

6. POLICY POSITION

OPPOSING INCREASES IN FEDERAL EXCISE TAXES

Background

State excise tax revenues have been significantly reduced as a result of federal excise tax increases on gasoline, tobacco, and distilled spirits. States rely more heavily on indirect taxation as a source of revenues and an increase in federal excise tax rates have significant negative impacts on state finances generally.

Excise taxes in general are regressive and increasing them at the federal level would cause further revenue losses at the state level and would also impact negatively on families living on low or fixed incomes. The states have assumed increasing burdens for federal programs, funding and implementation, and states have constitutional requirements for balanced budgets.

State excise revenues have been a traditional source of state revenue since shortly after World War II. States rely upon sales-based taxes to a far greater extent than the federal government. This reflects the federal government's presumption of much of the income tax base, creating the necessity for the states' relying on other sources of revenue.

The National Conference of State Legislatures presented a letter to President Bush on January 29, 1989, opposing increases in federal excise taxes and federal government excise tax increases which would encroach on traditional revenue bases of state governments.

Revenue loss to the state from the last round of federal excise tax increase is estimated to be \$3.7 billion between 1983 and 1988, and total revenue loss to the states will be \$7.2 billion from 1983 to 1992. Any Congressional Budget Resolution which would increase federal excise taxes would represent an encroachment on a traditional source of state revenue.

Recommendation

The Southern Legislative Conference opposes increases in federal excise taxes and urges the President of the United States, the Honorable George Bush, the United States Senate Finance Committee, the United States House Ways and Means Committee and, particularly, the Committee members from the states of the Southern Legislative Conference to preserve the spirit of tax reform and not adversely impact state fiscal systems, displace state revenues and reduce the flexibility of state tax policy.

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(Sponsor: Representative Ron Cyrus, Kentucky)