

Testimony of Clarence M. Mitchell, III
Senate Finance Subcommittee on Taxation
and Debt Management
September 10, 1985
Page Three

I would most respectfully submit that those of us who would promote and support these kinds of taxes do a great disservice to the title that we hold as public servants, especially in light of the fact that I have always viewed my position as one of public trust, imposing upon me a responsibility to pass legislation and tax proposals that are fair.

That the burden of these taxes falls most heavily on the poor is no more evident than with the cigarette excise tax. In fact, this tax is regressive in the extreme. The effective tax rate on individuals in lower tax brackets is ten times as high as that paid by individuals who earn in excess of \$50,000 annually.

The unfairness of the cigarette tax is compounded by the fact that a significantly higher proportion of lower income individuals smoke than persons earning higher incomes. Survey data from the National Center for Health Statistics reveal that persons earning \$7,000 or less are 50 percent more likely to be smokers than persons earning \$25,000 or more. (See Chart 1). In each age group except the elderly, the percentage of smokers as a proportion of the total group declines as income increases. Clearly, lower income persons in most age brackets are hardest hit by cigarette excise taxes.

The unfairness of the cigarette tax is even more evident when smoking among occupational groups is examined. Several studies indicate that persons working in occupations traditionally classified as blue-collar are more affected by the cigarette tax because they are much more likely to be smokers than persons working in occupations classified as white-collar and professional. (See Charts 2 and 3). For example, garage laborers, cooks and pressmen are twice

as likely to smoke as lawyers. Again, it is clear that low- and moderate-income individuals generally working in blue-collar jobs are hardest hit by the cigarette tax.

Finally, survey data also show that among workers, Blacks are more likely to smoke than their white counterparts. For example, approximately 51 percent of all Black male workers smoke while only 43 percent of all white male workers do so. Similarly, among blue-collar workers, Blacks are more likely to smoke than whites. Approximately 60 percent of Black males smoke, but only 54 percent of their white counterparts do. Black consumers in the lowest income category bear a tobacco tax burden that is more than one and-one-third times greater than the burden on the lowest income category for all consumer units. Within the Black community the tobacco tax impact is also extremely regressive with the tax burden on the lowest income category six times greater than that imposed on the highest income category.

The analysis seems to indicate that taxes on tobacco products are levied at higher effective rates on the poor than they are on the rich. This is evident in both the Black consumer and the overall consumer market. It is apparent that the 1982 doubling of the federal cigarette excise tax and increases in some 30 state cigarette taxes have worsened the situation since 1981. Despite all the tax cuts in recent years, the tobacco hikes represent a significant increase in the tax burden born by the poor.

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Senate Finance Subcommittee on Taxation
and Debt Management
September 10, 1985
Page Five

All studies indicate that price increases do not affect cigarette purchases very much. In other words, higher taxes don't reduce smoking, they only reduce the income of the poor. Clearly, the cigarette tax creates an unfair burden on blacks and other minorities.

If we suggest a fair tax, like a properly graduated income tax, if we were to impose a fair tax, then today we would not be talking about the budgetary deficits that are doing such damage to our economy. But many of us, and I include myself as a public official, have failed to live up to our responsibility to give leadership in this area and demonstrate to all of the people we represent that government can be responsive and can be fair.

As we talk about this particular tobacco tax and allowing the sunset to occur in October, there are some states which already are passing legislation to make up for the difference in anticipating that the Congress will not do damage to the sunset, and therefore they can pick up the revenues that would come from the difference between their state taxes and the federal tax. So, certainly state legislators are as guilty as members of Congress in this respect.

I think it is also important that you understand that by the passage, by allowing the sunset provisions to take place, you send a message at a time that you are considering a tax proposal that is unfair. It is titled a Tax Reform Act.

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Page Six

In fact, I chair the Joint Federal Relations Committee in the Maryland Legislature. We just spent all of Tuesday, June 11, 1985 hearing about this great tax reform proposal that you are considering now, and find that seven states that do not impose income taxes also happen to be some of the richest states, the oil states. They would not be affected if this tax proposal were to pass, certainly not affected as the residents of Maryland and other states with income taxes. By eliminating the state income tax deduction from federal income taxes, my constituents as well as millions of other taxpayers will be paying higher federal taxes. This is surely an unfair element in a reform package.

And I suggest that there comes a time when we have to begin sending some different messages; and I would hope that this committee would see fit to reject the effort to prevent the reduction in the tobacco taxes.

It has been said over and over that you can't tax people into doing what you want them to do. If we proceed along that line, then we will be taxing cities which have more pollution than other cities, and we will be taxing all of those items and elements in our society that pose high risks to the people we represent. I suggest that that is an improper way to move.

In conclusion, to reform the federal income tax while leaving in place an archaic, regressive levy like the cigarette excise tax is bad public policy. We should not rely on this unfair method of taxation to provide government services since it is doing so at the expense of working families and the poor who already carry more than their fair share of America's tax burden. I urge the Committee to maintain the October 1 sunset on the cigarette excise tax.

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CHART 1

PERCENTAGE OF SMOKERS BY INCOME*

<u>Age Group</u>	<u>Less than \$7,000</u>	<u>\$ 7,001- \$14,999</u>	<u>\$15,000- \$24,999</u>	<u>\$25,000+</u>
17-19	30.1%	27.9%	23.0%	17.2%
20-24	37.8	40.8	30.5	33.4
25-34	45.9	41.9	36.3	29.0
35-44	51.4	41.8	37.2	35.0
45-65	40.1	38.8	35.8	31.0
65+	17.4	18.0	15.6	18.2

*Unpublished data from the National Health Interview Survey, National Center for Health Statistics. Survey interviews took place during last six months of 1980.

CHART 2

PERCENTAGE MALE SMOKERS BY DETAILED OCCUPATIONAL CATEGORY

<u>Category</u>	<u>Percentage Smokers</u>
Garage Laborers	58.5
Cooks (Not Private Household)	57.5
Maintenance Painters	56.3
Pressman and Plateprinters	55.7
Auto Mechanics	54.6
Assemblers	52.7
Shipping and Receiving Clerks	50.0
Personnel, Labor Relations	36.9
Draftsmen	34.2
Accountants and Auditors	33.3
Lawyers	30.3
Engineers, Aeronautical	26.2
Engineers, Electrical	20.3

Source: Sterling, T., and Weinkam, J., "Smoking Characteristics by Type of Employment," Journal of Occupational Medicine, 18 (11), 1976, pp. 743-754.

CHART 3

PERCENTAGE FEMALE SMOKERS BY DETAILED OCCUPATIONAL CATEGORY

<u>Category</u>	<u>Percentage Smokers</u>
Waitresses	49.6
Shipping and Receiving Clerks	48.5
Assemblers	43.6
Bookkeepers	38.6
Nurses, Professional	38.4
Laundry and Drycleaning Operative	38.3
Secretaries	37.3
Accountants and Auditors	30.8
Stenographers	28.4
Technicians, Medical and Dental	23.6
Elementary School Teachers	19.4
Librarians	16.4

Source: See Chart 2

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