESOURCES?**YES****When Needed**

Mobilization of sales force for grassroots contact and distribution of anti-tax materials to key accounts and other retailers.

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 traditionally oppose regressive modes of taxation. Also, reduced sales because of an excise tax increase mean fewer jobs for Teamster employees. We will request that Mr. Lane secure resolutions from Teamster and AFL-CIO locals expressing opposition to regressive means of taxation. Mr. Lane lobbies directly for Teamster interests in St. Paul and has access and influence with a broad range of state legislators.

50766 0459

During the 1989 legislative session the Citizens for Tax Justice, with assistance from the tobacco industry, held a press conference at the state capitol to present their critique of Minnesota's tax system. Overall, the CTJ rated Minnesota's tax system as "better than average." The CTJ press conference did not generate wide press coverage. However, we have established CTJ's credibility within Minnesota. Consideration should be given to utilizing CTJ in excise tax battles.

ADDITIONAL NEEDS?

Not at this time

OBJECTIVE

To generate pressure on members of the General Assembly from industry and grassroots resources so that any legislation to increase tobacco taxes will be rejected.

BACKGROUND

As he did in the last legislative year, Governor John Ashcroft will lead the drive for an increased cigarette tax in Missouri during 1990. He will have no difficulty in finding Democrats in the legislature to sponsor a tax hike bill and, in fact, may have the support of Senate President pro tem James Mathewson. Additional tax increase support can be expected to come from legislators who are generally "anti-tobacco," and others who view cigarette taxes as the least-costly political solution for increased revenue.

The fact that Missouri's cigarette tax has not been increased since 1982, and the fact that, at 13 cents per pack, its rate is among the lowest in the country, will make the defeat of a tax increase difficult. It must also be noted that Missouri has no OTP tax.

The battle against higher tobacco taxes in Missouri has become politically difficult because of Governor Ashcroft's actions. Ashcroft, who is a religious fundamentalist, adamantly sought such a tax increase in the 1989 legislative session, and has continued to seek support since adjournment. He has, unfortunately, made progress toward his goal with several members of the legislature's Democratic majority including, as noted before, Senator James Mathewson, the President pro tem of the Senate.

Absolutely essential to any hope of defeating a tax increase in 1990 will be the continued support of House Speaker Bob Griffin. In the last session of the Missouri legislature, Griffin held steadfastly to his position of no tax increases. The considerable influence held by both Griffin and the Governor will be the determining factors in 1990.

GENERAL STRATEGY

Obviously, strategies employed to defeat a tax increase proposal will vary according to what programs the bill is intended to fund, whether other tax increases are included in the bill, and the states' fiscal position when the legislature convenes. But, in any case, TI and other industry lobbyists will meet this autumn to assess tobacco's strength on the revenue-related legislative committees. If sufficient pressure can be brought to bear on these groups, a tax bill can be stalled, amended in ways undesirable to its sponsors, or simply defeated.

Lacking success with these committees, attention will be focused on intense direct lobbying of all legislators and activating all available grassroots resources.

RESOURCE NEEDS

Immediately after cigarette tax legislation is pre-filed in early December, TI economic issues staff will perform an in-depth analysis of the bill(s), detailing economic impact and regressivity considerations. This information will be shared with all key legislators in one-on-one meetings with industry lobbyists and, in some cases, an economist working with the Institute.

Also quickly following bill introduction, TI staff and industry lobbyists will meet with the leadership of groups that are or should be opposed to tobacco tax increases, and garner their support of the industry's position. These groups will include the State Labor Council AFL-CIO, Missouri tobacco wholesalers and vendors organizations, Missouri Council for Burley Tobacco, Missouri CART, Missouri Public Expenditure Survey, and the state Chamber of Commerce.

Soon after the legislature convenes, at a point determined by TI legislative counsel, letters to the editors of important newspapers will be generated from economists and industry activists. This activity will be supplemented by home-district contact with key legislators by tobacco industry activists. At important points in the legislation's progress but again as determined by legislative counsel, TAN and member-company activist lists will be utilized to generate mail and telephone contacts with legislators.

STATE TAX PLAN**NEBRASKA****LEGISLATIVE ACTION**

September 26, 1989

STATE/LOCALITY:

Nebraska

ISSUE:

Taxes

SUMMARY:

Anticipated legislation is likely to propose three cents (or greater) cigarette excise tax increase.

SPONSOR:

Not Known

COMMITTEE:

Revenue

LEGISLATIVE STATUS:

Anticipated 1990 legislative session.

INDUSTRY ACTION

September 26, 1989

Our success in defeating excise tax proposals the past two years resulted, in part, from the state's large budget surplus. However, recent court rulings on property tax equalization for railroads and pipeline companies have put the state in a condition of near panic. Essentially, the court rulings will result in large decreases in property tax collections for local units of government across the state. Estimates of the total losses vary, but Governor Kay Orr feels that the amount of revenue lost to local governments equals the amount of the state budget surplus. If these predictions are correct, then Nebraska is without a budget surplus for the first time in the past few years. No specific proposals for excise taxes have surfaced as yet.

Nebraska's unique unicameral legislature reduces the number of legislative contacts that have to be made for a successful effort. Conversely, with only 49 senators, efforts to block legislation can be difficult if an issue has momentum. TI's two lobbyists and the R.J. Reynolds' lobbyist share an effective working relationship and have worked closely together during past sessions.

RESOURCES NEEDED**YES/NO****DATE NEEDED****ECONOMIC ANALYSIS/FACTSHEET?**

YES

1/1/90

Regressivity impact analysis based on Nebraska median income.

To the industry's advantage, TI legislative counsel Bill Peters, a former Nebraska tax commissioner, is capable of analyzing the state budget independently of revenue department forecasts. In the past, Mr. Peters has been able to convince legislators that his revenue projections are more realistic than official predictions. When necessary, Mr. Peters publishes his revenue estimates and makes them available to senators for direct comparison with the State Revenue Department's forecasts.

LEGAL MEMORANDUM?

NO

50766 0463

EXPERT WITNESSES?

Possible

When Needed

Mr. Peters' aforementioned expertise on revenue matters may negate the need for economic witnesses; however, outside experts may be useful in briefing allies and friendly legislators.

COALITION ALLIES?

YES

On-Going

TI staff and legislative counsel will work with the Nebraska Licensed Beverage Dealers, the Nebraska Lodging Association and member company sales representatives to demonstrate economic arguments against regressive excise taxation.

TI GRASSROOTS MOBILIZATION?

YES

When Needed

Region IV has approximately 600 pre-qualified retailers throughout the state at its disposal from past phone banking efforts on excise taxes and sampling bans. If a serious tax fight develops in Nebraska, this list will be expanded.

COMPANY RESOURCES?

YES

On-Going

Upon introduction and/or progress of excise tax measure, Region IV will request participation in grassroots efforts by member company sales reps.

PUBLIC AFFAIRS/MEDIA RESOURCES?

NO

ADDITIONAL NEEDS?

Not at this time

STATE TAX PLAN

NEW JERSEY

LEGISLATIVE ACTION

September 26, 1989

STATE/LOCALITY:

New Jersey

ISSUE:

Taxes

SUMMARY:

Likely increase of cigarette excise tax. (If the opportunity presents itself, the industry may attempt to repeal the current excise tax surtax which went into effect in 1984.)

SPONSOR:

Governor or legislative leadership

COMMITTEE:

Joint Committee on Taxation

LEGISLATIVE STATUS:

Anticipated late 1989 or 1990 legislative action

INDUSTRY ACTION

September 26, 1989

This year the entire Assembly and Governorship is up for election. There exists the possibility that the political make-up of the state may change to Democratic leadership in the Assembly and the Governors Office. This would complement the already Democratic Senate.

The budget, which was adopted on June 30, 1989, by all estimates, does not realistically meet the spending needs of the state. The FY 1989-1990 budget was predicated on double-digit increases from both sales taxes and corporate taxes. Those projections fell far short of expectations; sales tax revenue rose only about 6% and the corporate business tax increased less than 2%, much of that shortfall probably resulted from Federal tax changes which were difficult to predict. Mid-July projections by the Treasury Department point to a real stagnation of revenue from both sources.

There are several scenarios that could develop regarding the budget:

1. budget considerations could take place before the November 1989 elections;
2. budget considerations could take place after the November elections; or,
3. the Legislature could decide not to deal with this issue and force the incoming governor to deal with it immediately upon his inauguration in 1990. It is a known fact that Governor Kean is not adverse to placing a tax on tobacco and alcohol before he leaves office.

The strategy for the 1990 tax plan is identical to the ongoing strategy for this year. TI staff and counsel will work in conjunction with member companies to update and restructure the New Jersey Plan, which was developed prior to the June budget deadline. The Tobacco Institute will coordinate a meeting with member companies to assess the current tax situation which will be followed up by meetings with coalition members to direct their activities.

Our strategy in dealing with the repeal of the excise tax surtax requires introduction of special legislation and selection of a key sponsor for introduction. Meetings must be held with legislative leadership to determine the feasibility of this effort including the timing.

50766 0465

RESOURCES NEEDED**YES/NO****DATE NEEDED****ECONOMIC ANALYSIS/FACTSHEET?****YES**

Complete report from Price Waterhouse which estimates the effects of cross-border activity in New Jersey. This report will focus on:

1. The general effect of cross-border activity between nearby states;
2. The border effect of cross-border activity occurring at selected counties along the border;
3. Estimates made about the type of losses that can be expected to occur at retail stores.

LEGAL MEMORANDUM?**NO****EXPERT WITNESSES?****YES****1st & 2nd Qtr 1990**

During the FY 1989-1990 budget negotiations, New Jersey CART was formed and proved to be an all-encompassing vehicle to present our message of no new taxes. Currently, members of New Jersey CART consist of Philip Morris, Miller Brewing, New Jersey Licensed Beverage Association, and the Southland Corporation.

When the Price Waterhouse report is completed, this organization will utilize the report and make it available to legislators and the general public. To supplement CART's activities, an economist from a leading university will be secured to testify on behalf of CART members, preferably from the convenience stores association.

COALITION ALLIES?**YES****On-Going**

TI will coordinate a meeting with member companies and respective counsel to assess the current tax and political situation in New Jersey.

New Jersey CART will continue to be viewed as the primary coalition. TI state counsel, TI personnel, and member company personnel and counsel will direct the overall strategy of New Jersey CART. It is important to expand the membership base of CART. During the last quarter of 1989, this office, with the assistance of member company personnel, will expand CART's membership. The potential new members are:

New Jersey State Chamber of Commerce
New Jersey National Federation of Independent Business
New Jersey Business and Industry Association

During its annual convention this month, the Tobacco Distributors Association of New Jersey was educated as to the tax situation and members were asked for their active participation in fighting any excise tax. The association has agreed to assist in actively fighting any excise tax increase.

Special attention must be given to securing the labor community's involvement and support for this issue. It is important that meetings will be arranged with key components of the state's labor community to involve them in the process. The thrust of the labor argument is that the excise tax increases:

- * will reduce jobs
- * are regressive in nature
- * single out the labor community to absorb an unfair tax burden

TI GRASSROOTS MOBILIZATION?

YES

4th Qtr 1989

This office will develop a comprehensive direct mail campaign to all TAN volunteers. Member companies will complement this direct mail campaign by activating their own smokers' rights groups through their newsletters and correspondence. "Point-of-sale" materials and bag stuffers will be used to complement this effort with the general public.

COMPANY RESOURCES?

YES

To Be Determined

Member companies will be requested to participate in direct mail programs. This campaign will encompass "point-of-sale" materials, bag stuffers, and will be reinforced by member company sales forces. In addition, member companies will undertake a direct mail campaign aimed at targeted legislators. Moreover, RJR Smokers' Rights groups will be alerted to any excise tax increase and asked to contact their state representatives.

PUBLIC AFFAIRS/MEDIA RESOURCES?

YES

To Be Determined

Public Affairs will work with this office in developing an op-ed, and, perhaps an advertising campaign which will use New Jersey CART as the vehicle for distribution.

ADDITIONAL NEEDS?

YES

To Be Determined

There are two additional requests:

1. Implement a targeted phone bank focusing on cross-border activity in conjunction with the convenience stores.
2. Develop a plan to secure labor involvement in any excise tax campaign.

This will be done through the Public Affairs Division and will require a retained labor consultant/lobbyist.

OBJECTIVE

To maintain the support of legislative leadership for the industry's position of rejecting all tobacco tax increases. The secondary objective is to generate opposition to any tax increase bill among legislators and cause its defeat.

BACKGROUND

New Mexico's economic picture, while beginning to show some signs of reversing the downward trend, is still sluggish. The 1990 session of the New Mexico Legislature will be a 30-day session dealing only with fiscal matters, items from the last session vetoed by the Governor and other items included at the discretion of the Governor. In all likelihood, we will see two types of cigarette tax bills: (1) a tax increase of as much as 10 cents per pack, perhaps included with a rise in other excise taxes, with the proceeds directed towards relieving some underfunded basic state programs or the general revenue fund; and, (2) a punitive tax on tobacco with the proceeds directed toward "cancer research" or other health maintenance programs.

The biggest problem the industry faces in New Mexico is the continuation of stagnant economy. Energy, mining and tourism continue to lag in New Mexico. As a result some tax increases are probably inevitable. The key will be to make sure tobacco is not one of those chosen. Every effort will be made to keep tobacco out of any omnibus tax proposal. Success in this area will make defeat of a tobacco tax easier.

Another problem could be New Mexico's lower tobacco tax rate compared to its neighbors. New Mexico's current rate is 15 cents per pack while Utah is 23 cents, Colorado 20 cents, Oklahoma 23 cents, Texas 26 cents, with only Arizona at the same rate of 15 cents per pack.

GENERAL STRATEGY

The tobacco industry's point man in New Mexico is TI lobbyist Bob Barberousse. Initial planning meetings have been held with Bob, and others are planned for mid-November and continuing until the new year.

Barberousse has entered into discussions with House Speaker Ray Sanchez and Senate Majority Leader Manny Aragon to ascertain whether or not the leadership in either House plans to introduce a tax bill in which we would be included. Meetings will also be held with members of the Governor's staff to determine what tax increases they may propose.

At this point all efforts are directed towards derailing any talk of a tobacco tax increase being proposed by either the Administration or Democratic leadership.

Barberousse will also maintain close contact with other industry lobbyists. They will be included in all strategy and planning sessions and be given assignments as appropriate.

RESOURCE NEEDS

TI headquarters support staff and their consultants in D.C. will be our primary source of detailed economic information on any proposed tobacco tax increase. They will be asked to prepare a detailed economic study of the consequences of any proposed tax increases. We may also employ the services of TI's retained economist, Allen Parkman at the University of New Mexico in Albuquerque.

Once this information is forthcoming, Professor Parkman or TI's economist will be asked to attend a strategy session with TI field personnel and industry lobbyists. Both will be used in one-on-one meetings with key legislators and as committee witnesses.

Other resources to be called upon will be: The New Mexico Retailers Association; State Chamber of Commerce; New Mexico Wholesalers and Vendors Association; New Mexico Retail Grocers Association and other industries that may be included in any omnibus tax bill. In each case, these groups will be called upon for assistance in direct and grassroots lobbying efforts.

Once tobacco tax bills have been identified and legislative counsel deems it appropriate, member companies will be asked to begin grassroots contact through their mailing lists. The TAN organization will also be activated at this point. These activists will be asked to write letters, make phone calls and if possible visit their locally-elected state officials.

TI counsel will also determine whether a TI sponsored media tour would be productive. If tobacco tax legislation can be identified prior to the legislative session, a media tour may be conducted in the home town of tax increase proponents.

STATE TAX PLAN**NEW YORK****LEGISLATIVE ACTION**

September 26, 1989

STATE/LOCALITY:

New York

ISSUE:

Taxes

SUMMARY:

Anticipated legislation is likely to propose a 7-cent to 13-cent tax increase in the cigarette excise tax

SPONSOR:

Governor's Budget Bill

INTRO DATE:

Part of budget package

COMMITTEE:

Joint Committee on Taxation

LEGISLATIVE STATUS:

Anticipated 1990 legislative action

INDUSTRY ACTION

September 26, 1989

In 1989, New York State increased its excise tax on cigarettes by 12 cents and instituted a new tax of 15% on other tobacco products. The last time a tax increase was instituted in this state was in 1983.

FY 1989-1990's budget was the most severe budget situation since the mid-1970's. Revenues were off by a substantial amount while the spending of state government continued to increase. Depending upon the source, the budget deficit totaled anywhere from \$1.9 to \$2.6 billion.

Projections for the FY 1990-1991 budget point to the likelihood of continued shortfalls in state revenues for the next several years. The Governor's budget director has acknowledged that the state will have little margin for error over the next several years. And, just recently, Governor Cuomo has hinted to the media that he may favor delaying the scheduled cut in the personal income tax in order to not lose that revenue.

With the uncertainty of next year's budget, there exists the threat that tobacco products may again be targeted for a tax increase. It is critical that strategies be developed to prevent an additional tax increase next year.

During September, TI staff and counsel will begin discussions with the Governor's Office, legislative leadership, key legislators and staff members of appropriate fiscal committees to determine the fiscal situation in New York State. At these meetings, the Price Waterhouse report, which analyzes cross-border activity, will be utilized.

RESOURCES NEEDED**YES/NO****DATE NEEDED****ECONOMIC ANALYSIS/FACTSHEET?****YES****To Be Determined**

See Additional Needs regarding Price Waterhouse report. TI state counsel has begun conversations with Senate leadership regarding an update to the Donati Report, a 1976 study by the New York State Tax and Finance Department on cross-border sales. Due to the fact it may be difficult to have the Cuomo Administration undertake this update, it is our intention to have the Senate request an update from the Administration.

If the Administration is not interested in updating this report, it is our plan to have the Senate conduct their own investigation. State counsel is in contact with Senator Tarky Lombardi, Chairman of the Senate Finance Committee, and Senator Roy Goodman, Chairman of the Senate Investigations, Tax and Government Operations Committee, discussing this strategy.

LEGAL MEMORANDUM?

NO

EXPERT WITNESSES?

YES

Under the auspices of one of our coalition members -- preferably the convenience stores association or a specific retailer (the Southland Corporation) -- a consultant will conduct several meetings with key fiscal personnel in the Governor's Office and Legislature. To supplement this activity, TI state counsel and TI economist will conduct meetings with key legislators to reinforce the points made in the Price Waterhouse report.

COALITION ALLIES?

YES

On-Going

A direct mail campaign and phone banks will be generated with the following organizations:

Licensed Beverage Association
New York State Restaurant Association
New York State Beer Wholesalers Association
Coalition of Licensed Beverage Industry
United Restaurant, Hotel and Tavern Association
New York State Convenience Stores Association
New York State Automatic Vending Association
New York State Association of Tobacco and Candy Distributors

Meetings will be held with coalition members to update them on the situation and encourage their involvement in opposing any tax increase consideration by the legislature. Also, new coalition members will be identified and contacted.

This campaign will also be supplemented by utilization of "point of sale" materials and bag stuffers to generate grassroots support. During the 1989 budget debate, Southland Corporation distributed bag stuffers urging individuals to contact their local legislators. This effort will be expanded to targeted legislative districts throughout the state.

Special attention must be given to securing the labor community's involvement and support in this issue. It is important that meetings be arranged with key components of the state's labor community to involve them in the process. The thrust of the labor argument is that excise tax increases:

- * will reduce jobs
- * are regressive in nature
- * single out the labor community to absorb an unfair tax burden

In addition, we will work closely with Citizens for Tax Justice to create broad concern with regressive taxation. The same strategy can be used working with New York CART.

TI GRASSROOTS MOBILIZATION?**YES****Planning 4th Qtr
Implementation wk of 1/15/90**

A grassroots mail program will be developed, complementing the member companies' mailings, which will focus on -- possibly -- a "we remember" theme. These mailings will be sent to the entire legislature stating that smokers shouldered an unfair tax burden in 1989 and reminding the legislature of the enormous burden placed on the industry in 1989. Phone banks will also be necessary throughout the state to various groups.

COMPANY RESOURCES?**YES****Planning 4th Qtr
Implementation wk of 1/15/90**

The most critical part of a New York plan is the well-coordinated direct lobbying effort. Legislative counsel from TI, member companies and major coalition groups must work closely together in this effort.

A TAN grassroots mail program should complement member companies' mailings. In addition, RJR, during their Smokers' Rights meetings, should emphasize direct contact with local legislators.

This office and member company personnel will work closely in developing "point of sale" and bag stuffer materials which will be distributed by member company sales forces to distributors and other distribution outlets.

PUBLIC AFFAIRS/MEDIA RESOURCES?**YES****To Be Determined**

Public Affairs will work with this office in developing an op-ed, and perhaps an advertising campaign utilizing New York CART as the vehicle for distribution.

ADDITIONAL NEEDS?**YES****9/22/89**

Prepare a report from Price Waterhouse which estimates the effects of cross-border activity in New York State. This report will focus on:

1. The general effect of the cross-border activity between nearby states;
2. The border effect of cross-border activity occurring at selected counties along the border; and,
3. Estimates made about the type of losses that can be expected to occur at retail stores.

This office will develop a targeted phone bank list focusing on cross-border activity with the convenience stores.

OBJECTIVE

- o To stop attempts to increase the cigarette excise tax rate by Rep. Thompson and other anti-tobacco/tax proponents.

BACKGROUND

- o Rep. Ike Thompson's proposal (H289) would increase the cigarette excise tax by an unspecified amount to fund tobacco "research." The bill can carry over from 1989 to 1990, but would ordinarily be considered a very long shot for further consideration.
- o While the state projects a billion-dollar surplus and the budget is set through 1990, 1989 events in Ohio make it imperative that the industry keep a close watch and be prepared to address serious tax increase maneuvers.

GENERAL STRATEGY

- o Under the direction of The Institute's legislative representatives, industry lobbyists remain in frequent contact with the leadership and other key members of the legislature to ensure that tobacco tax issues receive limited or no attention in 1990. Industry meetings are held regularly, as are sessions with key lawmakers, to bolster our legislative allies.
- o The Institute, through the industry's Labor-Management Committee, will employ the services of a labor consultant to improve our contacts with the liberal/labor elements in the legislature.
- o In the event of a serious tax challenge, be prepared to augment our direct lobbying efforts with assistance from allies and a range of resources.

RESOURCE NEEDS

- o Based on an economic impact study developed by The Institute and its consultants, we will be prepared to share the information with lawmakers and other audiences as necessary. This is best accomplished through one-on-one meetings between our legislative counsel and economic experts and lawmakers.
 - We also are prepared to base hearing testimony on the document and have the information delivered by either third-party or Institute economic experts.
 - If necessary, this study also will be shared with members of the media and allies, and used as the basis of communications with industry and other potential grassroots audiences.
- o Allies are being kept apprised of the tax situation and are prepared to write letters, testify, call lawmakers, and call on their own legislative representatives as directed by The Institute's legislative counsel. Key allies include leaders and members of the Retailers Association, Ohio Tobacco & Candy Distributors, the Retail Grocers Association and the Ohio Farm Bureau. The state's substantial tobacco farming community also has been kept apprised of the tax situation and is prepared to assist should the need arise.

- o TAN and member company "smoker lists" also will be deployed as necessary to target appropriate legislative audiences with telephone calls and letters. Phone bank capabilities to bolster this operation are in place should such a tactic become necessary.

OBJECTIVE

To convince legislators that higher tobacco taxes should not be a part of any plan to improve the state's finances, and that the Governor's bond proposals should not be funded by tobacco tax hikes.

BACKGROUND

The primary proponent of cigarette tax increases in Oklahoma during the past three years has been Governor Henry Bellmon. There is no reason to expect that the 1990 legislative session will be any different.

Bellmon, a Republican, has had little success to date in convincing the Democratic legislative majority to go along with his cigarette tax plans, partly because of the adversarial relationship that exists on virtually all issues. However, in 1990 Bellmon will be aided by other officials in the Administration who are expected to present some rather impressive arguments in favor of a tobacco tax hike in the range of 8 cents to 10 cents per pack.

Like so many other states whose economies have depended on the oil and gas industry, Oklahoma continues to experience serious economic problems. As a result, some tax increases may be approved. If an omnibus "package" of tax hikes is filed, and a tobacco tax increase is part of the package, the measure may be very difficult to defeat because of the state's economic necessities.

A second problem exists because of Governor Bellmon's political tactics. The cigarette tax increases he has proposed in the past have usually been to fund bonds for certain capital projects dear to Bellmon. It is entirely possible (even likely) that the Governor will propose such projects in the districts of key legislative leaders in order to garner their support of his plan.

Finally, reference must be made to the "shake up" which took place this year in the House leadership. Steve Lewis' surprise and unscheduled takeover of the Speaker's office has undoubtedly left many hurt feelings among House members. If this develops into a situation where an uncooperative and vindictive atmosphere prevails, all legislation will be difficult to control.

GENERAL STRATEGY

The tobacco industry has an outstanding lobbying corps in Oklahoma, led by TI legislative counsel Ken Nance. This group will continue its practice of gleaning advance information as to the exact nature of the Governor's tobacco tax proposals, and persuading key legislative leaders that the plans are unsound. Prompt analyses of tax bills by the TI economic issues staff is vital to this strategy.

The new House Speaker, Representative Steve Lewis who ousted Speaker Jim Barker in a power move last year, will play an important role in the resolution of the cigarette tax issue. As the Governor's precise intentions are determined, Lewis will be urged to delay referral of the bill to committee, and later refer it to a committee which will view it with a very critical eye.

RESOURCE NEEDS

Extensive use will be made of analyses and critiques of tax legislation prepared by the TI economic issues staff. In addition, that staff and/or outside, third-party economists may be used to provide expert testimony at committee hearings and talk with key legislators in one-on-one meetings.

If a Bellmon tax bill begins to move through the legislature, it is likely that a large number of grassroots contacts will be made with legislators. The bulk of mail generated in this phase will come from activists on TAN and member-company mailing lists. At especially critical times, phone bank operations using these lists will be activated.

Inasmuch as several members of the news media in Oklahoma have criticized Bellmon's economic policies in the past, a media tour with TI economists might be productive during the 1990 legislative session. This project, if determined to be advisable by legislative counsel, would of course be carefully coordinated through The Institute.

STATE TAX PLAN**PENNSYLVANIA****LEGISLATIVE ACTION**

September 26, 1989

STATE/LOCALITY:

Pennsylvania

ISSUE:

Taxes

SUMMARY:

Cigarette Excise Tax Increase

SPONSOR:

Governor or governor's chosen sponsor

INTRO DATE:

Prefile or part of budget

COMMITTEE:

Joint Committee on Taxation

LEGISLATIVE STATUS:

Anticipated 1990 legislative action

INDUSTRY ACTION

September 26, 1989

The situation in Pennsylvania is different than the other Region II states because it has a budget surplus. There is no need to look at tobacco to help balance its general revenue fund; however, additional monies may be sought for new spending programs, such as the volunteer fire grant program.

The threat of excise tax increases in Pennsylvania focus on two situations:

- * The first deals with border states that have increased their excise tax on both cigarettes and other tobacco products. This demonstrates to state fiscal and budget personnel that increases are viable and they could still remain competitive with surrounding states.
- * Secondly, there has been an increase in legislative proposals earmarking revenues generated from excise taxes in the past several years. Although Pennsylvania has a budget surplus, this earmarking approach ultimately reduces the general fund requiring additional revenues to be secured.

It should be noted that the excise tax on cigarettes was last raised in 1970 -- from 13-cents to 18-cents.

A meeting is scheduled for October 4th to discuss the tax situation with TI counsel, staff and member company representatives and counsel. Following the outcome of this meeting, a more concise understanding of the fiscal situation and required resources will be determined. TI and member company counsel will continue direct lobbying with key leadership and fiscal personnel in Harrisburg.

RESOURCES NEEDED**YES/NO****DATE NEEDED****ECONOMIC ANALYSIS/FACTSHEET?****YES****February 1990**

This analysis should focus on the current budget, as well as its surplus. Moreover, the analysis should document that Pennsylvania, with one of the lowest excise taxes in the region, is impacted greatly by cross-border sales. This analysis will be supplemented by the Price Waterhouse study on New York.

LEGAL MEMORANDUM?**NO****EXPERT WITNESSES?****YES****1st & 2nd Qtr 1990**

TI staff economist should schedule one-on-one meetings with key legislators and fiscal staff. Regressivity and the threat of job loss should be the primary arguments since tobacco plays a large part in Pennsylvania's agricultural economy.

COALITION ALLIES?**YES****On-Going**

A coalition must be formed that will include a variety of organizations. Coalition members should include:

- Pennsylvania State Chamber of Commerce
- National Federation of Independent Businesses
- Pennsylvania Association of Tobacco and Candy Distributors
- Pennsylvania Licensed Beverage Association
- Pennsylvania Beer Wholesalers Association
- Convenience Stores Association
- Pennsylvania Food Merchants Association
- Pennsylvania AFL-CIO and various locals

In the fourth quarter of 1989, a meeting will be scheduled in Harrisburg to solicit the above-mentioned groups' involvement in forming a coalition. A coalition name and spokesperson will be determined at the meeting. A major objective for the formation of this coalition will be to get these organizations to educate their members about the potential threat of new taxes in Pennsylvania and request their involvement.

As always, labor involvement on excise tax issues is important. The Pennsylvania Association of Tobacco and Candy Distributors have developed a long standing relationship with the labor community. The association will be asked to secure labor commitment and involvement in fighting any excise tax increases.

TI GRASSROOTS MOBILIZATION?**YES****January 1990**

A TI mailing to TAN volunteers will be undertaken in the fourth quarter of 1989 to educate them on the tax situation and urge them to contact their legislators. Subsequent mailings will occur after the first of the year in conjunction with the newly-formed coalition. In addition, direct mail and phone banks to coalition members will probably occur.

COMPANY RESOURCES?**YES****On-Going**

TI staff and counsel, in conjunction with member company staff and counsel, are to develop the strategy for the new coalition. The member companies will develop and implement both direct mail and "point-of-sale" materials. Smokers' Rights meetings held during the fourth quarter of 1989 should alert attendees of the possible tax situation.

PUBLIC AFFAIRS/MEDIA RESOURCES?**YES****1st Qtr 1990**

Once the coalition has been formed and a spokesperson identified, Public Affairs will be requested to develop appropriate media materials. The excise tax test marketing presently being conducted in Wilkes-Barre will give an indication of the general public's views on this subject. Favorable views will be shared with appropriate legislators and key staff.

ADDITIONAL NEEDS?**Not at this time**

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STATE TAX PLAN**SOUTH DAKOTA****LEGISLATIVE ACTION**

September 26, 1989

STATE/LOCALITY:

South Dakota

ISSUE:

Taxes

SUMMARY:

Anticipated legislation is likely to propose a five cent (or greater) increase in the cigarette excise tax. Separate legislation may propose up to 25% OTP tax.

SPONSOR:

Not Known

COMMITTEE:

Senate/House Tax

LEGISLATIVE STATUS:

Anticipated 1990 legislative action.

INDUSTRY ACTION

September 26, 1989

The governor has appointed a blue ribbon panel to study tax alternatives in order to lighten the load from South Dakota's local property tax system. One of the alternatives that this blue ribbon panel is exploring is local excise tax options. Realistically, this proposal will probably not fly. The blue ribbon panel met September 13-14, 1989 in Aberdeen, South Dakota. The industry was represented by George Valentine from TI and Bill Dougherty from Philip Morris.

The secondary danger we face in South Dakota this year comes from "the usual suspects." Several anti-tobacco legislators introduce a variety of bills every year that are routinely defeated. In 1990, it would be most unusual if an excise tax increase was enacted because the 1989 session of the legislature froze taxes collected at the state level for two years. It appears right now that cigarette and OTP tax bills will be introduced but that the freeze will hold. In light of the current tax freeze, it is almost certain that any legislative proposals dealing with excise taxes will not come from leadership. The industry lobbyists can then use their extensive access to leadership to derail taxation efforts by less influential members of the legislature.

The industries' lobbying team, including TI, Philip Morris, R. J. Reynolds and Smokeless Tobacco Council is diversified, capable and effective. In the past, the lobbyists in South Dakota have compiled an enviable record with minimum support in the way of witnesses and outside resources. In fact, outside experts are often counter-productive in Pierre's small town atmosphere.

RESOURCES NEEDED

YES/NO

DATE NEEDED

ECONOMIC ANALYSIS/FACTSHEET?

NO

LEGAL MEMORANDUM?

NO

EXPERT WITNESSES?

NO

COALITION ALLIES?

YES

On-Going

TI staff and legislative counsel will work with South Dakota Retailers Association, South Dakota Innkeepers Association, and the South Dakota Licensed Beverage Dealers Association to demonstrate economic arguments against regressive excise taxation. Industry lobbyists and Region IV staff maintain a friendly and mutually beneficial relationship with the executive directors of these associations. In the case of a membership mobilization by our allies, financial assistance may be required.

TI GRASSROOTS MOBILIZATION?

NO

COMPANY RESOURCES?

YES

On-Going

Direct lobbying.

PUBLIC AFFAIRS/MEDIA RESOURCES?

NO

ADDITIONAL NEEDS?

Not at this time

STATE TAX PLAN**VERMONT****LEGISLATIVE ACTION**

September 26, 1989

STATE/LOCALITY:

Vermont

ISSUE:

Taxes

SUMMARY:

Likely increase of cigarette excise tax of \$.04 or greater

SPONSOR:

Likely to be Governor or governor's chosen sponsor (other tax increases may be offered by anti-tobacco activists, but these will give way to the governor's bill)

INTRO DATE:

Prefile or part of the budget

COMMITTEE:

House Ways and Means

LEGISLATIVE STATUS:

Anticipated 1990 legislative action

INDUSTRY ACTION:

September 26, 1989

The industry finds itself in an interesting position as it prepares for the 1990 legislative season. Part of our argument to defeat the proposed increases in 1989 was the anticipation of increased revenues from cross-border sales as a result of tax increases in Connecticut, New York and New Hampshire. Those benefits have been realized but not to the degree assumed nor have they been as readily apparent during the second and third quarter of 1989 as we would have liked.

If the effect of tax increases in Vermont's border states continues to be "soft", the basis for our program will be to convince lawmakers that they should avoid erosion of current sales positions relative to surrounding states. Depending on the state's fiscal status, we will also employ the "tax is a tax is a tax..." approach. However, our effort will focus primarily on steady constituent pressure on the members of the legislature. Key to this effort is the support of the wholesalers, retailers and retail grocers. The addition of the State Chamber of Commerce would be an added, but not anticipated, bonus.

Since Vermont is a true citizens' legislature, the effects of grassroots activities can be very important. If we are able to mount a credible grassroots effort to support our lobbying effort, it is possible that we will prevail. However, the tradition of Vermont maintaining a tax level consistent with that of New Hampshire may be more than we can withstand.

RESOURCES NEEDED**YES/NO****DATE NEEDED****ECONOMIC ANALYSIS/FACTSHEET?****YES****1/15/90**

The economic analysis required will include the impact of recent tax increases of neighboring Connecticut, New Hampshire and New York, if this impact analysis appears to further tobacco interests as expected. However, if the impact analysis does not support our argument, then an economic analysis demonstrating the effect of a tax increase on resident and out-of-state consumer buying patterns will be necessary. This latter analysis should go beyond a narrow focus on tobacco to address the effect on products other than tobacco.

LEGAL MEMORANDUM?

NO

EXPERT WITNESSES?

YES

Late January

Economic testimony would be most beneficial, if available, from an in-state affiliate of the national organization retained to develop the economic impact study. Alternatively, testimony from credible sources outside the state, preferably testifying on behalf of other organizations would be an acceptable, (but less preferable) way to present our economic arguments. The other organizations who can present such witnesses include the Vermont Retail Association, the New England Candy & Tobacco Distributors, and the Vermont Retail Grocers, each of whom has excellent relations with the TI regional office.

COALITION ALLIES?

YES

January 1990

All of the above listed organizations will be critical players in this plan. These in-state players include:

- New England Association of Tobacco & Candy Distributors
- Vermont Retail Grocers Association
- Vermont Retail Merchants Association
- Vermont State Chamber of Commerce

All are close allies and will be alerted at their annual conventions in September and October. Follow-up work by these organizations will include mailings to memberships, alerts as to public hearings, post card mail-in campaigns, etc.

It maybe possible to utilize Citizens for Tax Justice to have an impact on organized labor in the state. However, with 25,000 members, labor is not perceived as a big player in the Vermont Legislature.

TI GRASSROOTS MOBILIZATION?

YES

December 1989

The industry's grassroots mobilization will occur in three waves. First, mobilize RJR and PM grassroots mailing list beginning in December 1989 with a basic alert about the upcoming legislation. These activists then need encouragement to launch a mail campaign January through March 1990. Second, our coalition allies' members need the same encouragement beginning in early February. Third, the general public needs mobilization beginning in late February by means of flyers, grocery bag stuffers, and stand-up counter displays in retail stores.

COMPANY RESOURCES?

YES

January 1990

This effort could require the availability of company sales staff for distribution of the materials mentioned above beginning in late January to retail stores. The companies' computer-based grassroots programs, as developed by their consultants, will be an essential part of the effort in December of 1989 and the first and Second Quarters of 1990. As with all of our legislative efforts, coordination of the contract lobbyists is essential. Access to the member companies' contract lobbyists in the state for strategy and activity review meetings is essential to the effort.

PUBLIC AFFAIRS/MEDIA RESOURCES?

YES

Jan-Feb 1990

Depending on the perceived seriousness of the tax, it is possible that full and half-page print media advertising will be utilized in this effort under the auspices of the Vermont Retail Grocers Association. Consultation will be necessary on placement and design, and a local Vermont consultant may be required although Ogilvy and Mather will be our first preference.

ADDITIONAL NEEDS?

NO

STATE TAX PLAN

WISCONSIN

LEGISLATIVE ACTION

September 27, 1989

STATE/LOCALITY:

Wisconsin

BILL NUMBER:

AB 476

ISSUE:

Health Insurance for the uninsured (Cigarette Tax Funding)

SUMMARY:

Measure would create a system of providing health care insurance to the uninsured. Assembly Select Committee on Health Care Financing has informally rejected exclusive funding via payroll tax. Discussion now centers on 10-cent cigarette tax, corporate income tax surcharge, patient co-payments, and general fund revenues. Cigarette excise increase would generate \$40 million of the \$150 million total program cost.

SPONSOR:

Legislative Council

INTRO DATE:

August 3, 1989

COMMITTEE:

Assembly Select Committee on Health Care Financing

LEGISLATIVE STATUS:

The Select Committee has not formally agreed on the total amount of the fund-raising measures, nor on the total cost of the program. Discussion at the next meeting of the committee, on September 28, will focus on reliability of program cost projections. Select Committee Chairman Lou Fortis has "ballparked" the total cost to be \$150 million per year. Indications are that \$150 million may be very low.

The Select Committee has special status within the Wisconsin legislature. If the Select Committee puts together a proposal, it will act as a regular policy committee and advance or defeat the proposal. If passed by the Select Committee, AB 476 would be considered in the Joint Finance Committee, and then on the Assembly floor.

The fall legislative floor period in Wisconsin will begin October 3 and will continue until approximately November 10. Other industry issues which will probably be considered during this session include smoking restrictions, sampling, death certificates, "fire-safe" and packaging restrictions/taxes.

INDUSTRY ACTION

September 27, 1989

Lobbyists from TI and the member companies met on September 22 to discuss recent Select Committee actions. The lobbyists took assignments for contacting the thirteen members of the committee prior to the next committee meeting on September 28. The lobbyists are concentrating on derailing the cigarette excise tax component, or the entire bill, whichever is the most expedient.

There is general agreement that the proposal has several major obstacles to overcome:

- The current Speaker of the House is running for Governor, and AB 476 is a probable campaign issue.
- The estimated cost of \$150 million is unrealistic.
- Preliminary proposal calls for using general fund revenues in an amount equal to the entire state surplus.
- Preliminary proposal calls for 25% surcharge on corporate income tax. This component is highly unlikely to remain in the package in an election year.
- Program would be administered and staffed by counties even though a majority of counties have not indicated support of the proposal.

RESOURCES NEEDED

YES/NO

DATE NEEDED

ECONOMIC ANALYSIS/FACTSHEET?

YES

ASAP

- Summary of state-based insurance plans taking into consideration total cost, overruns, financing mechanisms, and success of health care delivery. Background material on recent experiences with similar financing issues in states such as Massachusetts and Florida is essential.
- Analysis of regressivity of excise taxes of incomes from 135% of federal poverty level to annual incomes in excess of \$100,000.
- Demographics on smokers and their incomes in Wisconsin.

LEGAL MEMORANDUM?

NO

EXPERT WITNESSES?

YES

To Be Determined

Economists and taxation experts will be needed for one-on-one briefings with legislators and potential allies. At this time, there is little understanding of the cost to the general Wisconsin economy of the uninsured health plan. By briefing allies in business and labor with hard economic data, our efforts will be more credible and difficult to ignore.

COALITION ALLIES?

YES

On-Going

Region IV staff, TI and member company lobbyists are recruiting allies in two ways. One, we are contacting traditional allies on excise tax issues. Two, the lobbyists are communicating with business and citizen groups that would be impacted by other potential tax increases called for in the bill.

Traditional allies for phone bank mobilization and direct lobbying are:

- Wisconsin Association of Tobacco and Candy Distributors
- Wisconsin Grocers Association
- Wisconsin Association of Convenience Stores

- . Wisconsin Tavern League
- . Northern Wisconsin Cooperative Tobacco Pool
- . Southern Wisconsin Tobacco Growers Cooperative
- . State Vending Council

The other affected groups that our lobbyists will be contacting are:

- . Insurance companies
- . HMO's
- . Wisconsin Association of Manufacturers and Commerce
- . County governments

The labor program has already begun with activity by Frank Vento, labor consultant, and Paul Sicula, legislative counsel.

Mr. Vento is arranging meetings on AB 476 with:

- . Brewery workers' locals in Milwaukee
- . President of Wisconsin Teamsters
- . Editor of Milwaukee Labor Press
- . Chairman of Milwaukee Labor Council

Paul Sicula has spoken with David Ahrens of the Wisconsin Action Coalition, an umbrella group funded by unions that has heretofore been a major supporter of insurance for the uninsured. We will attempt to have WAC withdraw support for this proposal.

TI GRASSROOTS MOBILIZATION? YES 10/1/89

- . Phone bank operation directed initially at Select Committee and the Joint Finance Committee members.
- . Discussions have begun with the state NFIB to solicit assistance from their membership with grassroots mobilizations.

COMPANY RESOURCES? YES On-Going

- . Member companies are requested to permit sales representatives to make calls to their state legislators in opposition to the excise tax proposal.
- . Member companies are requested to prepare for a letter-writing campaign, although the short time span of the session may not allow direct mail activity. It is possible that letters could be sent to smokers lists urging recipients to call legislators rather than to correspond in writing.
- . Assistance from all member company subsidiaries in the state is essential.
- . Continued cooperation and assistance from all industry legislative counsel is necessary.
- . Member companies who belong to business organizations in the state should utilize all possible contacts to oppose this proposal.
- . Participants in the three RJR Smokers' Rights meetings should be urged to participate in a phone bank mobilization to the legislature.

PUBLIC AFFAIRS/MEDIA RESOURCES? YES

ASAP

Immediate assistance is requested to place David Wilhelm in contact with Frank Vento:

- possibility to testify at future hearings;
 - identify potential labor contacts to mobilize;
 - study state budget for possible arguments against the proposal and/or against the funding mechanisms;
 - monitor nationwide activity on this issue.
- . Immediate assistance is requested to identify potential help in Wisconsin from members of the national CART organization.

ADDITIONAL NEEDS?

Not at this time