

Alcohol Taxes:

A Win-Win Public Health Policy Solution

Sarah M. Mart, MS, MPH
Research & Policy Manager
Marin Institute

Center for Alcohol Policy 3rd Annual Legal Symposium
October 25, 2010



Marin Institute

- Frame the issues from a public health perspective
- Monitor and expose the alcohol industry's harmful products, practices, and promotion
- Research and promote public policy solutions that reduce alcohol-related harm
- Support communities in advocating for alcohol policies that reduce alcohol-related harm

Alcohol-Related Harm

Alcohol causes more harm than any other drug in the U.S.

- 85,000 deaths in 2000
- 5,000 deaths under age 21 annually
- 1.6 million hospitalizations and 4 million ER visits in 2005
- Injuries from motor vehicle crashes, fires, falls, drownings
- Illnesses such as hypertension and various cancers
- Homicide, suicide, domestic violence, other crimes

Annual economic costs from alcohol in the U.S. were estimated at \$220 billion in 2005.

Alcohol-Related Harm in the U.S., Marin Institute Fact Sheet, 2009

Harwood H. A Sound Investment: Identifying and Treating Alcohol Problems, Ensuring Solutions to Alcohol Problems. The George Washington University Medical Center, 2003.



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%.



**World Health
Organization**

Recommendations

Pricing Policies for Alcoholic Beverages

- Raise taxes on alcohol
- Eliminate promotional pricing
- Establish minimum prices

Alcohol Availability

- Regulate the number of retail alcohol outlets
- Eliminate sales in certain areas

Marketing of Alcoholic Beverages

- Limit the content and volume of alcohol advertising
- Regulate sponsorship activities involving alcoholic beverages
- Regulate new media/social network advertising

Recommendations

"Increasing the price of alcoholic beverages is one of the most effective interventions to reduce harmful use of alcohol."



"Raise state excise taxes on alcohol, indexed to inflation, particularly on beer, to decrease youth consumption and raise revenue for the effort."



"Increase excise taxes for alcohol in order to reduce consumption and provide funds."

WHO Global Strategy to Reduce the Harmful Use of Alcohol, 2010

Reducing Underage Drinking: A Collective Responsibility, NAS, 2003

AMA Educational Forum on Adolescent Health: Youth Drinking Patterns and Alcohol Advertising, 2003



Recommendations



“Of all the policy options, alcohol taxes is rated as one of the strongest...This may surprise policymakers, but the research is extensive and the findings are convincing.”

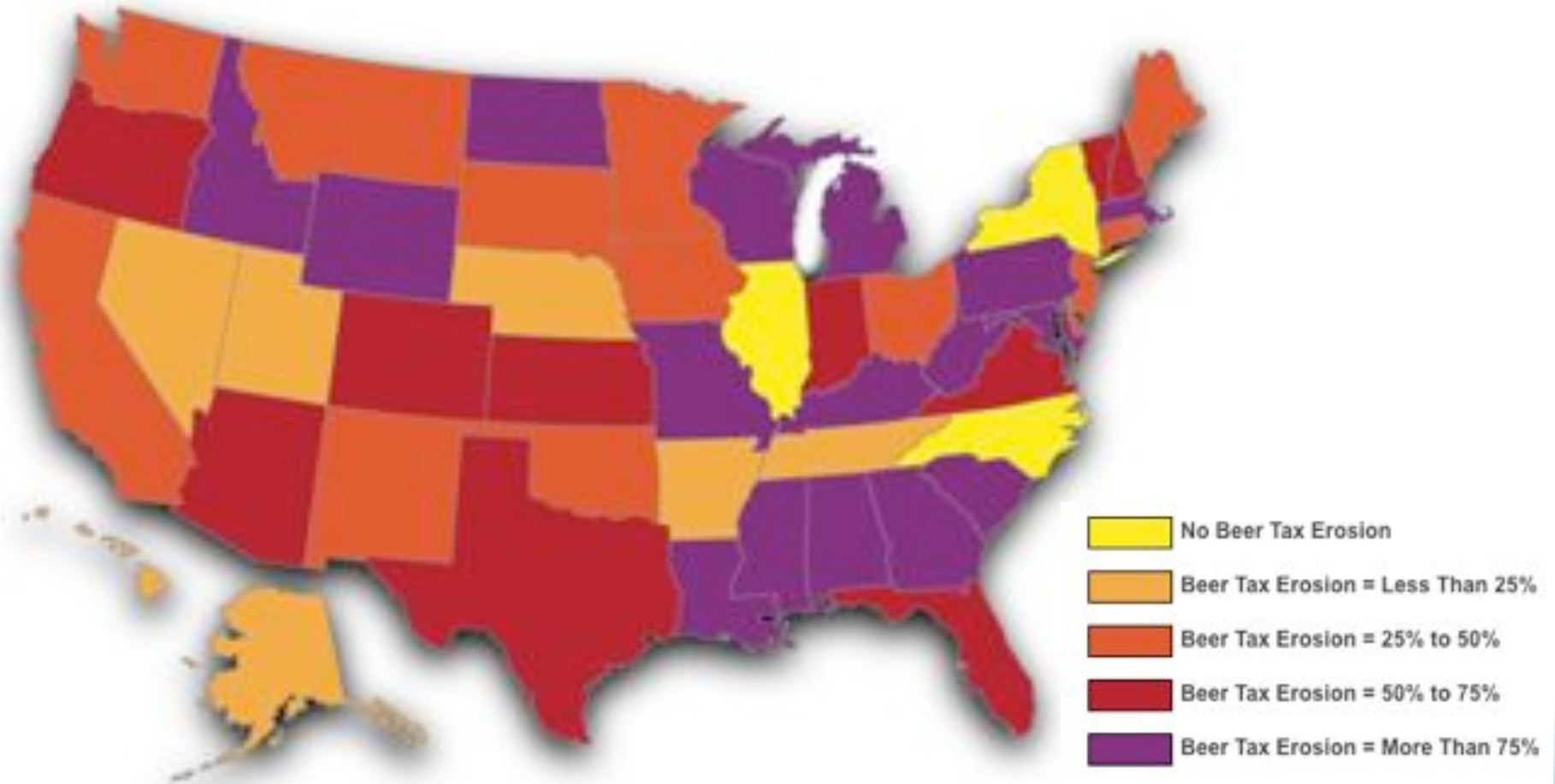
The most effective policies include:

- Alcohol taxes
- Minimum legal purchase age
- Government monopoly of retail sales
- Restrictions on outlet density
- Lowered BAC limits
- Legal restrictions on alcohol advertising exposure

Years Since Last Beer Tax Increase



Beer Tax Erosion Due to Inflation



2009 Legislative Session

- At least half of the states proposed tax increases
- Most bills died

Victories in:

- Kentucky
- Massachusetts
- New York
- New Jersey
- Illinois
- North Carolina

2010 Legislative Session

Proposals to Reverse/Lower

- Massachusetts (repeal of sales tax)
- Pennsylvania (reduce / eliminate “emergency” tax)
- Washington State (prohibits LCB markup of any liquor product)

Victory

Washington State increased its beer tax by \$0.50/gallon, until 2013.

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

San Francisco Alcohol Cost-Containment



The ordinance:

- Designed to mitigate alcohol-related harm to the City
- 3-5 cents per drink fee at the wholesale level
- Nexus study: \$17.7 million in unreimbursed alcohol-related costs (conservative estimate)

Cost of Alcohol Use in San Francisco

Department of Public Health

- Treatment and Prevention Services (\$10.1 m)
- San Francisco General Hospital Services (\$1.8 m)
- Sobering Center (\$1 m)
- Jail Detox / Sheriff (\$.6 m)

Fire Department

- Emergency Medical Services Transport (\$4 m)

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 heavily

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% federal since 1991

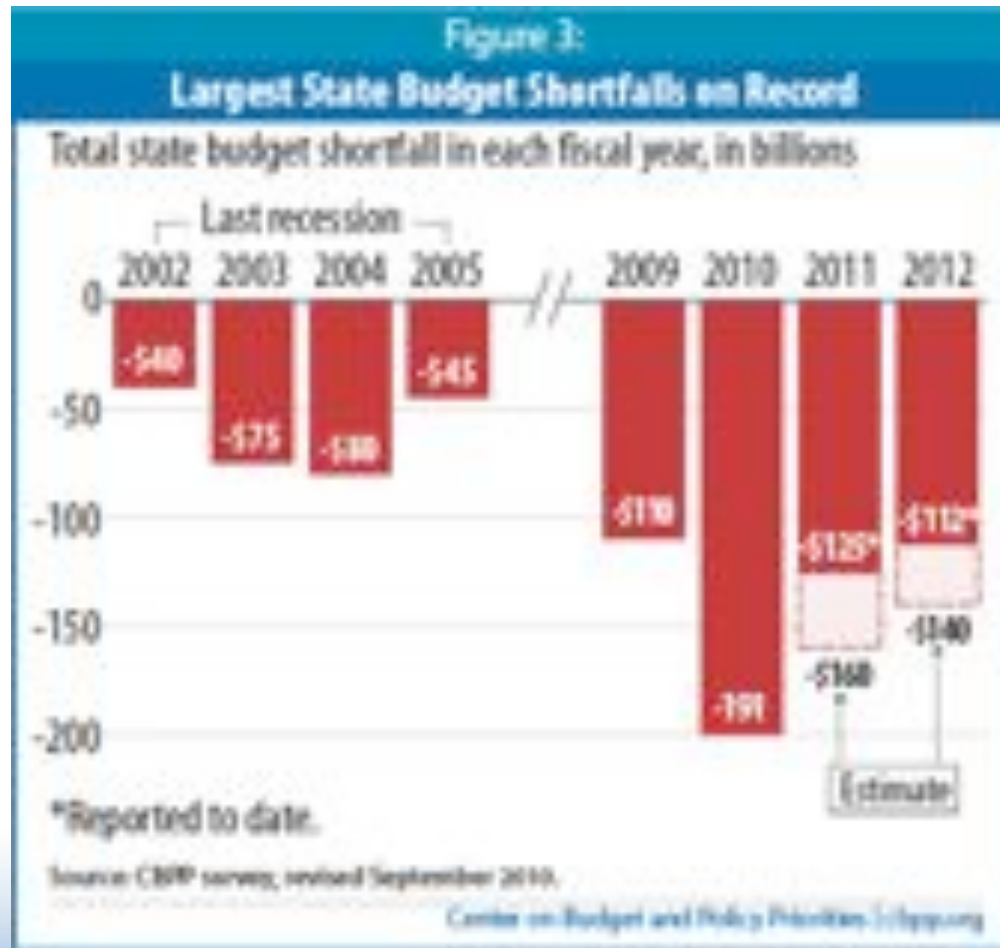
Why the Time is Right



FY 2010

- 48 states with deficit
- \$191 billion
- 29% of state budgets

Why the Time is Right



2011

- Projected \$160 billion deficit

Most states cannot run in red

Only 3 options:

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

Strong public support for alcohol taxes & fees

States

- 85% of California residents support raising alcohol taxes
- 70% of Kansas residents support an alcohol tax increase
- 71% of Maryland residents support an alcohol tax increase
- 70% of New Mexico residents support raising taxes on alcohol and tobacco
- 74% of New York residents approve of increasing alcohol and soda taxes

California: Public Policy Institute of California: January 2009

Kansas: Statewide Survey (Key Findings): March 2010

Maryland: Citizen's Health Initiative: March 2010

New Mexico: Public Education Survey: October 2009

New York: Citizen's Committee for Children and Voter Preferences on State Budget Gap polls: December 2008



Strong public support for alcohol taxes & fees

National

- 71% of Americans polled support an increase in national alcohol tax by 5 cents/drink
- 61% of Americans polled favor increasing taxes on alcohol, cigarettes, and junk food to pay for health care
- 64% of American voters favor increasing the alcohol tax in their state

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.
- Alcohol taxes will lower consumption while providing revenue for much-needed government programs to mitigate harm.

Partner with Public Health

Sarah M. Mart, MS, MPH
Research & Policy Manager
Marin Institute

SarahM@MarinInstitute.org

415.257.2487 (direct)

www.MarinInstitute.org

