



# **Federal alcohol taxation: Is it time for a national campaign?**

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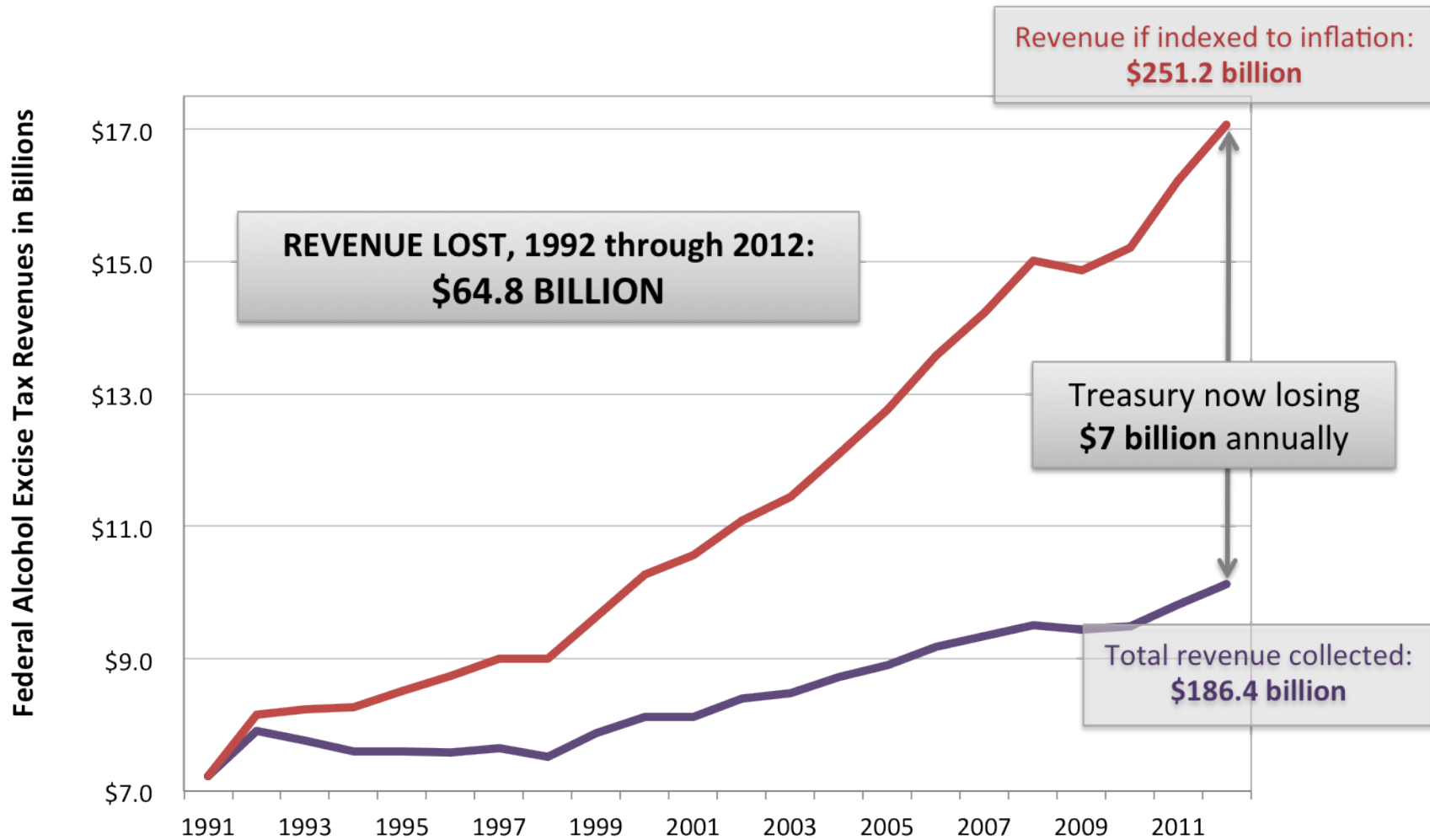
# A federal alcohol tax increase is long overdue.

- Just ONE federal excise tax increase since 1951 for beer and wine (1991), and two for liquor (1985, 1991)
- Tax rates are NOT adjusted for inflation, and have eroded 41% since 1991

	Current tax rate (1991)		Value in 2013 dollars	
	<u>Per liquid gallon</u>	<u>Per serving</u>	<u>Per liquid gallon</u>	<u>Per serving</u>
<b>Beer</b>	\$0.58	\$0.05	\$0.34	\$0.03
<b>Wine</b>	\$1.07	\$0.04	\$0.63	\$0.02
<b>Liquor</b>	\$10.80*	\$0.13	\$6.34	\$0.08

\*Equivalent liquid gallon rate per one 80-proof gallon; actual tax rate is \$13.50 per 100-proof gallon.

# Erosion has shrunk tax revenues by billions.



Sources: U.S. Alcohol and Tobacco Tax and Trade Bureau,, U.S. Bureau of Labor Statistics

# Federal alcohol tax revenue has dropped from 10.2% of alcohol sales in 1991 to just 6.0% in 2011.



Sources: Alcohol and Tobacco Tax and Trade Bureau; USDA Economic Research Service

# Alcohol-related harm costs the government far more than tax revenues collected.

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- **\$223.5 BILLION** annually in alcohol-related harm due to excessive consumption--lost productivity, health care, injuries, crime
- **\*\$94.2 BILLION annually** in costs borne directly by government; that's \$0.80 per standard drink.
- Another \$92 billion is borne by excessive drinkers and their families.
- Federal and state alcohol and sales / retail taxes comprise just 10%-15% of retail sales.
- Federal tax revenues cover just **10.7%** of the \$94 billion that excessive consumption costs the government.

\* Bouchery et al. Economic costs of excessive alcohol consumption in the U.S., 2006 Am Prev Med 2011; 41(5):516-524.

# The price we really pay for a drink...

Federal excise tax: \$.04-\$.13  
 State excise tax: \$.03-\$.04  
 State sales/retail tax: \$.08-\$.09

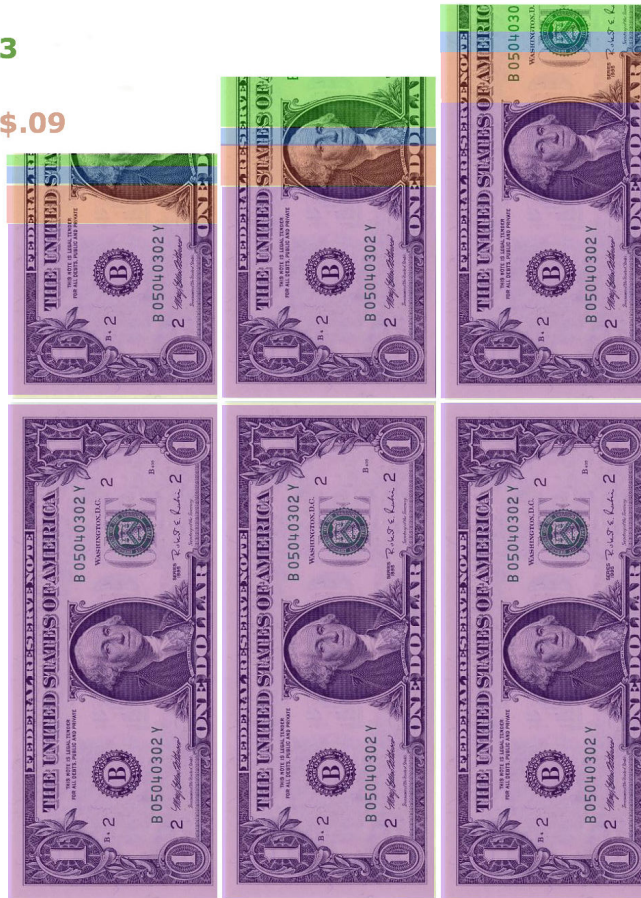
THE ALCOHOL INDUSTRY GETS THE REST.

THE GOVERNMENT PAYS THE DIFFERENCE.



**\$.80**

**DIRECT COST TO GOVERNMENT  
 (HEALTH CARE, INJURIES, CRIME)**



**BEER  
 \$1.50**

**WINE:  
 \$1.68**

**SPIRITS:  
 \$1.79**

**RETAIL PRICE PER DRINK**

# Options for Congress to recoup the cost of alcohol-related harm and generate revenue

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1. Simple index inflation
2. Equalize beer and wine to a proof gallon rate based on alcohol volume (not liquid volume)
3. Increase proof gallon rate from \$13.50 to \$16.00 (Congressional Budget Office 2011)
4. Increase proof gallon rate to \$24.16 per gallon (Alcohol Justice recommendation)

**How much revenue are we talking about?**

# Methods we used to project revenues and consumption for hypothetical tax increases

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- **Consumption and sales data**
  - **Beverage Information Group**
  - **TTB collections**
- **\*Elasticity by beverage type:**
  - Beer -.46
  - Wine -.69
  - Spirits -.80
- **\*\*Assume industry will pass 100% of tax increases along to consumers**

\*Wagenaar AC, Salois MJ, & Komro KA. Effects of beverage alcohol price and tax levels on drinking: a meta-analysis of 1003 estimates from 112 studies. *Addiction*, Volume 104, Issue 2, February 2009, (p 179-190).

\*\*Young D.J., Bielinska-Kwapisz A. Alcohol taxes and beverage prices. *National Tax Journal*. LV-1: 57-73. 2002.



# Potential revenue from a tax increase is substantial.

Estimated Revenues Under Various Tax Increase Options

	<u>Initial Increase Per Drink</u>			Added Revenue 2014-2023	Total Revenue 2014-2023
	Beer	Wine	Spirits		
Current rate (baseline)	\$0	\$0	\$0	\$0	\$88.1 b
<b>Option 1:</b> Baseline rate + annual inflation indexing	\$0	\$0	\$0.01	\$12.9 b	\$103.9 b
<b>Option 2:</b> Equalize beer and wine to current volumetric spirits rate (\$13.50/proof gallon); annual inflation indexing	\$0.06	\$0.08	\$0	\$56.5 b	\$147.6 b
<b>Option 3: (recommended)</b> Equalize beer and wine; increase rate to \$24.16/proof gallon; annual inflation indexing	\$0.15	\$0.18	\$0.10	<b>\$186.3 b</b>	\$274.0 b

# Recommendations

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- **Index** federal excise tax rates to inflation going forward
- **Equalize** tax across beverage type (tax beer and wine at the same volumetric proof gallon rate as spirits)
- **Increase** the tax rate to \$24.16 per proof gallon for all beverage types (a 10¢-per drink increase on current spirits tax)

Source: "Alcohol Tax Scenarios to Address the Fiscal Cliff. November 2012, Alcohol Justice.

# While the impact of an equalized \$24.16 proof gallon rate on consumers is minimal...

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	Average annual per capita tax increase		Average reduction in consumption
	<u>4 or fewer drinks/week</u>	<u>5 or more drinks/week</u>	
<b>Beer</b>	\$16.20	\$72.00	4.5%
<b>Wine</b>	\$19.44	\$86.40	6.97%
<b>Liquor</b>	\$10.08	\$47.38	4.2%

# ...the potential impact on public health is substantial.

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- Increasing alcohol taxes is one of the most effective policy options to reduce alcohol consumption and related harm, particularly among youth.
- Doubling alcohol taxes would reduce:
  - alcohol-related mortality by an average of 35%,
  - traffic crash deaths by 11%,
  - sexually transmitted disease by 6%,
  - violence by 2%, and
  - crime by 1.4%.

Sources: Wagenaar AC, Tobler AL, Komro KA. Effects of alcohol tax and price policies on morbidity and mortality: a systematic review. Am J Public Health. 2010 Nov;100(11):2270-8.

Babor T, et al. Alcohol: No ordinary commodity—Research and public policy, 2010 .

# Strategies for moving forward with a campaign

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- Build a coalition of public health, religious, commercial organizations to advocate for a federal tax increase
- LOBBY Congress
- More research
- Media advocacy
- Take the fight to the states