



AMERICANS for TAX REFORM

June 1, 2009

RE: Opposition to tax increases for health care reform

Dear Member of the Senate Finance Committee,

On behalf of Americans for Tax Reform and millions of American taxpayers, I write to urge you to rule out and oppose any and all efforts to increase taxes as you craft legislation reform our nation's health care system.

In the "Description of Policy Options" released by Chairman Max Baucus (D-Mont.) and Ranking Member Chuck Grassley (R-Iowa) a series of options is outlined the adoption of which would be harmful to the American taxpayer. The suggestion to enact "lifestyle related revenue raisers" may appear particularly tempting at first sight as they are being touted as promoting wellness and healthy lifestyle choices.

However both imposing a uniform alcohol excise tax of \$16 per proof gallon on all alcoholic beverages and enacting a sweetened beverage excise tax are flawed and damaging proposals for a number of reasons:

Jobs are at risk. The non-alcoholic beverage industry directly employs 220,000 people across the nation, while the alcoholic beverage industry, when counting manufacturers, distributors and retailers, directly and indirectly employs more than 3.7 million workers nationwide. While higher taxes on these products could jeopardize thousands of jobs in the affected industries, the ripple effects would extend much further.

- Currently providing jobs to more than 12.5 million workers, the hospitality industry ranks as one of the largest employers in the country. Should a \$16 per proof gallon excise tax on all alcoholic beverages be enacted, total retail revenues are estimated to decline by at least \$9 billion and nearly 160,000 jobs would be lost. Additional jobs would be lost if the sweetened beverage excise tax was to be enacted.
- At a time when the country is hemorrhaging jobs and the unemployment rate in the hospitality industry is in the double digits according to the Bureau of Labor Statistics, these tax increases would deal yet another devastating blow to thousands of hard working families.

Excise taxes aimed at reducing consumption of a product turn into "placeholders for future tax increases." While on the one hand trying to discourage certain behaviors through these tax increases, government would find itself in the contradictory position of at the same time relying on the continuance of such behaviors as a revenue source for the programs funded. Ultimately, these excise tax hikes serves a placeholder for the next tax increase that will likely be required to sustain funding levels once revenues dwindle when consumption does drop.

Both tax increase proposals are highly regressive. Both tax increases would disproportionately affect lower- and middle-income taxpayers who are already hit hard by the economic crisis and are struggling to make ends meet.

But raising taxes on alcoholic and sweetened beverages are not the only tax-hiking proposals contained in the "Description of Policy Options," and we urge your opposition to all of them. Rather than raising taxes on hard-working American families, comprehensive health care reform should focus on free market solutions, patient choice and access to affordable care.

Onward,

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