

# Committee on Resources

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## Witness Testimony

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Testimony of  
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before the

U.S. House of Representatives Committee on Resources  
Subcommittee on Fisheries, Wildlife, and Oceans  
June 6, 1996

Hearing on the proposed  
"Fish and Wildlife Conservation Enhancement Act of 1996,"  
a/k/a, "The Birdwatchers' Tax"

Let's not mince words: The Birdwatchers' Tax proposed by self-interested state wildlife agencies is no way a "user fee" or "investment" in any honest sense of the word. Instead, it is the classic case of government agencies and non-profit advocacy groups assuming that what is good for their budgets and their established way of doing things is good for the public as well. This proposal is not just bad public policy: it is silly, and deserves immediate dismissal.

The theory behind the Birdwatchers' Tax is that if you enjoy the great outdoors, you should pay a user fee that goes to fund state agencies. For instance, if you buy binoculars, a camera, or an Audubon guide, you should pay a special excise tax that goes to the U.S. Fish and Wildlife Service for distribution to the states. This is allegedly the price you pay for being a birder.

As proposed by the International Association of Fish and Wildlife Agencies, the "Fish and Wildlife Conservation Enhancement Act of 1996" would impose a manufacturers' excise tax on "outdoor equipment" broadly construed to include everything from cameras and film, to birdseed and books, to camping equipment, possibly to clothing, and to mountain bikes, recreational vehicles, and sport utility vehicles. The applicable tax would range from .25 percent to 5 percent. According to support literature prepared by the IAFWA, the tax would be passed on to consumers, but in fact the costs of the tax will be distributed more widely through economic dislocations.

### **This is a tax, not a user fee.**

Americans for Tax Reform holds that any involuntary spending obligated by government fiat is a tax. But to clarify the point, in what context could a tax conceivably also be called a user fee? The basic test is a clear, one-to-one link between demanding a good or service and paying the price for it, so that the purchaser is fully aware that a specific cost is being incurred.

The proposed Fish and Wildlife Conservation Act also known as "Teaming with Nature" fails this test. Essentially, the tax applies to almost anything that can be found in an L.L. Bean or Eddie Bauer catalog regardless of whether the user specifically intends to do anything that could justify spending on state wildlife agencies. As Americans for Tax Reform President Grover Norquist has suggested, one could just as easily propose a a tax on eyeglasses to fully fund our nation's art museums. The idea is ridiculous.

The current excise tax on hunting and fishing equipment is at least more narrowly defined. A fishing rod can be used only for fishing or for decoration, so conceivably there is a close link between purchasing the equipment and "demanding" fish and wildlife conservation services. However, it is important to note that most sportspeople do not realize they are paying this tax when they buy their equipment. I have certainly never noticed it when I go shopping

myself.

When asked what constitutes a tax increase, former OMB Director Richard Darman famously said, "if it walks like a duck, and quacks like a duck, it's a duck." The proposed "user fee" for photographic film, birdbaths, and four-wheel drive automobiles quacks like a duck. Of course it's a tax.

### **Any Excise Tax is Bad Tax Policy**

Excise taxes are uniquely damaging to the economy and constitute bad tax policy. As we move toward a rational revenue system, our goal should be to *eliminate* all excise taxes, not add new ones at random.

The basic problems with excise taxes are as follows:

- ***They are distortionary.*** An excise tax interferes with the rational allocation of goods and services by disrupting the price signals that link supply and demand. The cost of excise taxes is not just borne by producers and consumers of taxable items; in fact, the entire economy suffers from efficiency losses and lower productivity due to the tax.
- ***Excise taxes are arbitrary.*** Indeed, it is hard to find a more flagrant example of arbitrary taxation driven by the vagaries of special interest politics than the question at hand. How do we determine which of our favorite products from L.L. Bean is taxed at .25 percent, one percent, or five percent? All of it is politics, all of it is subject to annual change, much of it is subject to arbitrary interpretation by tax collection agencies, and none of it makes much sense. Thus excise taxes not only impose efficiency costs on the economy; they also corrupt the political process and subtly undermine public confidence in government.
- ***Excise taxes are not cost-efficient ways to raise revenue.*** Some studies estimate the total cost of collecting non-trust fund excise taxes that is, the smaller excise taxes is about the same as the revenue they bring in. And so the question becomes, why bother?
- ***The excise tax will be invisible to the taxpayer.*** The "Teaming with Wildlife" background sheets suggest that products subject to the tax will display some kind of logo explaining where the tax goes. This is highly unlikely to occur in practice. A tag might indicate that a tax of some kind is being paid, just as some products advertise their contribution to worthwhile charity, but information concerning the manufacturer's wholesale price is not the sort of information consumers normally receive.
- ***A tax is like the price of any good or service in that it signals to the taxpayer the full cost of government he or she is demanding.*** By concealing this information or simply not communicating it in a meaningful fashion the message "feel good about buying this product because it has a green dot on the logo" is not meaningful the Birdwatcher's Tax denies valuable information to the voting citizen.
- ***Finally, this tax imposes real enforcement issues.*** We already have problems deciding whether certain Japanese-made vehicles qualify as "light trucks" or passenger vehicles. The wide range of disparate products to be taxed under this proposal and the great variance in tax rates from .25 to five percent simply invites gaming of the system and evasion or avoidance of the tax through any means possible. It will be difficult enough to collect the tax in a reasonably consistent and fair way from U.S. domestic producers, but I suspect the tax on outdoor equipment manufactured overseas especially the cheaper stuff made in China will border on uncollectable. So again, why bother?

At Americans for Tax Reform, we are not particularly in favor of taxes on anyone. But if there are to be any taxes at all, we prefer not to have taxes which make a mockery of the law.

### **The Real Problem with this Proposal**

The most disturbing aspect of "Teaming with Wildlife" is the basic presumption that a federally funded, bureaucratically directed, command-and-control model of environmental regulation is the appropriate way to advance environmental quality in the United States. Aside from a suggestion in the literature that more than 1,000 wildlife species will benefit from the proposal, it is really not clear where the money would go or why we need to adopt this approach as opposed to some other one.

I think it is a fair question whether we really get the benefits ascribed to the current excise tax, or whether most of these alleged benefits are in fact due to a wide range of other programs administered by the states, or whether better incentives for property owners are playing a role. Simply spending money on a problem does not make it better, as anyone who has studied spending on the D.C. public schools can attest.

At this exciting time in Washington, when we are studying many alternatives to traditional bureaucratic methods, I think it is a mistake to perpetuate and even expand a tax because, in the opinion of agencies that receive funding from it, it has appeared to work for the past fifty years. This is actually an argument for trying something different.

Americans for Tax Reform generally opposes earmarked tax revenues for any reason. Any valid public purpose that is genuinely worthwhile should compete with other spending possibilities for money from the general fund. And, when the purpose of the program is achieved, or when other priorities become more important, any spending program should automatically terminate. The last thing we need is slush fund that once established, will stay around another fifty years regardless of whether better possibilities for using the money become available.

It does no good to pretend this money is merely a block grant that will be spent at the states' discretion in order to reach goals set at the federal level. By distributing money, we create an organized interest group with every incentive to continue lobbying for increased funding and increased bureaucracy in the future. A tax such as this, similar in its complexity and stealth to the European value-added tax, offers every possibility for becoming a runaway money machine. What's worse, funding is certain to go not only to state agencies but also to tax-funded advocacy groups, which will lobby aggressively for more and more funding of grant programs to groups such as themselves.

Congress should not abdicate its responsibility to set priorities and use the taxpayers' money wisely. This proposal does not deserve serious consideration.

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