

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

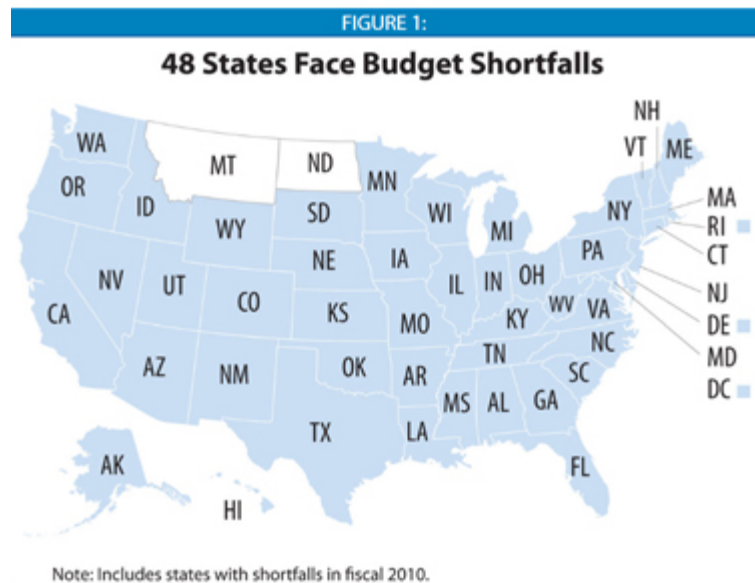
For example, 10% increase in price would reduce traffic crashes by 5-10% and among youth, 7-17%.

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



2011

- Projected \$180 billion deficit

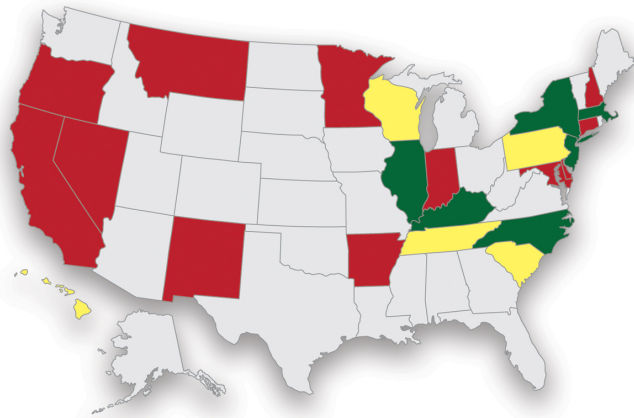
Most states cannot run in red

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)

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

* 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 to sign up on mailing list

Download this presentation, hand-outs, other resources

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

(415) 257-2485 (direct)