

February 8, 1994

Mr. David P. Nicoli
 Legislative Counsel
 Philip Morris Companies, Inc.
 1341 G Street, NW
 Suite 900
 Washington, DC 20005

Dear Mr. Nicoli:

We have recently been reviewing the tax increases proposed by President Clinton to fund his Health Security Act, and have been taken aback by the magnitude of the proposals. While press attention has focused on excise taxes as the "big ticket" item in the Clinton plan, in fact there are at least \$103.7 billion in other tax increases being proposed. They include:

- Higher Medicare premiums for the elderly
- New Medicare taxes on state and local government workers
- Taxes on corporate alliances
- Taxes on subchapter S corporations
- Exclusion of health insurance from cafeteria plans
- Other revenues

The lack of public debate, indeed of public awareness, of these tax increases is truly amazing. On top of the gigantic tax increases now coming into effect as a result of the 1993 budget, these, if passed, will be another blow to the private, job creating sector of the U.S. economy.

We believe it is essential for there to be a quick, massive public education effort undertaken to make the American people aware of this heretofore silent tax increase. AdTI has a proven track record of generating national, regional and local press on issues as different as the proposed VAT, environmental regulation, national defense and international economics. Our press abilities are, quite frankly, second to none.

We would like to undertake a concentrated press and public policy information campaign strategy over the next two months to heighten public awareness of the new Health Tax Increase, which will include 1) background papers, opinion articles and letters in major newspapers

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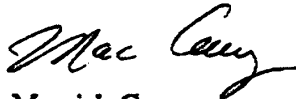
and magazines that highlight the health tax increases, 2) outreach to key columnists, TV and radio commentators on the magnitude of the tax increase, 3) briefings to ensure that public officials, policymakers and the press are aware of the tax increases, and 4) original research studies which document the negative economic impact of health care taxes.

Our three key executives, Cesar Conda, Bruce Bartlett and myself, will run this campaign and we will devote the full energies of our operation and its consultants to this task. We plan to activate our key Advisory Board members, including Jack Kemp, Robert Kasten, Dick Arney, Michael Boskin and others to mount a public awareness campaign immediately (see enclosed list of Center on Regulation and Economic Growth participants).

As you can see from our press in recent months, we are in the position to deliver. We would like to request \$60,000, or \$30,000 a month, to implement this program.

Thank you for your attention in this matter, and I'll look forward to speaking with you soon.

Sincerely,



Merrick Carey
President

Enclosures

cc: Derek Crawford

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