

# Raising Alcohol Taxes

## Wins, Losses, and Countering Industry Myths

---

**Michele Simon, JD, MPH**  
**Research and Policy Director**  
**Marin Institute**

CADCA National Leadership Forum  
February 9, 2009

# Impact of Higher Taxes

---

Higher taxes have been shown to reduce:

- Underage drinking
- Traffic fatalities, crashes, and drunk driving, especially in youth
- Alcohol dependence
- Liver cirrhosis deaths
- AIDS, STDs
- Homicide, suicide, child abuse, domestic violence, college violence

For example, 10% increase in price would reduce traffic crashes by 5-10% and among youth, 7-17%.

# Institute of Medicine Recommendation

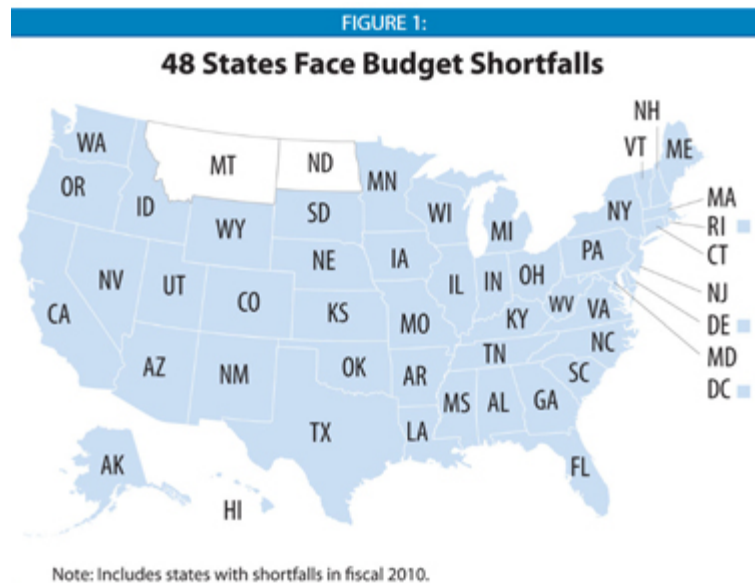
---

- “Congress and state legislatures should raise excise taxes to reduce underage consumption and to raise additional revenues for this purpose.”
- “Top priority should be given to raising beer taxes, and excise tax rates for all alcoholic beverages should be indexed to the consumer price index so that they keep pace with inflation without the necessity of further legislative action.”

Reducing Underage Drinking: A Collective Responsibility, NAS, 2003

# Why the Time is Right, Right Now

---



## 2010

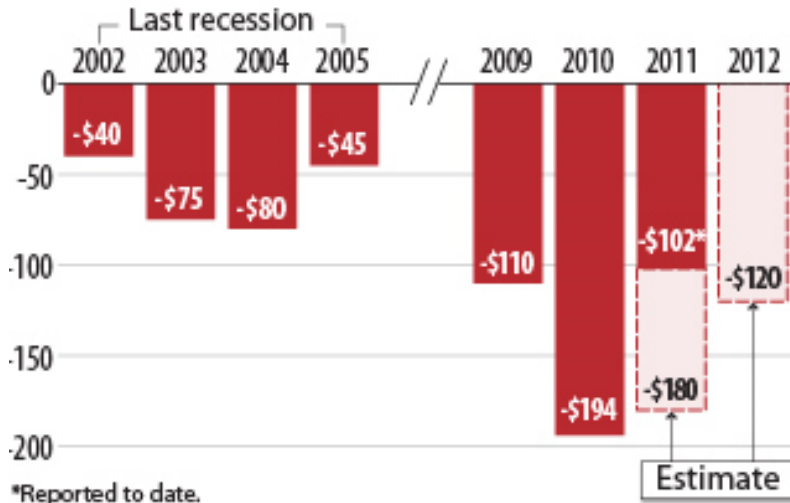
- 48 states with deficit - \$194 billion
- 28 percent of state budgets

Source: Center on Budget and Policy Priorities

# Why the Time is Right, Right Now

## How Bad Will It Get?

Total state budget shortfall in each fiscal year, in billions



Source: CBPP survey

[cbpp.org](http://cbpp.org)

## 2011

- Projected \$180 billion deficit

Most states cannot run in red

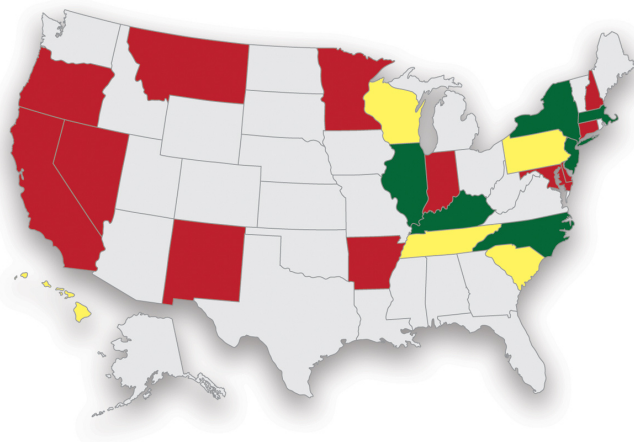
Only 3 options:

- draw down reserves
- cut spending
- **raise taxes**

Source: Center on Budget and Policy Priorities

# What Happened in 2009 Legislative Session

---



In the Red: Alcohol Revenue  
and State Budgets in Crisis

(download report: [MarinInstitute.org](http://MarinInstitute.org))

# What Happened in 2009 Legislative Session

---

- At least half of the states proposed tax increases
- Most bills died
- Some are still pending or are in 2-year sessions
- Victories in:
  - Kentucky                      Massachusetts
  - New York                      New Jersey
  - Illinois                         North Carolina

# 2009 Legislative Session – Good News

## Lifted Sales Tax Exemption      Increase

- Massachusetts      6.5%
- Kentucky      6%

## Raised Excise Tax

- New York      11 cents (wine) & 3 cents (beer)
- New Jersey      25 % (not beer)
- North Carolina      8.7 cents (wine) & 5 cents (beer\*)
- Illinois      **64 cents (spirits) \$4.05 (wine) 4.6 cents (beer)**

Illinois tax is being challenged in court

\* per liter, all others per gallon



# 2009 Legislative Session – Good News

---

<u>State RAISED taxes</u>	<u>Estimated NEW income</u>
North Carolina	\$ 20.3 million
Massachusetts	\$ 78.3 million
Illinois	\$ 105.3 million
New Jersey	\$ 23 million
New York	\$ 16.7 million
Kentucky	\$ 97.3 million
<hr/>	
TOTAL	\$340.4 million

# 2009 Legislative Session – Bad News

At least 16 states had bills that died:

- Arkansas
- Connecticut
- Delaware
- Indiana (2 bills)
- Kentucky\*
- Maryland (2 bills)
- Minnesota (2 bills)
- Montana
- Nevada
- New Hampshire
- New Mexico (5 bills!)
- New York\*
- Oregon (2 bills)
- California
- Arizona
- Massachusetts\*

\* States with additional higher tax proposals than what passed.

# 2009 Legislative Session – Bad News

---

## State bill DIED

## Estimated LOST income

Arkansas	\$30.5 million
California	\$751.2 million
Connecticut	\$11.5 million
Delaware	\$7.2 – \$8.6 million*
Indiana	\$107.7 - \$120.1 million*
Kentucky	\$10.5 million
Maryland	\$48.6 - \$86.3 million*
Minnesota	\$313.3 million
Montana	\$6.8 million
Nevada	\$79.5 million
New Hampshire	\$4.2 million
New Mexico	\$112.5 - \$138.1 million*
New York	\$959.8 million
Oregon	\$127.1 - \$218.0 million*

---

**Total (14 states)**

**\$2.57 - \$2.74 billion**

\*Range of losses

# 2009 Legislative Session – Good & Bad

---

## A Closer Look at New York's "Victory"

Combined potential revenue: \$959.8 million

Passed budget revenue: \$16.7 million

*Difference:* \$943.1 million

Cuts in state services: \$68 million

***Budget Cuts Imperil Guardian Program for Elderly and Disabled***  
(New York Times, February 5, 2009)

# In Contrast – Tobacco Tax Increases

---

14 States enacted changes to tobacco taxes = increase \$\$

- Arkansas
- Delaware
- Florida
- Hawaii
- Kentucky
- Mississippi
- New Hampshire
- New Jersey
- New York
- Rhode Island
- Maine
- Vermont
- Wisconsin
- Wyoming

*Source: Center for Budget and Policy Priorities*

# 2010 Legislative Session So Far

---

7 states have introduced new bills related to alcohol taxes

## Raise

- Indiana
- Mississippi
- New Mexico
- California
- West Virginia

## Lower

- Kentucky (repeal of sales tax)
- Kentucky (lower rate)
- Pennsylvania  
(reduce / eliminate “emergency” tax)

# What's Happening in California

---

- Fall 2008 Governor's proposal – 5 cents / drink, failed  
Despite 85% approval polling
- 2009 - AB 1019 – 10 cent/drink fee, allocated funding
- pros / cons of allocating money to alcohol/drug services
- 2009 / 2010 - Didn't get votes to pass health committee
- Coming back in 2010, 5 cent / drink fee bill
- Who's opposed? Big Wine, of course

# Industry' s Talking Points

---

Myth: Poor Joe Six Pack, taxes are regressive

## Reality

- 1/3 of public does not drink, but all pay for costs
- Alcohol is not a necessity, unlike food or shelter
- People with higher incomes more likely to drink
- People most impacted, youth and those who drink too much

Hypocrisy: Anheuser-Busch InBev, MillerCoors raising prices



# Industry' s Talking Points

---

Myth: Loss of jobs, the economic sky will fall

## Reality

Industry passes on more than 100% of tax increase (from 1.6 to 2.1 times), some sectors make more money.

Convenient scare tactic:

“InBev has made a good faith commitment that it will not close any of Anheuser-Busch’ s current 12 breweries located in the United States, *provided there are no new or increased federal or state excise taxes...*”

*(Source: Anheuser-Busch Proxy Statement)*

# Industry' s Talking Points

---

Myth: Loss of jobs, the economic sky will fall

## Reality

- Taxes can raise millions of dollars for government programs, thereby creating health-promoting jobs
- Minor drops in consumption will save government money in healthcare and other costs from alcohol problems
- Money not spent on alcohol gets spent in other sectors

# Industry' s Talking Points

---

Myth: Industry pays too much in taxes

Reality

- State and federal governments get only 5% of the revenue from alcohol sales, industry gets the other 95%
- Taxes cover only 3.7% of the national costs of alcohol use
- Beer taxes are 5-7 times higher in the UK and Sweden than in the U.S., even including the average state tax rate
- Inflation erosion in real value – 39 percent federal since 1991

# Raising Alcohol Taxes: Win-Win Solution

---

## Bottom Line

- The economic sky will not fall from relatively minor increases in alcohol taxes.
- Industry arguments are easily countered and should not provide policymakers convenient excuses.
- Higher alcohol tax increases are a win-win policy solution.
- Alcohol taxes will lower consumption while providing revenue for much-needed government programs to mitigate harm.

# Resources & Contact

---

Visit:

[MarinInstitute.org](http://MarinInstitute.org) to sign up on mailing list

Download this presentation, hand-outs, other resources

[ChargeforHarm.org](http://ChargeforHarm.org)

Join California Charge for Harm Alliance to pass fee bill

Have Charge for Harm Campaign in YOUR state

Michele Simon, JD, MPH

Research and Policy Director

[MicheleS@MarinInstitute.org](mailto:MicheleS@MarinInstitute.org)

(415) 257-2485 (direct)