

ALEC EXPOSED

"ALEC" has long been a secretive collaboration between Big Business and "conservative" politicians. Behind closed doors, they ghostwrite "model" bills to be introduced in state capitols across the country. This agenda—underwritten by global corporations—includes major tax loopholes for big industries and the super rich, proposals to offshore U.S. jobs and gut minimum wage, and efforts to weaken public health, safety, and environmental protections. Although many of these bills have become law, until now, their origin has been largely unknown. With **ALEC EXPOSED**, the Center for Media and Democracy hopes more Americans will study the bills to understand the depth and breadth of how big corporations are changing the legal rules and undermining democracy across the nation.

ALEC's Corporate Board
—in recent past or present

- AT&T Services, Inc.
- centerpoint360
- UPS
- Bayer Corporation
- GlaxoSmithKline
- Energy Future Holdings
- Johnson & Johnson
- Coca-Cola Company
- PhRMA
- Kraft Foods, Inc.
- Coca-Cola Co.
- Pfizer Inc.
- Reed Elsevier, Inc.
- DIAGEO
- Peabody Energy
- Intuit, Inc.
- Koch Industries, Inc.
- ExxonMobil
- Verizon
- Reynolds American Inc.
- Wal-Mart Stores, Inc.
- Salt River Project
- Altria Client Services, Inc.
- American Bail Coalition
- State Farm Insurance

For more on these corporations, search at www.SourceWatch.org.

DID YOU KNOW? Corporations VOTED to adopt this. Through ALEC, global companies work as "equals" in "unison" with politicians to write laws to govern your life. Big Business has "a VOICE and a VOTE," according to newly exposed documents. **DO YOU?**

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Resolution on the Enhancement of Economic Neutrality, Commercial Efficiency, and Fairness in the Taxation of Moist Smokeless Tobacco (MST) Products

Did you know that global corporation Kraft Foods was the corporate co-chair in 2011?

WHEREAS, excise taxes are levied by individual states on the distribution of a variety of consumer products in the United States.

WHEREAS, excise taxes are levied at various points or transactions during the distribution of these consumer products having a compounding effect on all other taxes levied further along the distribution chain, including sales taxes.

WHEREAS, levy of excise taxes should be equally applied to all products of a like nature or category, as to not create a tax policy that benefits one product and penalizes another of the same nature or category.

WHEREAS, state tax policy should not create preferences among products of a like nature or category.

WHEREAS, taxes that create a consumer preference within a product category impede free market commerce.

WHEREAS, excise taxes levied on the basis of value or price "ad valorem" at any point during the distribution of any products greatly aggravate the compounding effect on taxes and prices between products and distort consumer preference between similar products.

WHEREAS, moist smokeless tobacco products MST are all of a like nature and category, and packaging is distinguishable only by volume, weight or labeling.

WHEREAS, ad valorem excise taxes on MST create a tax preference for inexpensive MST products, thereby artificially disrupting free market consumer dynamics.

WHEREAS, ad valorem excise taxes on MST result in automatic tax increases or decreases without legislative oversight or action, and negatively impact consumers and producers while denying them any legislative recourse.

WHEREAS, ad valorem excise tax statutes are subject to differing interpretations as to the appropriate point or transaction to apply the tax, creating compliance problems for producers and state tax administrators.

WHEREAS, excise taxes on MST based on volume or weight eliminate the possibility of market distortions and manipulations, tax preferences for lower priced products, and aggravation of the compounding nature of an excise tax levied during distribution.

WHEREAS, virtually all other products on which excise taxes are levied carry a tax based on volume or weight, ensuring that manufacturers and consumers face a level marketplace based on freedom of consumer choice.

NOW, THEREFORE BE IT RESOLVED, THAT the American Legislative Exchange Council (ALEC) will support efforts to change or convert state excise taxes levied on MST from ad valorem or price based to weight or volume based.

NOW, THEREFORE BE IT FURTHER RESOLVED THAT ALEC shall support the following statement of principles:

Statement of Principles Regarding State Ad Valorem Taxes on Consumer Products

The Problem: Ad Valorem Excise Taxes on Consumer Products

- Ad valorem taxes give less expensive products a tax preference which encourages consumers to switch to those products, thus artificially distorting the market and influencing consumer behavior.
- Market distortions created by ad valorem taxes erode and destabilize state revenues over time.
- Ad valorem excise taxes lack neutrality. Products with identical weights and

packaging can have widely different tax burdens, harming commercial activity and artificially distorting the dynamics of the marketplace.

- Ad valorem excise taxes are not consistent with virtually all other consumer product excise taxes which tax solely on the basis of the amount of the product purchased and consumed, and do not discriminate on price.
- Ad valorem state excise taxes amount to a tax on top of a tax because a portion of the price basis for applying the excise tax is attributable to any existing federal excise tax.
- Ad valorem excise taxes result in automatic tax increases and decreases without legislative oversight or action.
- Ad valorem excise tax statutes are subject to differing interpretations regarding the appropriate tax base and payer which increases complexity and compliance problems for manufacturers, distributors, and state tax administrators.

The Solution: Weight-based Excise Taxes

- Under a weight-based tax structure, consumer products compete fairly in the marketplace on the basis of product attributes and price, not a state tax system that arbitrarily gives a preference to one product over another.
- Weight-based excise taxes eliminate the market distortions and revenue erosion caused by ad valorem excise taxes.
- Like products should carry identical taxes. All products and taxpayers are treated fairly and equally under a weight-based tax system.
- A weight-based excise tax would equalize the tax treatment of all like consumer products in the states and eliminate an economic disincentive that hinders commercial activity.
- A weight-based excise tax on MST eliminates the possibility of a tax on tax.
- A weight-based excise tax eliminates automatic tax increases, and requires specific legislative action to increase or decrease taxes.
- Weight-based taxes are easy for taxpayers to understand and for tax administrators to support and enforce.

Conclusion

Adherence to the following principles of sound tax policy; economic neutrality, fairness, simplicity, efficiency and fiscal stability, should lead state legislators in states which currently tax consumer products on an ad valorem basis to replace that method of taxation with one that taxes products on a per unit, weight, or volume basis.

Adopted by the Commerce, Insurance & Economic Development Task Force on July 21, 2006 and approved by the ALEC Board of Directors in December 2006.

About Us and ALEC EXPOSED. The Center for Media and Democracy reports on corporate spin and government propaganda. We are located in Madison, Wisconsin, and publish www.PRWatch.org, www.SourceWatch.org, and now www.ALECexposed.org. For more information contact: editor@prwatch.org or 608-260-9713.