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To: Kathleen Linehan

Date: March 17, 1993

From: David Nicoli *DNS*

Subject: AFL-CIO Meeting With Magaziner

Susan Stuntz called this morning to relay what she had found out about the AFL-CIO meeting with Ira Magaziner yesterday. Susan said she thought the meeting went "well" from our perspective and relayed the following information:

- Karen Ignani and Bob McLoughton from the AFL-CIO met with Ira Magaziner and a women named Beth who is on Magaziner's staff.
- The purpose of the meeting was to discuss labor's views on how best to provide coverage for the bulk of the uninsured in the country. The first half of the meeting dealt with the above-described issue.
- Magaziner then informed Labor that the President's health care package is going to cost a lot more than the Administration previously thought. As a result, Magaziner said that the Administration is again looking seriously at two different VAT tax proposals. (This is consistent with Reese's point that the Ways and Means Committee was asked yesterday for updated information on VAT taxes).
- The first VAT proposal would place a 5% tax across the board. The second VAT proposal would have a somewhat higher rate, but would exempt food, clothing and housing.
- Magaziner said that the White House was concerned that VAT taxes would hit poor people too hard and said they were considering a proposal to provide some sort of government "rebate" in people's paychecks to cushion the hit (instead of an increase in the EIC).
- AFL-CIO, which is generally supportive of a VAT, emphasized their progressivity message in their discussions, and indicated that they generally favored the second option. (Excise taxes were not specifically mentioned during the meeting.)
- Magaziner and AFL-CIO agreed to meet again next Wednesday on health care reform. (Note too that Citizen Action is meeting with Hillary next Tuesday.)

cc: Bob Reese

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