



Alcohol Excise Taxes

By Erik Bondurant

Excessive alcohol consumption is the third leading lifestyle-related cause of death.

Excessive alcohol use has both short- and long-term effects.

More effective use of alcohol taxes offers health and safety benefits.

Excessive alcohol consumption is responsible for approximately 79,000 deaths in the United States annually, making it the third leading lifestyle-related cause of death, according to the Centers for Disease Control and Prevention (CDC). Despite the risk, approximately 30 percent of adult drinkers report past-month binge drinking (i.e., consuming four or more drinks at a time for women, or five or more drinks for men), resulting in more than 1.5 billion episodes of binge drinking annually. Furthermore, according to the 2007 Youth Behavior Risk Survey, nearly half of all high school students report drinking in the past month, and most of those report binge drinking.

Excessive alcohol consumption is a risk factor for a variety of health and social problems. Short-term risks of excessive alcohol use include:

- Traffic crashes and fatalities and other unintentional injuries.
- Assault and child maltreatment.
- Sexual assault and unsafe sexual behavior.
- Alcohol poisoning.

Long-term risks of excessive alcohol use include:

- Mouth, throat, esophageal, breast, liver and colon cancers.
- Cirrhosis of the liver.
- Psychiatric problems, including depression and suicide.
- Obesity and hypertension.

In addition, drinking alcohol during pregnancy can lead to fetal alcohol syndrome and sudden infant death syndrome.

Much like tobacco taxes have been used to fund public health programs and discourage tobacco use, federal, state and some local governments could more effectively use taxes on beer, wine and spirits as a public health tool. A review of studies estimates that an increase of 10 percent in the price of alcohol would decrease consumption by 7.7 percent and potentially reduce youth drinking, motor vehicle crashes, cirrhosis of the liver, violence, and the spread of sexually transmitted infections. These taxes usually are assessed based on the volume and type of alcohol sold, not as a percentage of sale price or alcohol content. The taxes have become less effective due to inflation and do not accurately reflect the social costs of excessive drinking. Increasing alcohol excise taxes also could effectively boost revenue and increase public health and safety. Some are concerned, however, about the economic burden of reduced consumption on those involved in alcohol production and sale.

Alcohol Excise Taxes (\$ per gallon)

State/ Jurisdiction	Beer	Wine	Liquor
Alabama	\$0.53	\$1.70	*
Alaska	1.07	2.50	\$12.80
Arizona	0.16	0.84	3.00
Arkansas	0.23	0.75	2.50
California	0.20	0.20	3.30
Colorado	0.08	0.32	2.28
Connecticut	0.19	0.60	4.50
Delaware	0.16	0.97	5.46
Florida	0.48	2.25	6.50
Georgia	0.32	1.51	3.79
Hawaii	0.93	1.38	5.98
Idaho	0.15	0.45	*
Illinois	0.185	0.73	4.50
Indiana	0.115	0.47	2.68
Iowa	0.19	1.75	*
Kansas	0.18	0.30	2.50
Kentucky	0.08	0.50	1.92
Louisiana	0.32	0.11	2.50
Maine	0.35	0.60	*
Maryland	0.09	0.40	1.50
Massachusetts	0.11	0.55	4.05
Michigan	0.20	0.51	*
Minnesota	0.15	0.30	5.03
Mississippi	0.4268	0.35	*
Missouri	0.06	0.30	2.00
Montana	0.14	1.06	*
Nebraska	0.31	0.95	3.75
Nevada	0.16	0.70	3.60
New Hampshire	0.30	*	*
New Jersey	0.12	0.70	4.40
New Mexico	0.41	1.70	6.06
New York	0.11	0.19	6.44
North Carolina	0.53	0.79	*
North Dakota	0.16	0.50	2.50
Ohio	0.18	0.30	*
Oklahoma	0.40	0.72	5.56
Oregon	0.08	0.67	*
Pennsylvania	0.08	*	*
Rhode Island	0.10	0.60	3.75
South Carolina	0.77	0.90	2.72
South Dakota	0.27	0.93	3.93
Tennessee	0.14	1.21	4.40
Texas	0.19	0.20	2.40
Utah	0.41	*	*
Vermont	0.265	0.55	*
Virginia	0.26	1.51	*
Washington	0.261	0.87	*
West Virginia	0.18	1.00	*
Wisconsin	0.06	0.25	3.25
Wyoming	0.02	*	*
District of Columbia	0.09	0.30	1.50
Federal Tax	0.58	1.07	13.50
U.S. State Median	0.188	0.69	3.75

Rates may vary, based on alcohol content or whether sold for on-premise or off-premise consumption.

*=Sold through state store only.

Source: Federation of Tax Administrators, 2008.

State Action All states have an alcoholic beverage excise tax per gallon. Alaska's state alcohol tax is highest at \$1.07 per gallon of beer, \$2.50 per gallon of wine and \$12.80 per gallon of spirits. In contrast, Nevada's alcohol tax is 16 cents per gallon of beer, 70 cents per gallon of wine and \$3.60 per gallon of spirits, reflecting the median state tax for each. State sales taxes usually apply to alcohol purchases, and approximately 12 states—depending on the type of alcohol—assess additional taxes on alcohol as a percentage of sales value. Eighteen states restrict sales of wine or spirits to state-run vendors.

In 2005, 23 states earmarked alcohol tax revenue for a specific use. Thirteen dedicated a portion to health programs, 10 to local government and four to education. Legislators in at least 22 states introduced bills in 2009 to increase taxes on alcoholic beverages; Illinois enacted an increase. The budget bills in Massachusetts, New Jersey and New York included alcohol tax increases.

California Assembly Bill 1019 (2009) would create the Alcohol-Related Services Program, levying a fee upon sale of alcohol products to a reseller, a liquor store or a bar, rather than upon sale to a consumer. Proposed rates—significantly higher than existing ones—are \$1.07 per gallon for beer, \$2.56 or \$4.27 for wine, depending on the type and alcohol content, and \$8.53 for spirits. It also would allow the rate to be tied to inflation to protect its value in the future. The bill cites a study estimating the total economic cost of alcohol for state and local governments in California at \$8.3 billion, compared with less than \$1 billion in alcohol tax revenue. The program would distribute an estimated \$1.44 billion in increased revenue to government agencies and nonprofit organizations that demonstrate increased costs due to the effects of alcohol.

Federal Action The federal tax, unchanged since 1991, stands at 58 cents per gallon of beer, \$1.07

All states have per-gallon alcoholic beverage taxes.

The federal tax on alcohol has not been changed since 1991.

per gallon of wine and \$13.50 per proof gallon of spirits. Since then, inflation has reduced the real value of the tax by more than one-third. Increasing the federal alcohol tax has been suggested as one source of funding for major federal health reform; introduced legislation would repeal the 1991 beer tax increase that was enacted in the federal budget bills.

Contacts for More Information

Erik Bondurant
NCSL—Denver
(303) 364-7700, ext. 1525
erik.bondurant@ncsl.org

CDC Division of Adult and Community
Health: Alcohol Program
www.cdc.gov/alcohol/index.htm

Arturo Pérez
NCSL—Denver
(303) 364-7700, ext. 1493
arturo.perez@ncsl.org

CDC National Center for Health Marketing:
Community Guide Branch
www.thecommunityguide.org/alcohol/increasingtaxes.html