Labor Tax Visits

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October 2, 1990

MEMORANDUM

TO: Martha Rinker

FROM: Tom Donahue

SUBJECT: Northeast Public Sector Forum

On September 26-27, I attended the annual meeting of the Northeast AFL-CIO Council. Magda Lynn Seymour accompanied me to this event held in Portsmouth, New Hampshire.

The following is a list of union officials who participated in the Council meeting:

* Frank Meyers, Regional Director, AFL-CIO
* Mary Creighton, AFL-CIO Regional VII Director (NY)
* Humphrey Donahue (former Region VII Director, now AFL-CIO National Representative and Community Services Liaison)
* John Olsen, President, Connecticut AFL-CIO
* Ed Cleary, President, New York AFL-CIO
* Paul Cole, Secretary-Treasurer, New York AFL-CIO
* George Nee, Secretary-Treasurer, Rhode Island AFL-CIO
* Bill George, President, Pennsylvania AFL-CIO
* Charles O'Leary, President, Maine AFL-CIO
* Mark McKenzie, President, New Hampshire AFL-CIO
* Tom Beville, Executive Director, Vermont AFL-CIO
* Bob Haynes, Secretary-Treasurer, Massachusetts AFL-CIO
* Joe Faherty, Vice-President, Massachusetts AFL-CIO
* Arthur Osborne, President, Massachusetts AFL-CIO

On Wednesday, September 26, Magda and I were guests of the Council at its reception and dinner. The Council began its meeting on Thursday morning, September 27.

John Olsen, President of The Connecticut AFL-CIO, served as President of the Northeast Council and chaired the meeting. (The position of Council President rotates each year.)

Following Olsen's introduction, I provided the Council members with an overview and update on the issue of indoor air quality. During subsequent discussion, New York AFL-CIO President Cleary repeated a request made privately to me the previous evening. The New York AFL-CIO and the Public Employee Division are sponsoring the Northeast Public Sector Conference (Nov. 18-20) in

Atlantic City, New Jersey. There will be a workshop on indoor air quality (see attached brochure) offered during the conference and Cleary has requested my participation. The workshop would represent a good opportunity to reach key representatives of Northeast public employee unions. In order to offer technical information, NEMI should be considered as part of the proposed workshop.

Connecticut President, John Olsen, has asked for copies of favorable existing or model legislation which could be distributed among the Northeast state federations. This point, I believe, needs to be discussed further before action is taken.

At my request, the Council included David Wilhelm on its agenda to discuss federal and state tax policy. Our office prepared and distributed copies of the Fair Tax Briefing Materials package (copy enclosed) to the Council members.

Wilhelm gave an excellent presentation to the Council on the progress of and predictions for the federal budget talks in Washington. He discussed fair tax policy and the negative role of excise taxes. His remarks, especially those relating to state tax issues, were well received by the Council members, who discussed the subject matter further with David following his remarks.

John Olsen stated that Wilhelm would be an ideal participant in the previously mentioned Public Sector Forum. Olsen asked that I follow-up with him and the New York AFL-CIO to discuss this possibility. As the attached program agenda indicates, there is a workshop scheduled to discuss taxes in the Northeast.

Our participation in this Northeast AFL-CIO Council meeting was successful in another aspect beyond the actual content of our discussions. The meeting presented an excellent opportunity for Magda Lynn Seymour to become more familiar with the LMC's issues, with the Northeast labor leaders, and the manner in which the two are joined.

cc: Martin Gleason
Carol Hrycaj
Susan Stuntz
TILMC Representatives

Attachments

FAIR TAX BRIEFING MATERIALS

This briefing package contains recent information on labor's activity in support of fair taxes. These statements by the AFL-CIO and Citizens for Tax Justice spell out the labor movement's stake in the current tax debate.

- **AFL-CIO Executive Council Statement on Taxes and the Deficit**, adopted July 31, 1990, calls for a fairer tax system based on ability to pay -- meaning those who earn the most should pay the most.

- **AFL-CIO News** highlights the federation's strong stance against using Social Security to lower the deficit.

- **AFL-CIO Legislative Alert** to Congress asks members to vote for a fairer tax system, one that will tax the wealthy instead of increasing the tax burden on working Americans.

- **News release from AFL-CIO President Lane Kirkland** emphasizes the need for the President and Congress to rely on solutions other than Social Security taxes, payroll taxes and excise taxes to reduce the budget deficit.

- **Citizens for Tax Justice memo to participants of 1990 budget talks and paper on "Tax Policy & Deficit Reduction,"** charges the President and Congress with adopting a progressive tax agenda. The paper outlines specific tax measures to support the proposed agenda.

Statement by the AFL-CIO Executive Council

on

Taxes and the Deficit

July 31, 1990
Chicago, IL

Now that the President and Congressional leaders have agreed on the need for additional tax revenues to rein in the budget deficit, negotiations are underway as to how that revenue will be raised.

The current budget crisis is rooted in the Reagan-era supply side policies that granted huge tax cuts to the rich, leaving government short of revenues to meet operating expenses while producing massive income shifts toward the wealthiest Americans. The top tax bracket for individuals was reduced from 70 percent to 28 percent, thus giving the richest fifth of Americans a substantial tax cut. For corporations, taxes were reduced from 46 to 34 percent.

The gap between rich and poor widened so much in the 1980s that the wealthiest one percent of Americans now receive nearly as much of the nation's total after-tax income as the bottom 40 percent. Meanwhile, the share of income going to middle income Americans is lower than at any time since the end of World War II.

From 1981 to 1989, the net worth of the so-called "Forbes 400" richest Americans nearly tripled, while the incomes of the financial community's dozen largest earners increased tenfold. Corporate CEOs, who in 1980 made 40 times the income of the average factory worker, now make 93 times as much.

The AFL-CIO's position on new taxes is based on two principles -- that the fairest tax is an income tax based on ability to pay and that those who benefitted most from the fiscal policies that created the deficit should be first in line to pay when the bill comes due.

Thus, new revenues should be sought through higher bracket rates for the wealthy and corporations, as well as higher taxes on inherited wealth. This is not the time for yet another tax break for the rich, such as President Bush's proposed capital gains giveaway.

Similarly, we urge the budget negotiators to reject regressive and unfair schemes such as a national value-added tax or raising excise taxes on cigarettes, beer, wine and energy, including a carbon-based tax on fossil fuels. We continue to oppose as unfair the implementation of taxes on employer-paid health insurance and other worker benefits.

Since taxes on Social Security benefits are earmarked for a trust fund that is in surplus, proposals to increase such taxes have no place in the negotiations over additional revenues.

It is hardly surprising that those who fought in the 1980s to shift government responsibilities from the federal to the state and local levels are now leading the effort to eliminate or reduce the federal deduction for state and local taxes. We oppose this cynical attempt to inhibit the ability of state and local governments to finance the types of programs and services for which Washington will no longer pay. It would unfairly penalize residents of states which rely on income taxes as their major source of revenue, while favoring those who live in states which depend on more regressive forms of taxation. This deduction is a broad and necessary adjustment to income that is available to everyone and is taken by more than 25 million taxpayers, 80 percent of whom have annual incomes below $75,000.

AFL-CIO NEWS
July 23, 1990

'Hands off Social Security,' Kirkland warns budgeteers

By Candice Johnson

AFL-CIO President Lane Kirkland warned Bush administration and congressional budget negotiators to "keep their hands off Social Security" in seeking a solution of the burgeoning budget deficit, which has been revised upward to $168.8 billion by administration officials.

As the administration admitted that the budget shortfall is much worse than projected earlier, some negotiators have proposed that cost-of-living increases for Social Security recipients be frozen or that Social Security benefits be taxed to help limit the deficit.

The Social Security program "bears no share of the guilt for the deficit and should not be made the victim of exercises in budgetary opportunism," Kirkland said.

Kirkland noted that the Social Security trust fund, which has a planned surplus to meet future needs, already has been used "to mask deficits from other unfinanced federal expenditures."

"Meddling with Social Security as a target of convenience for budget summiteers would simply compound that accounting fraud" and would further compromise the integrity of the Old Age and Survivors Insurance system, Kirkland added.

Congressional and White House officials have been meeting in a bipartisan "budget summit," struggling to sort out the growing deficit and offset the likelihood that radical Gramm-Rudman spending targets must be imposed.

Office of Management and Budget Director Richard Darman conceded that the administration's report had drastically underestimated the deficit. For the fiscal year beginning in October, the budget shortfall will hit $168.8 billion — not including an estimated $62.6 billion earmarked for bailing out

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Revised deficit impedes budget summit

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savings and loan institutions. That is well above the $100.5 billion figure included in the president's January report to Congress.

Under the Gramm-Rudman balanced budget law, shortfalls of more than $10 billion above the deficit reduction target of $64 billion automatically trigger across-the-board cuts in spending — excluding Social Security and programs such as welfare and food stamps, and possibly the savings-and-loan bailout.

Congress can raise the Gramm-Rudman target to avoid the drastic cuts required by the latest budget projections, but administration officials indicated that President Bush may veto that measure. Bush reversed his "no new taxes" campaign position, but there is little agreement as to how and on whom new taxes should be levied.

The AFL-CIO has insisted that any new taxes should fall most heavily on those with the greater ability to pay, through a fair and progressive tax system. The federation opposes excise taxes on specific items or any value-added tax, alternatives mentioned by budget negotiators.

Efforts by conservative Republicans to promote a constitutional amendment requiring a balanced federal budget were turned back in the House by a 279-150 vote, seven votes short of the two-thirds required.

The AFL-CIO outlined its strong opposition to the bill, H. J. Res. 268, in a letter to representatives from legislative director Robert McGlotten.

The so-called solution offered by the balanced budget amendment would "throw much of the decision-making powers in the Congress to the courts," McGlotten wrote, adding "there is no compelling justification for disturbing the sanctity of the Constitution for something as mischievous as this proposal."

Ongoing budget negotiations make clear "how difficult the problem is of reducing the deficit steadily and fairly and in a fashion that does not throw the country into recession or create grossly unfair burdens on the sector of the population with less ability to protect themselves," he said.

Citizens for Tax Justice, a labor-backed group, pointed out that "huge tax cuts granted to corporations and the nation's wealthiest people over the past decade" are the main cause of the growing deficits.