

of legal cigarettes will smoke less. Netting these changes out will be interesting, but it must be done to develop a reasonable revenue estimate.

Then there are the jobs that will be lost in the industry all along the production and legal distribution chain.

This means reduced income and payroll tax receipts to the Federal government. The official figures do not include these revenue losses, of course, because that would require a level of dynamic analysis the estimators are unwilling to try, but the revenue losses will be real nonetheless.

Another element thus far ignored is that the cigarette tax increase will reduce projected federal budget surpluses through its effect on the Consumer Price Index (CPI). The CPI includes cigarettes on a tax-inclusive basis.

A per pack tax hike of \$1.10 will cause an estimated one-time and permanent increase in the CPI of just under four-tenths of a percentage point. A higher CPI automatically increases federal outlays because many programs, like Social Security, are indexed to the CPI.

Phasing the tax hike in over five years as described in the McCain bill, the Tax Foundation calculates that federal outlays will rise by almost \$11 billion over the next five years and by over \$29 billion over the next ten years. Similarly, many tax provisions are indexed to the CPI, like the personal exemption, the standard deduction, and the tax brackets.

An increase in the CPI reduces tax receipts for a given amount of gross income. The Tax Foundation estimates that the cigarette-tax induced increase in the CPI would reduce federal income tax receipts by about \$8 billion over the next five years, and by almost \$19 billion over the next ten years.

Combined with the spending increases, the cigarette tax hike would reduce future budget surpluses by almost \$19 billion over the next five years by over \$48 billion over the next ten years.

I know that lots of people in this town are jubilant at the prospect of this legislation passing. The plaintiffs' lawyers would become fabulously wealthy; the public health community would get all of its favorite projects generously funded; and, of course, the bureaucrats will get write volumes of new rules.

The ones who won't be so happy are the working class families who have been targeted to pay for it all.

In short, the McCain bill, through its highly regressive tax provisions, inflicts enormous costs on lower- and middle-income families. Let me put this regressive tax in concrete terms. The increased excise tax payments under the McCain bill are projected to total some \$577 billion over the next 25 years. This is without the "look back" penalties that will add hundreds of billions of dollars to the package.

Where are the cries about regressive taxes? We're all so used to the long

speeches about taxes on the poor. Or is that argument just used for convenience? This is the largest tax increase on the poor in years—if not in all time!

It is estimated that, based on projections of the actual increases in the prices of tobacco products, the true cost over the next 25 years will be in the range of \$380 billion for families earning less than \$30,000 per year.

It will be more than \$735 billion for families earning less than \$75,000 a year.

These are truly staggering numbers. After all, 98.5% of cigarettes are legally purchased by adult smokers, and therefore higher excise taxes will unfairly (and regressively) penalize adult consumers who choose to smoke.

So, we're talking about hundreds of billions of dollars in new taxes to *try* to stop 1.5 percent of tobacco users from illegally buying tobacco. Why not just impose penalties on children who try to purchase tobacco? Well, I suppose, because it wouldn't be a jackpot for trial lawyers and Washington bureaucrats. The fact that it might help the children is irrelevant.

Mr. President, I, for one, was not elected to sock the American taxpayer with more taxes. If teens are really our target, we owe it to the taxpayer to first explore other non-price measures to combat youth smoking.

Turning to the bill's reliance on new government programs, I find it highly ironic that we are here debating a bill that will increase the size of the federal bureaucracy when this Congress is supposedly committed to reducing the federal government.

We also need to think long and hard about the bill's Orwellian approach—giving the federal government more power to look over our shoulders regarding the personal choices we make.

I urge my colleagues to learn from experience. Too many times in the past, Washington has raised taxes in the name of one feel-good social program or another.

This legislation is going to result in a massive price increase for the entire smoking population, including the 98 percent of legal adult smokers. I think it is important that my colleagues are aware of all the facts before they vote on it.

We should be concerned that the McCain bill will set a terrible precedent that will haunt us for years to come. If we begin to use the tax code as a coercive means of social engineering, then I submit that there is no end in sight.

Today, smokers will be asked to pay a huge share of their income to the federal government and tomorrow, who will be next?

We were supposedly sent here to see to it that the tax and spend era of big government ends. I'm not sure we're holding up our end of the bargain when we propose to pass legislation along the lines of the bill we're debating today.

This bill perpetuates a tax and spend mentality that our constituents have

rejected. It sets us sliding down the slippery slope. It is a bad bill, Mr. President, and we need to move on to other matters.

Mr. MCCONNELL addressed the Chair.

The PRESIDING OFFICER. The Senator from Kentucky is recognized.

UNANIMOUS-CONSENT AGREEMENT

Mr. MCCONNELL. Madam President, I ask unanimous consent that the Senate continue consideration of S. 1415, for debate only, until 4:30 p.m. today.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. HELMS addressed the Chair.

The PRESIDING OFFICER. The Senator from North Carolina is recognized.

VISIT TO THE SENATE BY MEMBERS OF THE PARLIAMENTARY DELEGATION OF THE REPUBLIC OF CHINA ON TAIWAN

Mr. HELMS. Madam President, I appreciate the distinguished Senator from Kentucky and his courtesy in yielding to me. We will not take long. I just could not resist the opportunity to bring this distinguished delegation to the Chamber. We have the parliamentary delegation of the Republic of China on Taiwan, headed by the Honorable Yao Eng-Chi, the official diplomatic representative to the United States.

RECESS

Mr. HELMS. Madam President, I ask unanimous consent that the Senate stand in recess for 3 minutes so Senators may pay their respects to this fine delegation.

There being no objection, the Senate, at 4 p.m., recessed until 4:05 p.m.; whereupon, the Senate reassembled when called to order by the Presiding Officer (Mr. FAIRCLOTH).

NATIONAL TOBACCO POLICY AND YOUTH SMOKING REDUCTION ACT

The Senate continued with the consideration of the bill.

Mr. MCCONNELL addressed the Chair.

The PRESIDING OFFICER. The Senator from Kentucky is recognized.

Mr. MCCONNELL. Madam President, there has been a lot of discussion over the last 4 weeks about teenagers and smoking. I would like to begin my comments at this moment by asking who might have more influence over teenagers and smoking—Joe Camel or Leonardo DiCaprio? If we continue on this bill—and it is my fervent hope that we will not, as I believe it is not in the best interest of the country—or if it should come back, as those on the other side of the aisle are promising that it will, we will not have another tobacco debate that doesn't deal with the real culprit, which is the influence of Hollywood on our children and their encouragement, after watching fashionable movies, to take up this habit in which none of us believe teenagers should engage.