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Testimony before the House Committee on Ways and Means

Financing Provisions of the Proposed Health Security Act

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Mr. Chairman and Members of the Committee, the President's health care proposal is not fair to my people and my region. The President wishes to raise 2/3 of the needed revenues by increasing the federal excise tax on cigarettes by 300 percent, from 24 cents a pack to 99 cents a pack.

Because tobacco is grown primarily in a few southern states, the economic dislocations inflicted by this punitive tax increase will fall only in selected areas of the nation. And these are the very areas least able to bear them.

This issue is personal with me. Because I grew up on a tobacco farm in rural North Carolina, I know about the decent and hard-working people in my State whose livelihoods are based on tobacco. My opposition to this unfair and punitive tax is on their behalf.

In my state of North Carolina, almost 55,000 farms have tobacco allotments. There are 99,000 jobs directly attributable to tobacco. That doesn't count the thousands of merchants, service providers, and others who benefit economically from the wealth generated by tobacco. We estimate in excess of 250,000 of these related jobs. The total economic value of the tobacco industry to my State is \$7.3 billion. People can quibble as to exactly how many of these jobs will be lost and how much our economy will be damaged because of the excise tax increase, but common sense tells us that there will be a staggering "hit" on North Carolina's economy and particularly on its rural areas.

We must remember that nationwide there are 1.6 million jobs in, or created by, the tobacco industry. Americans who hold these jobs are honest and hard-working, with dignity and pride. Many of these high-paying, high-tech, high productivity jobs cannot be replaced by any amount of crop diversification or job retraining programs. Economists project that job losses in the South would be 3.5 times higher there than in the rest of the country if this tax were enacted.

In short, it's simply not fair to ask my constituents to suffer the economic damage that will be inflicted on them by singling out this particular industry for punitive taxation.

It's not as if tobacco has been getting off from taxation scot-free. Last year smokers paid in excess of \$11 billion in federal and state excise taxes on cigarettes. These are taxes that nonsmokers do not pay, and they have risen dramatically in the past decade. In fact, excise taxes have risen on a federal level by 50 percent since 1991 (most recently in January 1993) and by 133 percent in the past 10 years, while the average state cigarette excise taxes simultaneously increased by 100 percent.

While my focus is primarily on the proposed cigarette tax, let me take a moment to mention the incredible tax increases proposed for smokeless tobacco and other tobacco items. In some cases, the tax increase proposed is over 10,000%! This would be ludicrous, if it were not so serious. Such an outrageous tax increase would certainly price these products totally out of reach and destroy this aspect of the industry.

Those who argue for the tobacco tax seek to justify it by citing the health care costs associated with tobacco use. I'm not here to say to you there are no economic costs associated with smoking, although I really do question the validity of some of the speculative figures that are bandied about. But if you accept this rationale for imposing higher taxes, how can we single out tobacco without looking for revenue to other items or behaviors that raise health care costs? Specifically, why are we not asking for a financial contribution from alcohol?

The Alcohol, Drug Abuse and Mental Health Administration estimates that alcohol abuse cost the United States \$85.8 billion in 1988. Each year, more than 100,000 deaths are directly attributable to alcohol abuse. Alcohol is a contributing factor in even more deaths, with almost half of all homicides, suicides and motor vehicle fatalities being related to alcohol use. Prenatal alcohol exposure is one of the leading causes of mental retardation. Fetal alcohol syndrome costs the nation \$1.8 billion each year. Countless spouses and children are psychologically and physically abused every year by alcoholic family members, often resulting in significant health care costs.

It perplexes me that we have before us a legislative proposal that fails to ask: that alcohol share the burden of taxation for health care reform. Is the alcohol lobby that powerful? Does the fact the more American drink than smoke explain this lack of rationality and fairness?

I made universal health care my top priority years before it became a Clinton national priority. Four years ago, I held the first rural health care conference in any congressional district. It will hurt to do so, but I and other Tobacco Belt representatives will do everything in our power to defeat any health care reform package that singles out tobacco for a confiscatory tax and does not fairly spread the burden across other viable revenue sources.

No single product, industry, state or region can or should be targeted to bear all of the cost of national health care reform. That sort of financing scheme is a recipe for failure. The costs of health care are growing; revenues that can be counted on from cigarettes are shrinking. If opponents of tobacco have their way, this tax will significantly reduce tobacco consumption, if not kill the industry altogether. What then will we tax? We will have killed the goose that laid the golden egg! This will be like building a house on quicksand.

Simple fairness demands that Congress spread the financial costs of health care reform to all citizens and all regions of the country. The president's plan flunks the fairness test. It places the entire burden on my people and my region. We can not bear it.