



The Cost of Alcopops to Youth and California

Marin Institute
July 2007

Key Findings

Correctly taxing alcopops in California could:

- Save the lives of 21 youth each year
- Save \$437 million each year
- Reduce underage alcopop consumption by 35 percent

Alcopops cost California

1.25 billion

dollars

60

lives

50,000

incidents of harm

Alcopops are sweetened alcoholic beverages that are often bubbly and fruit-flavored, and resemble soda or other soft drinks. While these products derive much of their alcohol from distilled spirits (and are often branded with spirit names such as “Smirnoff Ice”), industry calls them “flavored malt beverages,” because that makes them sound like beer, which keeps their taxes low.

Thanks to a government petition filed by California Friday Night Live Partnership and California Youth Council, two youth

Alcohol companies save \$3.10 per gallon of alcopops in excise taxes, simply by claiming these products are “malt beverages.”

groups, the state is currently considering re-classifying alcopops as distilled spirits. Marin Institute undertook this original data analysis to calculate the true cost of alcopops in California, both in terms of lives and money. We emphasize the critical policy reasons for taxing alcopops at the higher distilled spirits rate. We also estimate how much money industry generates from underage alcopop consumption. Finally, we describe how other countries are taxing alcopops significantly higher, with extremely positive results.

Lower Taxes Keep Kids Hooked

Because the alcohol industry calls alcopops “flavored malt beverages,” California’s Board of Equalization (BOE)—the state agency responsible for taxation—currently taxes alcopops as beer, at the relatively low rate of 20 cents per gallon. In addition:

- Young drinkers in California ages 12-20, on average, consume 5.5 times more alcopops per year than adult drinkers.
- Underage drinkers consume 47 percent of all the alcopops in California.

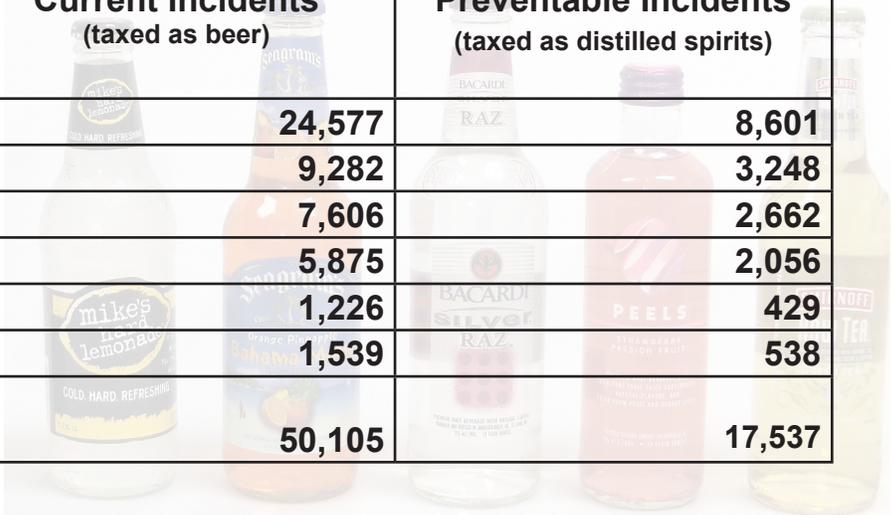
Costs of Underage Consumption

Marin Institute estimates that underage drinking of alcopops costs California a total of \$1.25 billion annually. This figure reflects the costs (in both public and private money) of the numerous risks of underage drinking, which include everything from traffic accidents to violent crime, to high-risk sex, to fetal alcohol syndrome. But the dollar amount doesn’t do justice to the human toll.

We calculate that underage drinking of alcopops causes approximately 60 deaths every

Annual Incidents of Harm Due to Underage Alcopop Consumption

Type of Harm	Current Incidents (taxed as beer)	Preventable Incidents (taxed as distilled spirits)
Theft, Burglary	24,577	8,601
Violent Crime	9,282	3,248
High-Risk Sex	7,606	2,662
Traffic Accidents	5,875	2,056
Alcohol Treatment	1,226	429
Other	1,539	538
TOTAL	50,105	17,537



year in California and that the total incidents of harm caused by underage drinking of alcopops tops 50,000.

**Correct Taxation
Would Save Lives**

Our calculations show that correctly classifying alcopops as distilled spirits would increase

The alcohol industry makes \$210 million a year in alcopops sales to California's underage youth.

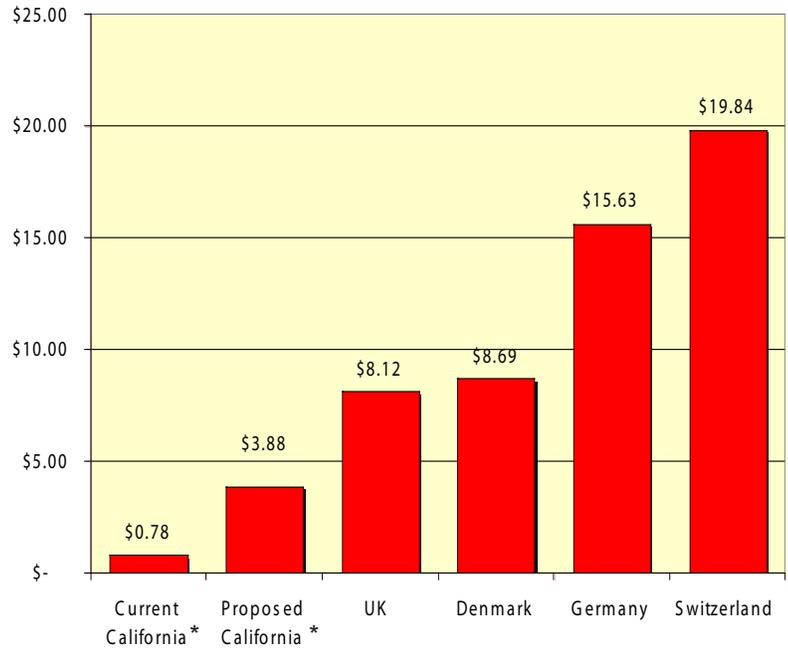
the price of these beverages by 25 percent. This translates to a reduction in overall consumption (for all age groups) in the range of 31-40 percent, or about 35 percent.

If underage consumption went down by 35 percent, California could save \$437 million. More importantly, we would save the lives of 21 youth and prevent more than 17,000 incidents of harm.

The current low alcopop tax keeps industry profits high, but the cost to our youth is even higher. California prides itself on being a policy leader both in the United States and internationally. We urge the state to show leadership on this issue and correctly classify alcopops as distilled spirits. The very future of our youth depends upon it.



Tax per Gallon of Alcopops



* includes federal

**California and United States
Lagging Behind Europe**

■ In the UK and Denmark, the tax on alcopops is eight times higher than the current combined federal and California taxes; in Germany the tax is 16 times higher; and in Switzerland, 20 times higher.

■ Even if California were to properly classify alcopops as distilled spirits, these countries would still have much higher tax rates: the UK and Danish taxes would still be twice as high, the German tax four times higher, and the Swiss tax five times higher.

■ Most importantly, the higher taxes in Europe result in higher prices. In the US, a bottle of alcopops costs on average \$1.09, while the same bottle costs about \$3.05 in the UK, \$3.31 in Germany, and \$3.65 in Switzerland. In other words, for every bottle a young person can buy in Germany, they can afford three in California. (This trend is not limited to alcopops; the US currently has the second lowest alcohol prices in the world, behind only Luxembourg.)

Success of Alcopop Taxes in Europe: Lower Consumption

In the United Kingdom, alcopops were properly classified as distilled spirits in 2002 and consumption dropped by 30% in the following year.

In 2004, the Swiss government created a new alcohol category to address youth consumption of alcopops, increasing the tax to four times that of spirits. Following this increase, imports of alcopops dropped by almost 70 percent.

In 2004, the German government also created a new alcohol classification and increased alcopop taxes over spirits. The following year, alcopop sales dropped 75 percent and alcopop consumption went down by half among teenagers because, according to one survey, "alcopops became too expensive."

Study prepared by Simon Rosen and Michele Simon.

For complete report, visit:

www.marininsitute.org/alcopops



What Can We Do?

Lawmakers

- Require larger, clearer labels on alcopops
- Raise alcohol taxes
- Limit retail outlet sales
- Stop accepting donations from the alcohol industry

Industry

- Stop marketing to youth
- Stop manufacturing alcopops
- Stop lobbying against health policies

Communities

- Reject alcohol sponsorship
- Reject outdoor alcohol advertising



www.marininstitute.org
415-456-5692