Effective National Action to Control Tobacco
ENACT
A Public Health Coalition

Tobacco / Gramm

ENACT OPPOSES THE GRAMM MARRIAGE PENALTY AMENDMENT TO S.1415 BECAUSE IT WOULD GUT THE PUBLIC HEALTH AND RESEARCH PROGRAMS DESIGNED TO REDUCE TOBACCO USE AMONG CHILDREN

Senator Gramm has introduced an amendment to S.1415 which would use billions of dollars generated by S.1415 in order to reduce the "marriage penalty." If adopted, this amendment would virtually eliminate funding for the bill's public health and research programs designed to reduce tobacco use and the death toll from tobacco.

ENACT opposes the Gramm Amendment: S.1415 was introduced to reduce tobacco use, particularly among our nation's children. The money raised by the bill is to reimburse the states for medical expenditures and to help fund a solution to the tobacco problem caused by the tobacco companies. The Gramm amendment would divert funds from tobacco related purposes, such as community prevention, public education and scientific research, to unrelated purposes. Ultimately, the Gramm amendment would cripple S. 1415's ability to protect America's kids.

The Gramm amendment should be opposed because:

- This bill is intended to reduce tobacco use; its funds should be used for this purpose first and foremost. Regardless of the pros and cons about the "marriage tax," the Gramm amendment would seriously undermine the goal of protecting kids from tobacco. If Congress wishes to reduce the "marriage tax," it should do so in separate legislation, not by gutting this effort to combat the use of tobacco by children.

- This amendment is part of a strategy meant to slow the process and destroy the bill. Senator Gramm opposes this bill. A vote for the Gramm amendment is a vote to destroy the McCain bill.

- The money raised by S.1415 is barely enough to provide resources to reimburse the states and to allocate funds for critical tobacco-related public health programs and research. The Gramm Amendment, even if reduced in cost to $16-17 billion over the first five years, would eliminate 2/3 of the money available to actually reduce tobacco use and conduct research on how to prevent future tobacco use.

Tobacco - Gramm - EW

**Modified Gramm Amendment Would Consume
Nearly 80% of Tobacco Revenues from 2008-2022**

Background note: This analysis is based on figures provided by Senate Democratic staff based on Joint Tax Committee estimates. Senator Gramm has not made public his modified proposal, and these numbers might change.

Talking Points:

- I strongly urge you to vote against the Gramm amendment because it would prevent the legislation from achieving important health goals.

- Over the first four years, the Gramm amendment would spend $17 billion for tax cuts, or 33 percent of the $52 billion in spending under the McCain bill. If funding for states and farmers is held constant, funding for public health and research would be reduced by 73 percent.

- Over the next five years, the Gramm amendment would spend an additional $43 billion on tax cuts, or 53 percent of the $81 billion in the McCain bill allocated for spending. If states and farmers get first priority in terms of funding, the amendment would *completely eliminate* all funding for public health and medical research during those years. In addition, in order to provide full funding for states, funding for farmers would be reduced by 54 percent.

- In the next five years, the Gramm amendment explodes: it would absorb $70 billion for tax cuts, or 80 percent of the $87 billion dollars in the McCain bill allocated for spending, leaving no funding available for public health, health research, or farmers. Even state funding would be cut by 51 percent.

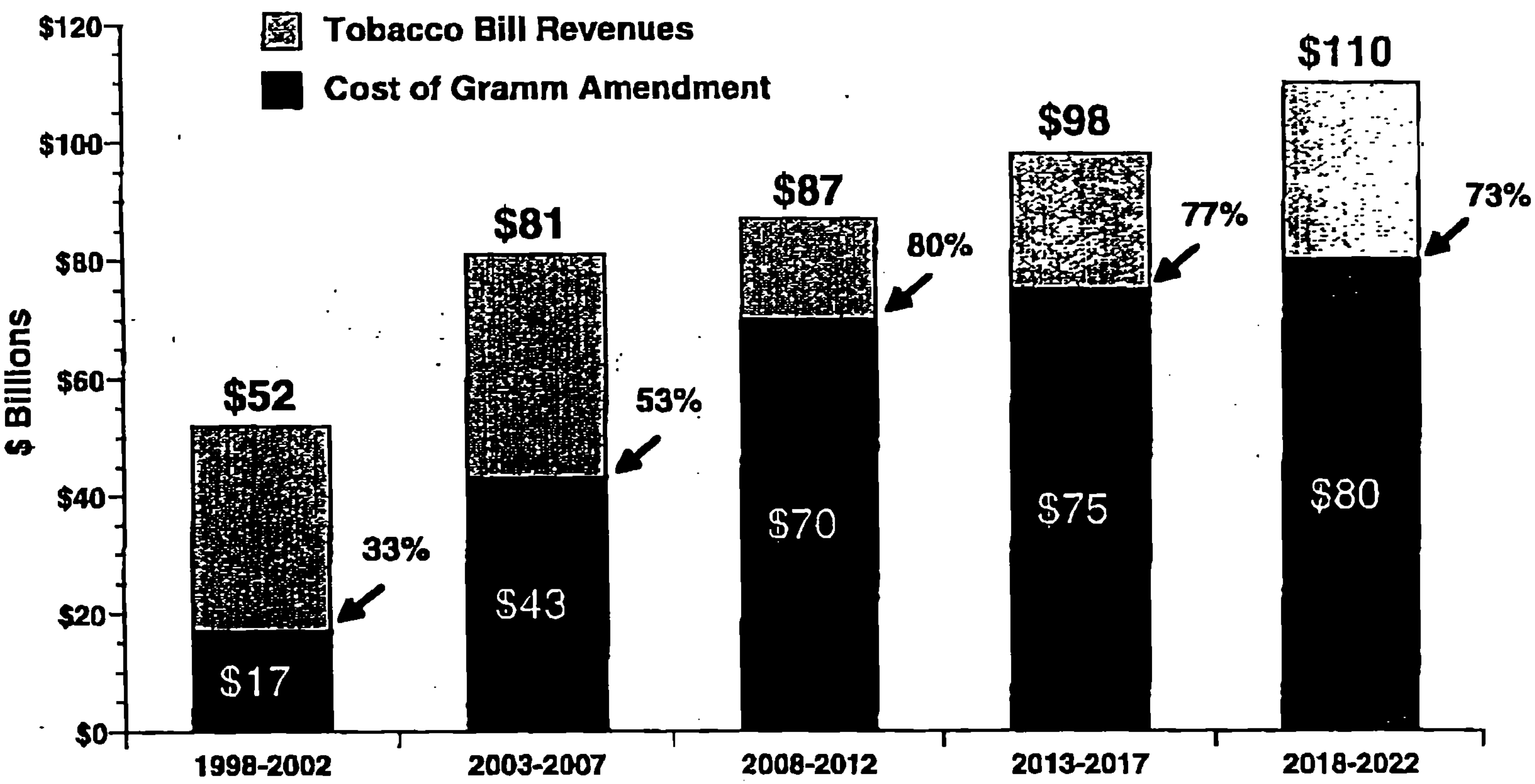
- The Gramm amendment would thus eviscerate funding for critical public health programs such as smoking cessation, education and counteradvertising. This would significantly undermine efforts to reduce youth smoking in this country and help adults who want to quit. Critical funding for medical research would also be cut drastically, including research into smoking-related diseases such as cancer and heart disease.

- Additionally, States would be expected to forgo their claims in court and receive, in exchange, minimal compensation for their enormous expenditures related to smoking-related illnesses. Funding would also be significantly reduced for tobacco farmers, who have done nothing wrong and who deserve to be compensated for the losses they will suffer as a result of tobacco legislation.

6/4 12:45 pm

The Gramm Tax Amendment Would Consume Nearly 80% of Tobacco Revenues from 2008-2022

Would Defund Commitments to States, Farmers, and Public Health



Source: Senate Democratic staff analysis based on Joint Tax Committee estimates.

Tobacco /

Congress of the United States

JOINT COMMITTEE ON TAXATION
1015 LONGWORTH HOUSE OFFICE BUILDING
WASHINGTON, DC 20515–6453
(202) 225-3621

JUN 0 1 1998

Honorable Pete V. Domenici
United States Senate
Washington, DC 20510

Dear Senator Domenici:

This letter is in response to your request of May 26, 1998, for a revenue estimate of a possible amendment to S. 1415.

The amendment would provide an above-the-line deduction for joint returns equal to the excess of the standard deduction amount for single individuals plus the standard deduction amount for heads of households over the standard deduction amount for joint returns. The deduction amount would be phased in as follows:

Taxable years	Phase in percentage
1999	35%
2000	40%
2001	45%
2002-2005	50%
2006	75%
2007 and thereafter	100%

Taxpayers with modified adjusted gross income in excess of $50,000 would be ineligible for the deduction. The $50,000 amount would be indexed for inflation beginning in taxable year 2000 with rounding down to the next lowest multiple of $5,000.

The deduction allowed above the line would also be allowed against earned income for the purpose of the earned income credit phase-out calculation.

This amendment, effective for taxable years beginning after December 31, 1998, would have the following effect on Federal fiscal year budget receipts.

Fiscal Years
[Billions of Dollars]

1999	2000	2001	2002	2003	2004	2005	2006	2007	99-02	03-07
-0.9	-4.7	-5.3	-6.0	-6.6	-7.3	-7.4	-8.4	-13.1	-16.8	-42.8

NOTE: Details may not add to totals due to rounding.

Honorable Pete V. Domenici
United States Senate

I hope this information is helpful to you. If we can be of further assistance, please let me know.

Sincerely,

Lindy L. Paull

Lindy L. Paull

(850)

Table 1. CBO and JCT scoring of S. 1415 as Modified

($ billions)	1999	2000	2001	2002	2003	1998-2002	1999-2003	2003-2007	2004-2008	10-year
Revenues										
Industry payments	15	11	13	13	13	52	65	71	74	139
Look-back fees	---	---	---	---	---	---	---	9	12	12
Revenues	**15**	**11**	**13**	**13**	**13**	**52**	**65**	**81**	**87**	**152**
Direct Spending										
State allocation	5	5	5	5	5	20	25	28	29	54
Farmer assistance	2	2	2	2	2	8	10	10	11	21
Other mandatory	1	1	1	1	1	4	5	5	5	10
Spending	**8**	**8**	**9**	**9**	**8**	**34**	**42**	**45**	**47**	**89**
PAYGO Effect	**7**	**3**	**4**	**4**	**5**	**18** (12)	**23**	**36**	**40**	**63**
Discretionary										
Public health*	1	2	3	3	3	9	12	21	25	17
Health Research*	1	2	3	3	3	9	12	15	15	27
Discretionary	**2**	**5**	**5**	**5**	**6**	**17** 6	**23**	**37**	**41**	**64**
						10				
NET EFFECT	**-5**	**+2**	**+1**	**+1**	**+1**	**+9**	**0**	**+1**	**+1**	**+1**
Payments/pack	*$0.76*	*$0.89*	*$1.06*	*$1.11*	*$1.24*	---	---	---	---	---

*Authorization of appropriations.

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Congress of the United States
JOINT COMMITTEE ON TAXATION
Washington, DC 20515–6453

	Fiscal Years [Billions of Dollars]										
	1999	2000	2001	2002	2003	2004	2005	2006	2007	1999-02	2003-07
1. General Industry payments......	15.4	11.0	12.5	12.7	13.2	13.8	14.3	14.8	15.4	51.5	71.5
2. Look-back assessment [1]	–	–	–	–	–	1.0	0.6	4.0	3.1	–	8.7
3. Total of S. 1415 as amended......	15.4	11.0	12.5	12.7	13.2	14.8	14.9	18.8	18.5	51.5	80.2
General industry payments per pack.......[2]	$0.76	$0.89	$1.06	$1.11	$1.24	$1.28	$1.32	$1.36	$1.40		

Note: Details may not add to totals due to rounding.

[1] This net revenue reflects the effect of reduced excise tax receipts because of the assumption that the penalty excise tax payments are passed through in the price of tobacco products.

[2] Presented on a calendar year basis and without regard to look-back assessments.

I hope this information is helpful to you. If we can be of further assistance, please let me know.

Sincerely,

Lindy L. Paull

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