

LOBBY WATCH

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The Ritter Spitter Bill:

May 11, 2011

Chewing Over A Chaw Tax Cut

**Smokeless Tobacco Industry Spat Up To \$4 Million into Texas Lobby.
Texas Republican Party and Rick Perry Pinch the Most Tobacco Money.**

The populist Texas House solved the greatest tax-equity issue of the 82nd legislative session, forwarding it to the elitist Senate—where its future is uncertain. In one of this century's great injustices, Texas lawmakers decided in 2009 to tax smokeless tobacco by weight rather than value. This hammered folks who prefer a big wad of tobacco to an effeminate pinch of concentrated dip.

The tax change cut Texas' chewing tobacco sales by 50 percent, according to Stockholm's Swedish Match.¹ That blond, Scandinavian company markets Redman Chewing Tobacco, America's No. 1 brand.

Some lawmakers won't allow tax policies to reduce consumption of carcinogens. Fresh from his recent switch to the manlier Republican Party, Allan Ritter of Nederland introduced House Bill 2599, which slashes chewing tobacco taxes from \$1.13 per ounce to 80 cents.² Ritter said the bill is "good" for "all of us that chew tobacco."³ But that's just Ritter's chaw talking.



Rep. Allan Ritter

At least 28 carcinogens found in smokeless tobacco cause oral, esophageal and pancreatic cancer, according to the National Cancer Institute.⁴ Ritter's bill is bad for consumers and for Texas, which subsidizes those chewing-tobacco users who can't afford to pay their own way with mouth cancer.

Still, Ritter's bill *is* good for chewing tobacco producers, who have chafed under the 2009 tax structure that tobacco snuff producers spent at least eight years orchestrating.⁵

Lobby Watch tracked smokeless tobacco money, which quickly led to smoke-filled rooms. Joe Camel's Reynolds American acquired the American Snuff Co. and its Grizzly and Kodiak brands in 2006.⁶ Marlboro Man's Altria Group inhaled U.S.

Smokeless Tobacco Co. (UST) in 2009. With its premium Copenhagen and Skoal snuff brands, UST was a major advocate for—and beneficiary of—Texas' 2009 tax change.

Texas Smokeless Tobacco Lobby in 2010 and 2011

Smokeless Tobacco Company	Weighed In On HB 2599?	Min. Value of Contracts	Max. Value of Contracts	No. of Contracts
Altria/U.S. Smokeless Tob.	Publicly Silent	\$1,160,000	\$2,150,000	28
Reynolds American/Am. Snuff	Publicly Silent	\$485,000	\$995,000	16
Swisher International	For	\$375,000	\$660,000	9
Swedish Match	For	\$80,000	\$175,000	5
N. Atlantic Trading Co./Nat'l Tob.	For	\$35,000	\$75,000	2
Tantus Tobacco	Against	\$10,000	\$25,000	1
Cheyenne International	Against	\$0	\$10,000	1
TOTAL		\$2,145,000	\$4,090,000	62

Note: Some Reynolds lobbyists registered on behalf of RAI Services Co.

During a House committee hearing in March, tobacco giants Altria and Reynolds did not publicly take positions on HB 2599. Presumably their attitudes hinge on whether or not increasing chewing-tobacco sales, as Ritter has prescribed, will cannibalize their own snuff markets.⁷ *Lobby Watch* was unable to answer this question by press time.

It's also possible that Ritter took the tobacco giants by surprise. Ritter slipped the tax cut into his bill just before the House hearing, tripping up even veteran lobbyists. The Texas Medical Association told *Lobby Watch* that it registered *for* the bill based on its original language but is fighting the latest version that slashes taxes on known carcinogens.

With a Senate Finance Committee hearing scheduled on Ritter's bill tomorrow, perhaps the tobacco giants will weigh in on the bill or a brave senator might be able to smoke out where they stand. The issue could

be crucial, given that Altria and Reynolds dominate tobacco politics in Texas.

The smokeless tobacco lobby spent up to \$4 million on 62 Texas lobby contracts over the past two years, with Altria and Reynolds accounting for 75 percent of the total.

The top interests pushing Ritter's bill are Swedish Match, North Atlantic Trading Co. (Beech-Nut chew) and Swisher International (Mail Pouch chew). Since last year these three chew interests have spent up to \$910,000 on 16 lobby contracts. Tantus Tobacco and Cheyenne International, which testified against Ritter's bill, reported their first modest Texas lobby contracts in 2011.⁸

Texas' top tobacco lobbyists include ex-lawmakers Stan Schlueter and Bill Messer, as well as a couple of Governor Rick Perry's former lieutenants who joined the lobby: Reggie Bashur and Luis Saenz.

Top Smokeless Tobacco Lobbyists in 2011

Lobbyist	Min. Value of Contracts	Max. Value of Contracts	Client
Stan Schlueter	\$200,000	\$300,000	Altria
Reggie Bashur	\$100,000	\$150,000	Altria
Walter Fisher	\$100,000	\$150,000	Swisher International
Billy Phenix	\$50,000	\$100,000	Swisher International
Sabrina Thomas Brown	\$50,000	\$100,000	Altria
Susan Longley	\$50,000	\$100,000	Altria
M. Edward Lopez	\$50,000	\$100,000	Altria
Gavin L. Massingill	\$50,000	\$100,000	Altria
Bill Messer	\$50,000	\$100,000	Altria
Don McFarlin	\$50,000	\$100,000	Reynolds American
Luis J. Saenz	\$50,000	\$100,000	Altria

Top Recipients of Smokeless Tobacco Contributions

Amount	Recipient	Party	House Vote on HB 2599?	Office	Top Tobacco Donor(s)
\$100,000	TX Republican Party	R		NA	Altria Client Services, Inc.
\$31,004	Rick Perry	R		Governor	UST Executives PAC
\$5,000	Mex.-Am. Leg. Caucus			NA	Altria Client Services, Inc.
\$3,000	Greg Abbott	R		Attorney General	Altria Group PAC
\$3,000	David Dewhurst	R		Lt. Governor	Altria Group PAC
\$2,000	John Otto	R	Yea	H-18	Altria PAC/Brian Cooper
\$2,000	Jose Rodriguez	D		S-29	Altria PAC/Brian Cooper
\$2,000	Sylvester Turner	D	Yea	H-139	Altria Group PAC
\$1,500	Susan Combs	R		Comptroller	Altria Group PAC
\$1,500	Rene Oliveira	D	Absent	H-37	Tantus President Brian Cooper
\$1,500	Jim Pitts	R	Yea	H-10	Tantus President Brian Cooper
\$1,500	Joe Straus	R	Abstained	Speaker	Altria Group Inc. PAC
\$1,000	Brian Birdwell	R		S-22	Altria Group PAC
\$1,000	John Carona	R		S-16	Altria Group PAC
\$1,000	Warren Chisum	R	Yea	H-88	Altria Group PAC
\$1,000	Wayne Christian	R	Yea	H-9	Altria Group PAC
\$1,000	Garnet Coleman	D	Yea	H-147	Altria Group PAC
\$1,000	*Jim Dunnam	D		H-57	Altria Group PAC
\$1,000	*Al Edwards	D		H-146	Altria Group PAC
\$1,000	Pete Gallego	D	Nay	H-74	Altria Group PAC
\$1,000	Veronica Gonzales	D	Yea	H-41	Altria Group PAC
\$1,000	Rolando Gutierrez	D	Absent	H-119	Altria Group PAC
\$1,000	Chris Harris	R		S-9	Altria Group PAC
\$1,000	Juan 'Chuy' Hinojosa	D		S-20	Altria Group PAC
\$1,000	*Myrna McLeroy	R		H-44	Altria lobbyist Jack Dillard
\$1,000	Jose Menendez	D	Yea	H-124	Altria Group PAC
\$1,000	Steve Ogden	R		S-5	Altria Group PAC
\$1,000	Dan Patrick	R		S-7	Altria Group PAC
\$1,000	Carlos Uresti	D		S-19	Altria Group PAC
\$1,000	Leticia Van De Putte	D		S-26	Altria Group PAC
\$1,000	Royce West	D		S-23	Altria Group PAC
\$1,000	John Whitmire	D		S-15	Altria Group PAC
\$1,000	Tommy Williams	R		S-4	Altria Group PAC
\$750	Senfronia Thompson	D	Yea	H-141	Tantus President Brian Cooper

Note: 83 House members voted for HB 2599, 53 voted against it and two present members did not vote.

*Lost 2010 race.

The smokeless tobacco industry also gave \$197,548 to Texas state candidates and political committees in the 2010 election cycle. It directed two-thirds of the total to the Texas Republican Party and Governor Perry. Altria gave \$100,000 in corporate funds to the GOP, while Governor Perry collected \$31,004 from tobacco interests led by Altria's UST PAC.

The chewing-tobacco lobby did not supply any of the contributions tracked here. In fact, Altria and its UST unit contributed almost all the political money. Tantus Tobacco President Brian Cooper of Kentucky also gave \$1,000 apiece to Senator Jose Rodriguez and Reps. John Otto, Jim Pitts and Rene Oliveira. He gave another \$750 to Rep. Senfronia Thompson.

Smokeless Tobacco Contributions Jan. 2009 Through Dec. 2010

Amount	Contributor	Location	Tobacco Company	Donor's Favorite Politician or PAC
\$106,000	Altria Group, Inc.	New York, NY	Altria Group, Inc.	Texas Republican Party
\$64,798	Altria Group PAC	Austin, TX	Altria Group, Inc.	Gov. Rick Perry
\$15,000	UST, Inc. PAC	Greenwich, CT	UST, Inc.	Gov. Rick Perry
\$4,750	Brian Cooper	Jamestown, KY	Tantus Tob. President	Oliveira/Otto/Pitts/J. Rodriguez
\$4,000	Jack Dillard	Austin, TX	Altria Group lobbyist	Gov. Rick Perry
\$2,000	Peter Paoli	Richmond, VA	Altria Group CEO	Gov. Rick Perry
\$1,000	John Nelson	Richmond, VA	Altria Group Exec. VP	Gov. Rick Perry
\$197,548	TOTAL			

Reps. Otto, Pitts and Thompson voted for the Ritter bill that Tantus Tobacco opposed (Rep. Oliveira missed the vote).

Neither the tobacco-chewing author of HB 2599 nor the bill's Senate sponsor, Tyler Republican Kevin Eltife, received tobacco contributions. •

Notes

¹ "Chewer's Bill To Cut Tax On Such Tobacco Is OK'd," *Austin American-Statesman*, May 5, 2011.

² It also would exclude chewing tobacco from the automatic annual tax increases that will be applied to most other tobacco products through fiscal 2014.

³ "Texas House approves chewing tobacco tax cut," Associated Press, May 5, 2011.

⁴ "Smokeless Tobacco and Cancer," National Cancer Institute Fact Sheet.

<http://www.cancer.gov/cancertopics/factsheet/Tobacco/smokeless>

The Texas Comptroller estimated that this tax cut would not reduce state revenue since it would dramatically increase consumption of chewing tobacco. See HB 2599 "Fiscal Note," Legislative Budget Board, May 5, 2011.

⁵ "Double Dippin': Did the 'World's Toughest Grandma' throw a fight?" *Texas Observer*, June 22, 2001.

"Lawmakers Chew On Change to Tobacco Tax," *Dallas Morning News*, March 7, 2007.

⁶ Formerly Conwood Co.

⁷ Altria clearly favors taxing smokeless tobacco by weight. See page 11, "Legislative Issues," Altria, April 2010, at http://www.altria.com/en/cms/About_Altria/Government_Affairs/Legislative_Issues/PDF/Legislative%20Issues.pdf.aspx Last year Altria fought a similar tax battle in Virginia, which proposed changing from a price-based tax to one based on the number of units (e.g. cans or bags) sold. Such a change would benefit Altria's relatively expensive snuff brands over companies like Swedish Match that sell relatively cheap bags of loose-leaf chewing tobacco. "2 Tobacco Giants in Va. Clash Over Excise Tax," *Richmond Times-Dispatch*, February 19, 2010.

⁸ They both hired S. Jay Maguire II.