

*roll your own*

# Washington Report

## WASHINGTON RELATIONS OFFICE

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NOVEMBER 1, 1993

### TOBACCO

#### **President Delivers Health Care Bill To Congress Containing 75¢ Increase In Cigarette Tax And Sharply Higher Taxes On Other Tobacco Products**

On October 27, President Clinton and First Lady Hillary Rodham Clinton personally delivered the Administration's 1342-page health care reform bill to Congress at a ceremony on Capitol Hill. The comprehensive bill calls for universal health care coverage by 1998, which the Administration seeks to accomplish through requiring all employers to provide health insurance to their employees. The legislation establishes budgets designed to slow the escalating costs of our nation's health care system that will apply to both the private and public sectors. The legislation is expected to cost the federal government an additional \$331 billion between 1995-2000, which will be paid for through: 1) \$189 billion in Medicare/Medicaid cuts; 2) \$40 billion in cuts in other federal health programs; 3) \$71 billion in increased tax collections from corporations and individuals due to reforms made to the health care system; 4) \$24 billion from a 1% payroll tax imposed on corporations with over 5,000 employees who choose to continue to self-insure; and 5) \$65 billion from increases in the federal excise tax on tobacco products.

The Clinton bill proposes to increase the current federal excise tax on cigarettes by 75¢ per pack, but does not "index" the tax to inflation. The bill also proposes sharp increases in the taxes on other tobacco products to bring their taxes into line with cigarettes on a "per pound" basis. Specifically, the tax on smokeless tobacco would be raised from 36¢ per pound to \$12.86 per pound; the tax on chewing tobacco would be raised from 12¢ per pound to \$12.62 per pound; the tax on pipe tobacco would be raised from 67-1/2¢ per pound to \$13.15 per pound; and the tax on little cigars would be raised from approximately 37-1/2¢ per pound to \$12.873 per pound. In addition, the bill imposes a tax for the first time on "roll your own" tobacco at a rate of \$12.50 per pound. In testimony before Energy and Commerce Subcommittees, Treasury Secretary Lloyd Bentsen indicated that the taxes on tobacco products other than cigarettes were raised sharply to discourage their use by youth and to discourage people from switching from cigarettes to other tobacco products.

Although President Clinton delivered his bill to the Congress, its formal introduction is not expected to occur for another week to ten days. The delay is due to efforts being made to add co-sponsors to the bill and to determine which committees will have jurisdiction over the measure. In the meantime, extensive hearings are expected to examine the President's proposal more closely.

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## **Rep. Waxman Introduces Smoking Ban Legislation**

On October 29, House Energy and Commerce Health and Environment Subcommittee Chairman Henry Waxman (D-CA) announced at a press conference that he had introduced "The Smoke-Free Environment Act of 1993." The legislation would ban smoking in any non-residential building that is entered by more than ten people at least one day per week. Designated smoking areas could be established in areas where no non-smoker has to enter for any purpose so long as the areas are ventilated under standards that would be established by the EPA. The Act would be enforced through citizen suits that could seek penalties up to \$5,000 per day for each violation. Hearings on Waxman's legislation have not been scheduled to date. However, as previously reported, Rep. Waxman is conducting a hearing on Rep. Joe Kennedy's Indoor Air Quality (IAQ) legislation, HR 2919 on November 1. In addition, Rep. Waxman may ultimately seek to combine his Smoke-Free Environment legislation with Rep. Kennedy's bill.

## **Mitchell Indoor Air Quality Legislation Adopted By Full Senate**

On October 29, the Senate passed Majority Leader George Mitchell's (D-ME) "Indoor Air Quality Act of 1993," S656, by unanimous consent. The legislation would establish the EPA as the central coordinating agency for all federal government indoor air research and would also require EPA to develop a proposed national response to IAQ problems and report back to Congress within two years. Mitchell's legislation has received the overwhelming support of the Senate in the previous two Congresses, but has not passed the House. As in earlier years, the Mitchell bill is expected to be referred to three separate committees in the House of Representatives - Energy and Commerce, Education and Labor, and Science, Space and Technology.

## **Senate Defense Appropriations Bill Provides For State Taxation Of Cigarettes Sold In Military Exchanges**

A Senate amendment to the FY94 Department of Defense appropriations bill would require military exchanges to procure cigarettes from local distributors, thereby forcing exchanges to begin paying state and local taxes on cigarettes from which they are currently exempt. This language was added by Senator Daniel Inouye (D-HI), at the request of the governor of Hawaii, to increase excise tax revenues at the state and local level. This would be done at the expense of military non-appropriated fund activities and would further erode the non-pay compensation package currently afforded to military service personnel. Cigarette sales currently account for 4% of total exchange sales, or approximately \$400 million per year.

Due to the resulting loss of substantial revenue that would otherwise be generated for military morale, welfare, and recreation (MWR) activities, the MWR Panel of the House Armed Services Committee opposes the provision, as does the Army and Air Force Exchange Service (AAFES), the Navy Exchange Service Command (NEXCOM), and the American Logistics Association. Rep Bill Hefner (D-NC) will attempt to delete the Inouye amendment in the forthcoming House/Senate conference on the bill, which is expected to begin this week. It presently appears that the conference committee is headed toward adopting compromise language, specifying that the provision will apply only to Hawaii and Alaska.

## **FOOD FEDERAL GOVERNMENT AFFAIRS**

### **Administration Action To Restrict Canadian Wheat Imports Still Under Consideration**

It is still unclear whether the Clinton Administration will take action to restrict the importation of wheat from Canada. Both USTR Mickey Kantor and USDA Secretary Mike Espy publicly stated their support for such restrictions after several members of the House and Senate indicated that they will not vote for NAFTA unless Canadian wheat imports are curtailed. The President has not made a final decision on this issue.

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