10. Increasing Taxes on the Sale of Alcohol

CSAP Primary Prevention Strategies

- Information dissemination
- Environmental

Strategy

Like many products, the overall price of alcohol affects how much people will consume, which in turn, affects the level of alcohol-related problems. The primary way to make alcohol more expensive is through increasing taxes on the sale of alcohol.

Research indicates that higher alcohol taxes lead to reduction in the levels and frequency of drinking and heavy drinking among youth, lower traffic fatality rates and reduced incidence of some types of crime.

The National Bureau of Economic Research estimates that the number of youth who drink beer would have declined by 24% if alcohol taxes had kept pace with inflation since 1951. While certain groups may oppose such a tax, several surveys indicate that most Americans support increased taxes on alcohol. In its report released in September 2003, Reducing Underage Drinking: A Collective Responsibility, the National Academy of Sciences recommended increasing alcohol excise taxes to curb underage drinking as an effective strategy that has shown consistent and positive results.

Key Terms

1. **Adjusting taxes to the rate of inflation:** Inflation means dollars today have less buying power than they did in the past. If the cost of a product or a tax rate stays the same year after year, the cost or tax for that product would actually fall in terms of "real" dollars. Therefore, one way to raise taxes is to "catch up" the current tax rate to what it should be after inflation, and index alcohol taxes to increase with inflation in future years.

2. **Alcoholic Beverage Control States:** Generally referred to as control states, these states have a state monopoly over the wholesale and/or retail pricing and distribution of some or all categories of alcoholic beverages (beer, wine and distilled spirits). There are currently 18 control states in the U.S. (Alabama, Idaho, Iowa, Maine, Michigan, Mississippi, Montana, New Hampshire, North Carolina, Ohio, Oregon, Pennsylvania, Utah, Vermont, Virginia, Washington, West Virginia and Wyoming).

Considerations for Planning

This is a challenging strategy that can yield high returns both financially and by lowering alcohol-related problems especially among youth. This strategy requires commitment, conviction, advocacy and strategic planning. It is also a strategy that CAN be successfully accomplished at the local (Gallup N.M.) and state level. Recent examples include Arizona, Washington and Alaska. Many others are in the process of trying to raise alcohol taxes.

Fundamental Steps

1. Determine what the current alcohol tax rates are for your state. To do this, check with the state's Alcohol Beverage Control office or revenue department to find out how excise taxes are levied in your state for beer, wine and distilled spirits.
2. Learn what the exact tax rate is in your state. Go to the Alcohol and Tobacco Tax and Trade Bureau for the most up-to-date information about taxes in your state. Address is: http://www.taxadmin.org/fta/rate/tax_stru.html.
3. After learning the current alcohol tax rates and policy in your state, it is time to start conducting an analysis on what the tax rate should be raised to. The best approach will depend on a variety of factors, including the current tax levels, the political situation and the objectives of the tax increase.
4. Compile data and evidence that supports alcohol tax increases. There are several strong arguments to be made (backed by scientific evidence) for raising alcohol taxes:
   - Scientific evidence has demonstrated that increased taxes would reduce underage drinking and its corresponding problems. Research has shown that higher alcohol taxes lead to reductions in the levels and frequency of heavy drinking among youth, lower traffic crash fatality rates (especially among young drivers) and reduced incidence of some types of crime.
   - Raising alcohol tax rates makes sense economically. The economic cost of underage drinking alone is over $65 billion a year while current alcohol tax revenue (local, state and federal) amounts to about $18 billion. To calculate how much more money your state could generate by raising alcohol taxes, go to http://www.cspinet.org/booze/taxguide/TaxCalc.htm.
   - Adjusting for inflation. This point was discussed earlier. The "real" alcohol tax rates have fallen because they have not been adjusted for inflation. In fact, Federal excise taxes on alcoholic beverages have increased only once in 54 years for beer and wine and only twice for liquor. Current alcohol tax revenues ($18 billion) don't come close to offsetting the staggering public health and safety costs of alcohol problems estimated at $185 billion a year.
   - The majority of Americans support tax increases. Polls from 1997, 2002 and 2005 all continue to show that most citizens support increased alcohol taxes of some kind. Even after the last federal tax increase in 1991, several polls in 1992 and 1993 showed strong support for further tax increases (March 1993 Wall Street Journal/NBC News Poll, April 1993 Washington Post/ABC News Poll, 1993 Gallup Poll).
   - Alcohol taxes only affect people who drink. Alcohol taxes are NOT a flat tax. If you don't use the product, you don't pay a tax. Polls consistently show support for increasing taxes on alcohol if the revenues from a tax on alcohol are earmarked for specific purposes like paying for prevention/treatment programs, counseling services, healthcare, etc.
5. Begin building community (county or statewide) support for this strategy from lawmakers, key stakeholders and the public at large. **(See *Media Awareness and Advocacy* section.)**
6. Identify immediate, intermediate and long-term outcomes of the strategy. Monitor and evaluate progress.

Helpful Tips and Suggestions

It is important to build community (county or statewide) awareness about the problems associated with low taxes on alcohol, as well as clarification on how tax increases could generate to assist with specific community or statewide needs. A strong community "movement" can influence statewide policies. The Center for Science in the Public Interest's "Guide to Alcohol Taxes and Health" offers a number of practical suggestions.

Media Awareness and Advocacy

- Develop fact sheets on the alcohol tax that is being proposed. Use fact sheets consistently and frequently.
- Make sure that all spokespersons are reinforcing the same talking points.
- Make sure everyone conducting any type of advocacy and/or awareness is aware of the common arguments and barriers identified by the alcohol beverage industry. (**See the *Suggested Resources* section.**)
- Recruit prominent community members or state policy-makers to join in a statement endorsing higher alcohol taxes.
- Provide talking points for clergy, prevention professionals, concerned citizens, etc.
- Hold individual meetings with people who are in key positions to affect change.
- Hold a press conference covering how changes in the alcohol tax rate can reduce problems and provide revenue for specific needs.
- Work with local media outlets to air PSAs describing the problems caused by having low alcohol taxes and what higher taxes will accomplish.
- Write letters to the editor about the problems caused by having low alcohol taxes and again clarify specifically what higher taxes will do.
- Obtain media coverage of the problem. Stage a rally or an event where key issues can be discussed quickly and clearly.
- Issue press releases highlighting key activities and important events, such as public hearings, on a potential alcohol tax hike. Make sure your team is there and prepared.
- Ensure that all coalition members are available to be interviewed and that everyone is educated about the data on alcohol tax rates, underage drinking, youth crashes and how low alcohol taxes contributes to these and other problems.

Potential Partners

- State legislators
- Law enforcement groups
- Alcohol tax advocates from other states
- Your state Alcohol Beverage Control office or revenue department
- Elected officials
- Local school officials
- Neighborhood organizations
- Prevention professionals
- Substance abuse treatment organizations
- Parent groups
- Church organizations

Estimated Timeline

- One to four years. If initial efforts fail, lessons learned can be applied to a revised and renewed approach.

Potential Barriers and Obstacles

- **See the *Suggested Resources* section** (Potential Barriers and Solutions to Increasing Taxes on Alcohol).

Possible Short- and Long-Term Outcomes

- A tax increase on beer, wine and/or distilled spirits takes place
- Increase in the actual price of alcohol
- Additional revenue is generated for a county or state possibly earmarked to help fund specific needs or services
- Decrease in underage drinking and associated problems (motor vehicle crashes and injuries)
- Decrease in the number of youth involved in alcohol-related incidents
- Decreases in the rates of DUI arrests and convictions
- Decrease in the number and types of arrest for alcohol-related violations among all ages

Suggested Resources

Supplemental Resources Related to this Strategy

Additional Resources and Information Available at faceproject.org

Links **(A browser document called "Helpful Links" is located on the Resource CD for easier navigation.)**

www.taxadmin.org/fta/rate/tax_stru.html
Federation of Tax Administrators

http://www.cspinet.org/booze/taxguide/TaxCalc2.htm
Calculating the Effects of Tax Changes on Consumption and Revenue

http://www.cspinet.org/booze/taxguide/TaxIndex.htm
Why Raise Alcohol Excise Taxes?

http://www.marininstitute.org/alcohol_industry/digests/BeerReport.pdf
Factbook on State Beer Taxes

Potential Barriers and Solutions to Increasing Taxes on Alcohol

Passing and enforcing increased taxes on sales of alcohol can be difficult. It is helpful to anticipate typical challenges before discussions take place. The following examples represent common arguments and solutions to alcohol industry and policy-maker concerns on increasing alcohol taxes.

Potential Barriers	Potential Solutions
Policy-makers believe that increased taxes unfairly punish social drinkers.	Inform policy-makers that the alcohol tax is a "user tax." Social drinkers will only be minimally impacted.
Policy-makers are being told that alcohol taxes are already too high.	In general, alcohol taxes are low because inflation has not been factored in. Use your state data to demonstrate the impact of inflation on alcohol taxes.
Policy-makers might believe that increased taxes will decrease revenue.	Inform policy-makers that the increase in tax revenues would be much greater than any reduction in consumption and sales. Also, any decrease in sales would likely result in a decline in alcohol problems and related health and safety costs.
Policy-makers might believe that increased taxes will lead to job losses.	On the contrary, according to the Bureau of Labor Statistics of the U.S. Department of Labor, beer-industry wholesale trade employment rose between 1990 and 1992, a year before and after the last federal tax increase. While jobs at the manufacturing level fell, this decline was mostly because of producer consolidation and automation. Beer sales have grown steadily, for example from $40.2 billion in 1986 to nearly $70 billion in 2001.
The alcohol beverage industry says that increasing alcohol taxes punishes moderate and responsible consumers and will not affect the drinking habits of alcohol abusers.	Nationally in 2008, beer accounted for 85% of all alcohol sales and 56% of all ethanol consumption. • Beer taxes are low and long overdue for increases. • They can provide a source of significant revenue, possibly to reduce the harmful effects of alcohol use. • Higher prices would help moderate drinking and alcohol-related problems and costs. • Despite industry rhetoric, they don't present an excessive burden for the vast majority of beer drinkers.

Potential Barriers	Potential Solutions
The alcohol beverage industry says increased alcohol taxes will unfairly impact "Joe Six Pack."	The public strongly supports higher beer taxes, particularly when the revenues are earmarked for a related, good public purpose. • 71% of respondents support a five-cent per drink increase in the national tax on alcohol. (Global Strategy Group/CSPI Poll, 2005) • 75% of drinkers support increasing the beer tax if the funds were used for substance abuse prevention. (Penn, Schoen, and Berland/CSPI Poll, Aug. 2001) • 85% of Californians support a nickel a drink increase. (PPI 2009) • 68% of Americans support an increase in taxes on wine and beer to pay for health care reform and to provide health coverage for the uninsured. (Kaiser Health Tracking Poll, April 2009) • 70% of Kansas residents support an alcohol tax increase. (Kansas Statewide Survey, March 2010) • 71% of Maryland residents support an alcohol tax increase. (Maryland Citizens' Health Initiative, March 2010)

Study: Paying More for Alcohol Saves Lives

December 9, 2008
By Madison Park, CNN

(CNN) – Higher taxes on alcohol can make a night out more expensive but could save lives, according to a study released Thursday.

After Alaska raised its alcohol taxes, the number of alcohol-related deaths dropped, a study says.

Each time the state of Alaska raised its alcoholic beverage tax, fewer deaths were caused by or related to alcohol, according to the study that examined 28 years of data.

When Alaska raised its alcohol tax in 1983, deaths caused by or related to alcohol dropped 29 percent. A 2002 tax increase was followed by an 11 percent reduction, according to the study published in the American Journal of Public Health.

"Increasing alcohol taxes saves lives; that's the bottom line," said the study's lead author, Dr. Alexander Wagenaar, a professor at the University of Florida's Department of Epidemiology and Health Policy Research. "The tax increase caused some reduction in consumption of alcohol. The reduction saved lives."

The study, funded by the Robert Wood Johnson Foundation, tracked the number of deaths for every quarter in Alaska from 1976 to 2004.

Using information from death certificates, Wagenaar and the co-authors compiled the number of deaths caused by alcohol, such as alcohol poisoning and alcoholic liver disease, and deaths linked to alcohol, such as cirrhosis and chronic pancreatitis. Deaths caused by alcohol-related car accidents or violence were not included.

Deaths from Alaska were compared with data from other states to control for nationwide factors, such as population growth and advanced medical care.

The authors found 23 fewer deaths per year after a 1983 tax hike and 21 fewer deaths per year after a 2002 increase.

Researchers chose to study Alaska after a political debate over the most recent alcohol tax increase in the Last Frontier state.

"No other state in recent years has increased alcohol taxes in the way that Alaska did in 2002," Wagenaar said. "Basically, they conducted the experiment, and we studied it."

Although Alaska has a population of fewer than a million people, the state "is not highly different when looking at epidemiological trends," he said, estimating that about two-thirds of Americans drink.

"There's no reason to think the experience in Alaska would be different than anywhere else," Wagenaar said. "The study looks at the responsiveness of drinking."

The Finland study

Researchers in Finland found similar results when examining the relationship between alcohol taxes and alcohol-positive deaths.
Health Library

* MayoClinic.com: Alcohol and your health
* MayoClinic.com: Alcohol poisoning

For years, Finland had high alcohol taxes. In March 2004, the Finnish government lowered the taxes nearly 33 to 44 percent to protect domestic sales because officials worried that patrons would flock to neighboring nations in search of cheaper booze.

Consumption levels in Finland increased 50 percent from the previous year. Finnish researchers also found that arrests for drunken and disorderly conduct increased by 11 percent after taxes were lowered.

University of Helsinki researchers used postmortem toxicology tests to determine that alcohol was the underlying cause of death for 1,860 Finns that year, a 20 percent increase from 2003.

"Taxation has indeed been found to be the most cost-effective measure in reducing alcohol consumption," the authors concluded in a 2007 article published in the Addiction journal. "Raising alcohol tax level has low costs and is effective in reducing alcohol consumption and thus alcohol-related harms."

U.S. policy

Unlike with cigarettes, supporters of higher beverage taxes say alcohol has largely avoided scrutiny in the United States.

"When the excise tax on tobacco went up, consumption went down and the diseases associated with tobacco also went down," Wagenaar said. "Now, with the current study, we're finding the same thing for alcohol. Simply adjusting taxes has quite a noticeable rate on alcohol deaths. They parallel each other quite a bit."

In addition to public health implications, state governments should re-examine their alcohol excise taxes for fiscal reasons, said George Hacker, director of Alcohol Policies Project for the Center for Science in the Public Interest.

Nearly half of the states have had the same alcohol taxes for more than 20 years, and Wyoming hasn't raised its tax on alcohol since the 1930s, thus not keeping up with inflation, Hacker said. The beer tax in Wyoming is less than two cents per gallon.

"Given state budgets are in the toilet bowl, it's an available source of revenue that has not been looked to for a very long time," Hacker said. "The tax increases are long overdue. The product doesn't pay its way in covering economic and social costs associated with its use."

Alcohol industry

The American Beverage Licensees, which represents retailers of beer, wine and spirits, opposes alcohol tax increases.

"Based on historical evidence, raising taxes on alcohol beverages would have a highly negative impact on the economy," said Harry Wiles, executive director of the American Beverage Licensees, in an e-mailed statement. "Increasing alcohol taxes could lead diminishing returns for the government should responsible, moderate consumers decrease their consumption."

Raising taxes would penalize more than 100 million responsible alcohol consumers and would not deter the few abusers, who don't cut back when price fluctuates, Wiles said.

"Any across the board tax increase would not target the problem drinker but would simply penalize those who enjoy wine and spirits and drink responsibly," Wine and Spirits Wholesaler of America CEO and President Craig Wolf said in an e-mailed statement.

The industry also sponsors social responsibility programs to help educate consumers, he added.

Efforts to raise alcohol taxes are often thwarted and labeled neo-Prohibitionist by the alcohol industry, Hacker said.

"The legacy of Prohibition leaves sour tastes about doing anything about curbing alcohol use," he said. "It conjures images of Prohibition. The industry stokes it as much as it can. The industry uses the imagery and metaphor of freedom and civil rights, almost like it is a civil right to drink, given it was once prohibited."

In the latest barometer of American public opinion, Maine voters overwhelmingly rejected a state law that would've increased the excise tax on alcoholic beverages on Election Day.

The law would've increased excise taxes by 116 percent for beer and wine in order to fund a controversial state health care program.

Fed Up With Taxes, a Maine coalition of chambers of commerce and various business associations, fought the law.

Ted O'Meara, spokesman of the group, said the argument that higher taxes would reduce alcohol consumption didn't enter the debate, as hard liquor was exempt from the tax hikes.

"Our main point was that this was a massive new tax increase," O'Meara said.

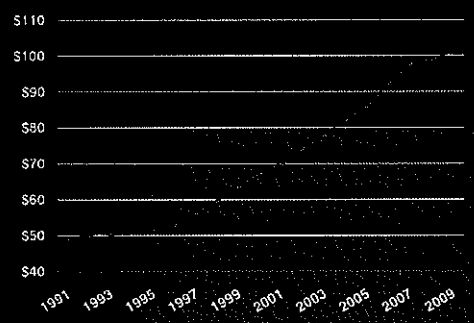
Source: http://www.cnn.com/2008/HEALTH/11/13/alcohol.tax.deaths/

PowerPoint on Alcohol Taxes

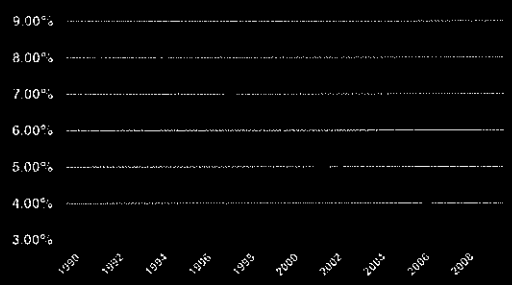
The Case for Increasing Beer Taxes

- Beer taxes are low and long overdue for increases.
- They can provide a source of significant revenue, possibly to reduce the harmful effects of alcohol use.
- Higher prices would help moderate drinking and alcohol-related problems and costs.
- Despite industry rhetoric, they don't present an excessive burden for the vast majority of beer drinkers.
- The public strongly supports higher beer taxes, particularly when the revenues are earmarked for a related, good public purpose.

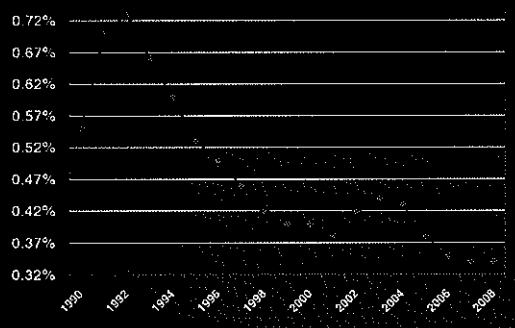
Total Retail Sales of Beer in Billions of Dollars



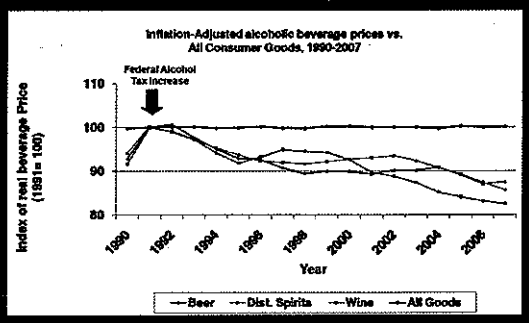
Federal Beer Tax Revenue as Percentage of Total Beer Sales



Alcohol Tax Revenue as Percentage of Total Federal Revenue Since 1990

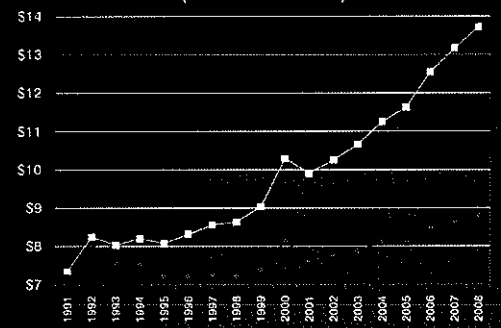


The Relative Price of Alcohol Has Declined Dramatically, Relative to All Consumer Goods, Over Time



Actual Federal Alcohol Tax Revenue vs. Potential Revenue had Taxes Increased with Inflation Since 1991

(in billions of dollars)



"Increases in the monetary prices of alcoholic beverages, which can be achieved by raising federal, state and local alcohol taxes, significantly reduce alcohol consumption"

Chaloupka, Frank J., PhD; Grossman, Michael, PhD.; Saffer, Henry, PhD. "The Effects of Price on Alcohol Consumption and Alcohol-Related Problems." 2002.

"Research has consistently shown that higher prices lead to less alcohol consumption, even among heavy drinkers."

Budget Options, Volume 1: Health Care, P. 195, CBO 2008

Young People are Especially Affected by Price Increases

- Beer prices inversely correlate with youths' decisions to drink.
- Frequency and quantity of underage alcohol consumption is inversely related to the price of alcohol.
- Increasing the price on alcohol by raising excise taxes would reduce moderate and heavy drinking by college students.
- College students are less likely to transition from abstainers to moderate drinkers or from moderate drinkers to heavy drinkers if alcohol prices are high.

Studies Show...

Reducing alcohol consumption means:

- less drinking and driving
- less frequent and less heavy drinking
- higher college graduation rates
- reduced rates of gonorrhea and other STDs
- reduced rates of liver cirrhosis

Alcohol Tax Increases Enjoy Popular Support

- 71% of respondents support a 5 cent per drink increase in the national tax on alcohol. (Global Strategy Group/CSPI Poll, 2005)
- 75% of drinkers support increasing the beer tax if the funds were used for substance abuse prevention. (Penn, Schoen, and Berland/CSPI Poll, Aug. 2001)
- 85% of Californians support a nickel a drink increase. (PPI 2009)
- 68% of Americans support an increase in taxes on wine and beer to pay for health care reform and to provide health coverage for the uninsured. (Kaiser Health Tracking Poll, April 2009)
- 70% of Kansas residents support an alcohol tax increase. (Kansas Statewide Survey, March 2010)
- 71% of Maryland residents support an alcohol tax increase. (Maryland Citizens' Health Initiative, March 2010)
- Recent polls in New York and New Jersey reveal similar support.

Beer Accounts for Most Alcohol Consumed

Nationally in 2008, beer accounted for 85% of all alcohol sales and 56% of all ethanol consumption.

Adams Beverage Handbook, 2009

Sample Letter to the Editor – Alcohol Taxes

Note: Follow the instructions in the opinion section of your local newspaper for submitting a letter to the editor. Most newspapers print these instructions in the opinion-editorial section, or you can call the newspaper for instructions.

ISSUE: Increasing alcohol taxes is a proposal that might bring the most assured and immediate benefits.

Of the many worthwhile recommendations in last week's National Academy of Science's report on what to do about underage drinking [Date, "article headline"], its proposal to raise alcohol excise taxes — especially beer taxes — is the one that might bring the most assured and immediate benefits.

That suggestion has strong scientific support and is long overdue. Such increases would scarcely be felt by most consumers, and heavy drinkers would rightly pay more since their drinking imposes the most costs on society.

Despite a 1991 increase in federal beer taxes, today's levy of about five cents per drink is less than one-quarter of what it would be had the rate kept up with inflation since 1951, the year of the previous hike. This tax stagnation has contributed to steady reductions in the relative price of beer, strong demand for beer among underage consumers and massive erosion in the value of revenues to the Treasury.

Astonishingly, the beer lobby continues to press Congress to return the tax rate to its 1951 level. Lawmakers should "just say no" to big beer. Raising beer taxes would reduce underage drinking and its harms and raise millions for under-funded prevention and treatment programs.

Sincerely,

Include your name and your group's name here

Sources: http://www.cspinet.org/booze/NAS_Letter_Editor.htm