

TAXES (1305)

TAXES

I. Background and Assumptions

In 1988, the public affairs tax program maintained the anti-excise tax environment. We reiterated our successful argument that excise taxes are regressive and undermine 1986 tax reform. In the absence of major tax legislation at the federal level, we continued to expand our coalition activities and to strengthen existing relationships.

o Cigarette excise taxes are proposed at the federal, state and local levels to raise general revenue, to deter smoking -- especially youth smoking by increasing its costs -- and to compensate for the alleged "social cost" smoking imposes upon society.

o Federal deficit reduction legislation, resulting cuts in federal funding to state and local governments, and aggressive lobbying by anti-smoking groups, foster a political environment conducive to increases in cigarette excise taxes.

o Excise taxes are "regressive" taxes. They are imposed upon consumers regardless of their ability to pay. According to a Congressional Budget Office study, tobacco excise taxes are the most regressive of all excise taxes.

o Excise taxes are inconsistent with tax fairness. The objective of the Tax Reform Act of 1986 was to restructure the federal tax code to assure fairness -- many states are following suit. According to some studies, an increase in federal excise taxes takes away tax reform for low- and middle-income Americans.

o Labor-liberal, tax reform, minority, conservative and industry groups embrace the regressivity issue and can effectively lobby against proposals to increase excise taxes.

o The federal deficit reduction movement has precipitated a search for revenue sources. In 1988, Congress established the National Economic Commission and charged it with the task of formulating budget-deficit recommendations for the next President. Although there are a number of alternative revenue sources more consistent with tax fairness, excises -- particularly "sin" taxes -- are often positioned as the only politically viable revenue option.

o Increasing demands for long-term health care and social and drug-education programs at the federal level may lead to heated battles on earmarking tobacco taxes to fund these programs.

o Increased federal excise taxes are detrimental to the tobacco economy and the economy as a whole. All components of the tobacco industry and the Congressional tobacco family can effectively oppose any increased excise tax.

o As a related issue, the Department of Defense is committed to reducing tobacco consumption in the armed forces. Doubting the effectiveness of a tobacco education program, the military and Congress are seriously considering proposals to eliminate the sale of tobacco products in commissaries and exchanges or to raise the price of tobacco products to prevailing retail rates.

o Military and veterans groups view the commissary and exchange system as an integral component of their compensation package. They view proposals to eliminate the sale of tobacco products in commissaries as a threat to the commissary and exchange system.

II. Objectives

To discourage reliance on tobacco excise taxes to meet social and economic objectives by demonstrating that excise taxes are regressive and inconsistent with fair taxation.

To posture any proposal to diminish or prohibit the sale of cigarettes in military commissaries as a threat to the commissary system.

III. Strategies, Goals and Tactics

Strategy I: Demonstrate that excise taxes are regressive, inconsistent with tax fairness and are an inefficient and unacceptable solution to economic and social problems.

Goals and Tactics:

1. Commission two op-ed articles in 1989 from each consulting economist. As articles are published, provide to other Institute divisions for promotion and submission to appropriate public policymakers. Utilize TAN and field staff network to support distribution efforts.
2. Conduct at least one editorial board briefing per economist with local press on the excise tax issue.

3. Conduct at least 10 presentations by consulting economists on the excise tax issue before national and regional tax policy conferences. Use economic consultants.
4. Support preparation and aggressive promotion of at least five allied group studies/reports on the excise tax issue, including at least one study on earmarking for long-term health services. Follow up with a video demonstrating how earmarking is unfair and unsound tax policy. Continue to cultivate relationships with health care and senior citizens organizations, e.g., National Council of Senior Citizens, and encourage their opposition to earmarking of excise taxes to finance health care.
5. Support at least 20 editorial board briefings by allied groups in targeted legislative media markets.
6. Conduct at least one federal anti-excise tax advertising campaign and at least three state campaigns.
7. Organize broad-based tax reform coalitions in at least three states.
8. Conduct tax reform conferences in at least three states (possibly, but not limited to, the same states as in item 7).
9. Prepare and aggressively promote at least one regressivity study sponsored by an industry group.
10. Commission a study demonstrating whether or not the economic position of minorities, women and the poor was weakened during the 1980s. Seek third-party sponsorship and publication of results in an economic or tax policy journal. Commission a generic video showing how current economic policies benefit corporations and the rich. Show how taxes, including excises, are detrimental to the poor. Encourage third-party sponsorship. Promote via cable or public television outlets.
11. Establish an "Economic Witness Team." Educate team of 5-6 economists on all aspects of tax-related issues, including "social costs" (see "Social Cost" plan). Conduct media training for public speaking appearances and delivery of testimony.

12. As appropriate, encourage economic consultants to utilize "social costs" arguments (see "Social Cost" plan) to counter portrayal of excise taxes as user fees on the state and federal level.
13. Continue to support, as appropriate, via Tobacco Industry Labor Management Committee, labor/liberal organizations, i.e., Citizens for Tax Justice, Leadership 2000, Coalition on Human Needs, Labor Council for Latin American Advancement, Coalition of Labor Union Women, A. Philip Randolph Institute, and their efforts to oppose excise taxes.
14. Continue to support minority groups, i.e., Congressional Black Caucus, League of United Latin American Citizens, etc., and their efforts to oppose excise taxes.
15. Continue to support conservative groups, i.e., the U.S. Chamber of Commerce, National Association of Manufacturers, etc., and their efforts to oppose any tax increase.
16. Support agriculture/farm groups, i.e., American Agriculture Movement, League of Rural Voters, etc., and their efforts to oppose any tax increase. Support AAM State Fair program in which membership and excise tax materials are distributed to agricultural community.
17. Continue to support industry groups, i.e., Coalition Against Regressive Taxation, and their efforts to oppose all excise taxes.

Strategy II: Demonstrate the viability of progressive alternatives to excise taxes as a revenue resource and encourage allied group support in promoting these alternatives.

Goals and Tactics:

1. Aggressively promote through print advertising campaign results of late-1988 national academic conference on reducing the deficit, tax fairness and alternative revenue sources. Follow up with media tours and editorial board briefings, and encourage Congressional office visits. Publish academic conference proceedings by March 30, 1989.
2. Working with industry allies, commission three studies of alternative revenue sources. Maintain an up-to-date index of alternative revenue options and their revenue raising potential. As appropriate, provide to allied groups researching alternative revenue sources.

3. Encourage and support efforts of allied groups, e.g., Citizens for Tax Justice, Congressional Black Caucus, to study and promote alternative revenue sources consistent with tax fairness.
4. Conduct regional and national surveys based upon results of economic think-tanks' focus panels on fiscal issues. Promote results through print advertising campaign.
5. Identify members of Congress who favor a progressive tax policy. Support allied group in presenting a monthly "progressive" award to this person.

Strategy III: Reinforce the negative effect of excise taxes on the tobacco economy and promote unity among the tobacco industry family.

Goals and Tactics:

1. Brief at least 10 national/regional agriculture forums, e.g., meetings, state fairs, etc., on the excise tax issue.
2. Compile excise tax information kits for Federal Relations Division distribution to new members of Congress and Congressional staff, and distribute to tobacco industry family.
3. Maintain up-to-date information on the economic impact of tobacco on the nation's economy and the potential effect of excise tax proposals. Utilize 1988 economic impact report (see "Social Cost" plan). As appropriate, provide to other Institute divisions to distribute to members of Congress, state and local legislators and allied groups to oppose excise tax increases.
4. Support efforts of tobacco family groups, i.e., National Tobacco Council, National Association of Tobacco Distributors, etc., in communicating opposition to excise taxes.
5. Continue to promote and distribute 1988 federal and state excise tax video for use by tobacco family members of Congress and state field staff.

Strategy IV: Reinforce the commissary and exchange system as an integral part of the military compensation package and encourage military and veteran groups to forcefully oppose any infringement of the benefit -- including the cigarette pricing issue.

Goals and Tactics:

1. Support at least six Military Coalition meetings on the importance of the commissary and exchange system to the military and potential threats to the system. Identify and piggyback on on-base pension and benefits seminars. Promote as appropriate.
2. Conduct at least one meeting with the National Military Family Association on the importance of military benefits to military families.
3. Brief at least 10 military/veteran groups on potential threats to the commissary and exchange system and encourage their support in opposing any reduction of their benefits. Provide with appropriate materials.
4. Commission three economic impact studies sponsored by the Military Coalition on the effect of any proposal concerning cigarette pricing or availability in commissaries, exchanges and canteens. Promote as appropriate.
5. Commission at least one opinion poll sponsored by the Military Coalition to demonstrate and reinforce the positive value of the commissary and exchange benefit to the military and posture any restriction as a threat to the entire system. Promote results as appropriate. Encourage military press coverage.
6. Support at least six Military Coalition and six National Military Family Association media tours in major base areas on the importance of military benefits -- including the commissary and exchange system -- to military personnel and families.
7. Maintain current information on military smoking behavior and cigarette sales in commissaries and exchanges for articles, op-ed pieces, and economic impact studies.
8. Encourage and assist military and veteran groups in the preparation and submission of at least 10 articles and op-eds to the military press on the importance of the commissary and exchange system.
9. Conduct a national conference, sponsored by the National Military Family Association, on military family issues. Demonstrate the commissary and exchange system as an important part of the benefits to military families. Encourage coverage by military press. Promote both domestically and abroad.

10. Solidify relationships formed in 1988 with the Veterans of Foreign Wars (VFW) and American Legion.

IV. Resources

A. Staff

1. Management:
Schoonmaker, Hrycaj
2. Division staff:
Issues staff, Production Services, Media Relations, Information Center.
3. Other staff:
Federal Relations and State Activities headquarters divisions, appropriate field staff.

B. Consultants

1. Economists
2. Public Relations Counsel
3. Legislative Counsel
4. Survey research firms
5. Military spokesperson
6. Tobacco Industry Labor Management Committee

C. Materials

1. Videos
2. Data Cards
3. Topic brochures
4. Print materials from coalitions and third party organizations
5. TI-generated publications and studies

THE TOBACCO INSTITUTE

1989 BUDGET

Public Affairs Division

COST CENTER Excise Issue No. 1305

ACCOUNT	1988 BUDGET (\$000)	1988 ESTIMATED (\$000)	1989 BUDGET (\$000)
5200 Reproduction, Printing & Drafting	\$ 210	\$ 125	\$ 155
6200 Adv. Space & Promo Total	500	-	500
7300 Professional Fees	590	665	620
7500 Suprt Tob & Oth Organizations	703	593	907
Totals	\$ 2,003	\$ 1,383	\$ 2,182

THE TOBACCO INSTITUTE

1989 BUDGET

ST CENTER	Excise Issue	No.	1305
	1988 Budget (\$000)	1988 Estimated (\$000)	1989 Budget (\$000)
<u>Account #5201 - Reproduction, Printing & Drafting</u>			
TI tax publications	\$ 50	\$ 25	\$ 25
Tax materials for other organizations	75	75	75
Excise tax videos			
* Generic excise tax video for federal & state use	60	25	15
* Cigarette excise tax video	25	-	-
Earmarking Project			
*Executive Summary	-	-	15
*Earmarking Video	-	-	25
	<u>\$ 210</u>	<u>\$ 125</u>	<u>\$ 155</u>

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1989 BUDGET

COST CENTER	Excise Issue	No.	1305
	1988 Budget (\$000)	1988 Estimated (\$000)	1989 Budget (\$000)
<u>Account #6201 - Advertising</u>			
Federal advertising campaign	\$ 350	\$ -	\$ 350
State advertising campaigns (3 @ \$50,000)	150	-	150
	<u>\$ 500</u>	<u>\$ -</u>	<u>\$ 500</u>

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1989 BUDGET

COST CENTER	Excise Issue	No.	1305		
			1988 Budget (\$000)	1988 Estimated (\$000)	1989 Budget (\$000)
<u>Account #7301 - Professional Fees</u>					
* Ogilvy & Mather			\$ 180	\$ 200	\$ 200
* Hill & Knowlton			20	30	-
* James Savarese & Associates			100	100	100
* Economists for federal op-ed program (30 @ \$3,000)			120	120	90
* Editorial board briefings (10 @ \$3,000)			30	-	30
* Presentations to conferences (10 @ \$3,000)			30	15	30
* Fleishman-Hillard			50	70	75
* Mike Forscey			45	60	60
* Impact on state revenue study (per SAD request)			15	30	-
* Video production consultant (2 videos @ \$35,000)			-	40	35
			<u>\$ 590</u>	<u>\$ 665</u>	<u>\$ 620</u>

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1989 BUDGET

COST CENTER	Excise Issue	No.	1305
	1988 Budget (\$000)	1988 Estimated (\$000)	1989 Budget (\$000)
<u>Account #7501 - Support of Tob./Other Organizations</u>			
Support to Labor Management Committee			
*Citizens for Tax Justice	\$ 100	\$ 100	\$ 100
* Labor Council for Latin American Advancement	24	24	12
* Coalition on Human Needs	24	35	25
* Leadership 2000	24	24	24
* League of Rural Voters	-	10	10
* Academic conference on deficit reduction	25	50	-
Military coalition			
* Media tours (4 @ \$6,500)	66	-	26
* Commissary poll	15	-	15
* Statistical information on smoking in the military	10	-	-
* Economic Impact study (3 @ 10,000)	10	-	20
* Military Family Conference	10	10	20
Minority groups alternative revenue studies (3 @ \$25,000)	75	50	75
State tax reform coalition	75	-	-
* Minnesota	-	75	75
* 2 add. states per SAD request	-	-	150
American Agriculture Movement	50	50	50
* Mailings to members	-	-	25
* State fair project	-	40	60
Support to Earmarking project	-	-	25
Allied group studies on excises (5 @ \$10,000)	50	50	50
Allied group editorial board briefings (20 @ \$2,500)	50	25	50
State tax reform conference (3 @ \$15,000)	45	-	45
Coalition Against Regressive Taxation (CART)	50	50	50
	<u>\$ 703</u>	<u>\$ 593</u>	<u>\$ 907</u>

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