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December 16, 1982

MEMORANDUM

TO: Roger Mozingo

FROM: John Bankhead

RE: Report Number One On South Carolina Tobacco
Tax Increase Legislation

On December 14, I received a call from one of our South Carolina lobbyists, John Gregg McMaster, informing me that the House Ways and Means Committee had met that day to consider H-2050, a bill to raise the tax on cigarettes by 2¢ per pack.

McMaster said that after debate on the increase, the Committee, by voice vote, reported the bill out for consideration by the full House after the General Assembly convenes on January 11.

During the debate, those speaking in favor of the tax increase were Jarvis Klapman, District 89 - Lexington County; Bill Campbell, District 72 - Richland County; Herbert Kirsh, District 47 - York County; and the sponsor of the bill, Robert R. Woods, District 109 - Charleston County. Those speaking in opposition were Alex Harvin, District 66 - Clarendon County; D. M. McEachin, District 63 - Florence County; B. J. Gordon, District 101 - Williamsburg and Berkeley Counties and D. M. Holt, District 112 - Charleston County.

The bill received a minority report which would place it on the contested calendar providing us with a little more time to fight the proposal.

This matter is complicated by the fact that South Carolina is faced with a short-fall of \$59 million for fiscal year 1982 and \$89 million for fiscal year 1983.

State Representative Harvin called to inform me of the circumstances surrounding the action by the committee. He indicated that the opponents of the tax increase were caught off guard and were not aware that this issue would be considered on the 14th until they arrived at the committee meeting. He stated that the senior members of the committee had apparently gotten together and decided that the cigarette tax increase bill would be brought up for consideration and be reported out. According to Harvin, these senior members had been friends of the industry in the past, but due to the short-fall, felt the need for a cigarette tax increase which would provide an additional \$8 million to the state next year.

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In addition, Harvin explained that this was the first time that the Ways and Means Committee had ever considered revenue bills before the budget had been proposed. He said that "the tracks were greased" against the opponents of the increase and they could do nothing about it under the circumstances.

Since filibustering will no longer be permitted in the House beginning with the 1983 session, it will be a difficult task to defeat this measure in that body. However, the Senate still has filibustering so our chances of defeating it there are better.

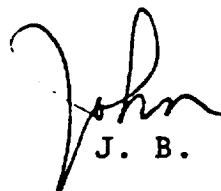
We have developed a plan of action - to be undertaken before the session starts - as follows:

1. Letters signed by key legislators from the tobacco producing area opposing the tax increase will be sent to each member of the House.
2. The Farm Bureau will be contacted to ask that President Harry Bell send letters to each legislator opposing the increase.
3. Outgoing Commissioner of Agriculture Bryan Patrick will be asked to send letters of opposition to the Republicans in both the House and Senate.
4. Sterling, John Gregg and I will meet with incoming Agriculture Commissioner Les Tendal to ask that he send letters to each of the members opposing the increase.
5. Sterling will make contacts with the vendors and distributors in the state to ask that they contact their representatives in opposition to the increase.
6. A meeting is being planned during the first week of the session to plot strategy and present suggested arguments against the increase. Those invited will be all tobacco area legislators as well as the new Commissioner of Agriculture, the President of the Farm Bureau, Chamber of Commerce representatives and other agricultural leaders across the state.
7. Efforts will be made to persuade the Black Caucus to oppose the tax increase.
8. A position paper against the increase has been drafted by Ed Battison and is in the process of being completed by me for use by our allies.

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I will be sending follow-up reports on this matter as soon as significant changes or developments occur. I also plan to travel to Columbia next week to meet on this issue with both our lobbyists as well as legislative leaders, representatives from the Farm Bureau and Commissioner-Elect Tindal.


J. B.

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