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Alcohol Taxes • No. 157 • 1/05

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General Research

Larson, Drew B. **Alcohol and Tobacco Taxes.** *Informational Paper 8*, (7 pages) January 2003.

This paper provides information on how Wisconsin taxes beer and liquor, and also provides a summary of the excise taxes imposed on alcohol and tobacco products by the federal government and other states.

What's the buzz about the alcohol tax? *BTC Reports*, v. 7, no. 5, p. 1 (3 pages), June 2001.

"Alcohol excise taxes are regressive and fail to grow with the economy. These facts, combined with the state's high reliance, make an alcohol tax increase a less preferable choice."

Only nine states use alcohol tax revenues for treatment. *Alcoholism & Drug Abuse Weekly*, v. 15, no. 21, p.1 (2 pages), June 2, 2003.

Discussion of the fact that while all 50 states and the District of Columbia impose taxes on the sale of alcoholic beverage, only Arizona, Idaho, Kansas, Mississippi, Montana, New Jersey, Oregon, Tennessee and Utah earmark such tax revenues for treatment. Article includes table of how the nine states spend their alcohol tax revenues.

Freeman, Donald G. **Alternative panel estimates of alcohol demand, taxation, and the business cycle.** *Southern Economic Journal*, v. 67, no. 2, p. 325 (20 pages), October 2000.

"As an input to policy, these results affirm the conventional view that increases in beer excise taxes would be an effective measure for raising revenue and for offsetting external costs from alcohol abuse."

Grieshaber-Otto, Jim; Sinclair, Scott; and Schacter, Noel. **Impacts of international trade, services and investment treaties on alcohol regulation.** *Addiction*, v. 95, supplement 4, p. 491 (14 pages), December 2000.

"While many specific harmonization proposals over many years have not been implemented, indirect effects of integration, including greater crossborder trade and travellers' allowances for duty-free alcohol, are likely to exert significant downward pressure on jurisdictions that tax alcohol at a high rate."

Young, Douglas J. and Bielinska-Kwapisz, Agnieszka. **Alcohol taxes and beverage prices.** *National Tax Journal*, v. 55, no. 1, p. 57 (17 pages), March 2002.

"The evidence from this study indicates that alcohol taxes are over-shifted to consumers. For example, the Federal excise tax on beer increased by $9 per barrel in 1991. It is estimated to have increased retail prices by $15 to $17. There is no detectable lag in the response of prices to taxes, so that the full effect of a tax change is experienced within three months."

Wagenaar, Alexander C. & Toomey, Traci L. **Alcohol policy: Gaps between legislative action and current research.** *Contemporary Drug Problems*, v. 27, no. 4, p. 681 (53 pages), Winter 2000.

"This paper compares alcohol policies under debate in US state legislatures with policies that have been the focus of research attention. We reviewed the research literature

to identify empirical studies of each policy and types of outcome variables analyzed. The two most evaluated alcohol control policies are the minimum legal drinking age and excise tax.

Possible Effects on Revenue

Query, Paul. **State taxes booze, smokes, but doesn't get much from gamblers.** *Associated Press State & Local Wire*, (2 pages), January 1, 2003.

In Washington's two-year budget cycle, alcohol tax revenue is about $220 million. After money is shared with local governments, the state nets less than $180. In addition to various alcohol taxes, the state of Washington maintains a monopoly over the sale of hard liquor, increasing its revenue.

Damon, Anjeanette. **Sin tax hikes slow sales of cigarettes, but not alcohol.** *Reno Gazette-Journal*, p.1A (3 pages), December 22, 2003.

"Nevadans and their visitors smoked less but drank more since the state raised taxes on cigarettes and alcohol this summer, nearly released state figures show. The reasons are myriad, but the outcome is clear: The increased sin taxes have funneled $53.6 million into state coffers since the start of the fiscal year."

Possible Non-revenue Effects

Pacula, Rosalie & Chaloupka, Frank. **The effects of macro-level interventions on addictive behavior.** *Substance Use & Misuse*, v. 36, no. 13, p. 1901 (22 pages), December 2001.

"The findings from these studies clearly demonstrate that even addictive behaviors are sensitive to changes in the full price of the substance being used, where the full price of a good reflects not only its monetary cost, bust also the health costs, legal costs, and time costs involved in obtaining and using the good."

Winter, Metta. **Taxing questions.** *Human Ecology*, v. 29, no. 1, p. 4 (2 pages), Winter 2001.

"The evidence is clear that higher taxes reduce problem drinking by people who aren't problem drinkers, says Kenkel, an aasociate professor of policy analysis and management. But here's the rub. Now that moderate alcohol consumption is acknowledged as a health benefit—even by organizations such as the NIAAA—how much does taxation influence lives saved overall?"

Stockwell, Tim, et al. **The public health and safety benefits of the Northern Territory's Livin***g with Alcohol programme.* Drug & Alcohol Review, v. 20, no. 2, p. 167 (14 pages), June 2001.

"The data reported here suggest that significant health and safety benefits accrued to the people of the Northern Territory during the first four years of the Living with Alcohol programme. This benefit is likely to be due to several factors: the effect of the levy on alcohol consumption, other factors depressing alcohol consumption, and the effect of the LWA programme itself."

Adrian, Manuella, et al. **Can alcohol price policies be used to reduce drunk driving?: Evidence from Canada.** *Substance Use & Misuse*, v. 36, no. 13, p. 1923 (35 pages), November 2001.

"Overall, the evidence strongly supports the view that alcohol tax and pricing policies can be used to reduce the extent of drunk driving."

Sen, Bisakha. **Can beer taxes affect teen pregnancy? Evidence based on teen abortion rates and birth rates.** *Southern Economic Journal*, v. 70, no. 2, p. 328 (16 pages), October 2003.

"This study focuses on the effects of state beer taxes on two alternate pregnancy outcomes—state-level abortion rates and birth rates—among women aged 15-19 years. The results suggest that increasing beer taxes can bring about reductions in teen abortion rates, but the reductions are likely to be rather small in magnitude."

A**lcohol policy and sexually transmitted disease rates—United States, 1981-1995.** *MMWR: Morbidity & Mortality Weekly Report*, v. 49, no. 16, p. 346 (4 pages), April 28, 2000.

"This report summarizes the findings of a study that suggest that higher alcohol taxes and higher minimum legal drinking ages are associated with lower STD incidence among certain age groups."

Cook, Philip J. and Moore, Michael J. **The economics of alcohol abuse and alcohol-control policies.** *Health Affairs*, v. 21, no. 2, p. 120 (10 pages) March 1, 2002.

"This paper provides a brief summary of the economics literature on drinking and its consequences, with a focus on the effects of alcohol-control measures. We conclude by suggesting that higher tax rates on alcoholic beverages would be in the public interest and noting the importance of further research on drinking and productivity."

Chaloupka, Frank J; Grossman, Michael; and Saffer, Henry. **The effects of price on alcohol consumption and alcohol-related problems.** *Alcohol Research & Health*, v. 26, no. 1, p. 22 (14 pages), 2002.

"This article reviews studies that have analyzed the effects of price increases on alcohol consumption and its adverse consequences. After discussing some analytical considerations, the article focuses on the effects of alcohol prices and taxes on consumption by youths and young adults."

Legislative Activity in Other States

Hill, John. [California] **Booze tax proposed for trauma care.** *Sacramento Bee*, p. A1 (2 pages), December 13, 2002.

"Romero's bill, SB 5X, would impose the fee on wholesalers of beer, wine, and distilled spirits. It would be based on the size of a standard drink. If a bottle of wine contained five drinks, the fee would be 25 cents. It's unknown how much of that extra charge would be passed on to consumers."

Eckenrode, Vicky. **Georgia excise tax increase will cut sales, augment state's funds.** *Augusta Chronicle*, p. C6 (2 pages), February 18, 2003.

"With the state expecting a $620 million shortfall, Mr. Perdue's budget called for spending cuts in addition to the increased taxes on cigarettes and alcohol. The governor estimated that the tax increase could raise $387 million before being repealed after four years."

Corcoran, Kevin. [Indiana] **Groups seek 50% alcohol tax hike.** *Indianapolis Star*, p. 1A (3 pages), January 19, 2003.

"O'Bannon's aides and lawmakers defended the focus on raising tobacco taxes but not alcohol taxes in 2002, saying drinking is more socially accepted than smoking – and can even be healthy. And, they noted, taxes on beer, wine and liquor would have to increase sevenfold to produce the nearly $260 million a year the 40-cent-per-pack cigarette tax increase is expected to bring in."

[South Dakota] **Alcohol, property taxes up for review.** *Aberdeen American News*, p. A1 (3 pages), January 8, 2004.

"Howard said Wednesday his group will ask lawmakers to increase the tax on wholesale alcoholic beverages by the equivalent of five cents a drink. That could provide $18 million a year for counties, he said."

Vermont advocates pushing for alcohol tax, elevating SA agency to department. *Alcoholism & Drug Abuse Weekly*, v. 15, no. 7, p. 1 (3 pages), February 17, 2003.

"He [State Senator James Leddy] envisions adding 2 cents more to a 12-ounce bottle of beer; 3 to 4 cents more to a glass of wine; and 10 to 15 cents more on a bottle of liquor. He would hike the rooms and meals tax to 11 percent. The increases would raise $5 million, Leddy estimates, and he proposes to dedicate all of the money to alcohol and drug treatment."

Harrell, Debera Carlton. [Washington] **Brewery tax plan draws a bitter response.** *Seattle Post-Intelligencer*, p. B1 (2 pages), February 18, 2003.

"HB 1255 would raise two of the three segments of the state beer excise tax, with the majority of the increased revenue going to the state's account for violence reduction and drug education."

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Suggested Internet Sites (last accessed January 2005)

Tax Foundation Table of Sales, Gasoline, Cigarette and Alcohol Tax Rates

<http://www.taxfoundation.org/variousrates.html>

Table of excise taxes from 1999 through latest available for the 50 states and the District of Columbia.

Alcohol Taxes page from the Trauma Foundation

<http://www.tf.org/tf/alcohol/ariv/tax3.html>

Site has summaries of research relating to the effects of changes in alcohol taxation.

Why Raise Alcohol Excise Taxes? [Center for Science in the Public Interest]

<http://www.cspinet.org/booze/taxguide/TaxIndex.htm>

Pro-tax site with information including recent alcohol tax hikes, news about proposed alcohol tax increases, and links to additional research and resources.

Beer Institute Government Affairs

<http://www.beerinstitute.org/govaffairs.htm>

Industry sponsored site with information on the tax burden placed on the brewing industry, as well as information on the economic contributions of the brewing industry.

Distilled Spirits Excise Taxes from Distilled Spirits Council of the United States

<http://www.discus.org/taxes/>

Industry perspective on taxation of hard liquor, focusing on the possibility of lost government revenue in addition to harm to the distilling industry.

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