

Alcohol Taxes Save Lives

Excessive alcohol use in the United States and in Maryland is expensive. It leads to health problems, crime, violence, car crashes, preventable death, and decreased productivity. These costs fall not just on heavy drinkers but on all Marylanders, costing the state an estimated \$5 billion per year in health care expenditures, productivity losses, property damage, criminal justice and other costs.¹ Current alcohol prices do not reflect these costs. Alcohol taxes in the U.S. are low and are updated so infrequently that their value has declined significantly over time. Raising these taxes increases the price of alcohol and lowers drinking, particularly heavy drinking, and reduces the consequences of alcohol use and abuse.²

While strict enforcement of drunk driving and underage drinking laws and public education on the dangers of excessive drinking are important, ***one of the most effective ways to reduce excessive alcohol use is simpler and less expensive: raise alcohol taxes.***

Maryland's experience bears this out. In the wake of the state's 3 percent increase in the sales tax on alcohol passed in 2011, underage drinking fell by 26 percent, underage binge drinking by 28 percent, and binge drinking among adults by 17 percent.³ The number of alcohol-positive drivers of all ages on Maryland's roadways fell by 6 percent, including a 12 percent drop in alcohol-positive drivers between the ages of 15 and 34.⁴ Risky sexual behavior is also closely associated with alcohol consumption, and in Maryland average monthly cases of gonorrhea declined by 24 percent, or almost 1600 cases per year.⁵

There are two types of alcohol taxes: excise taxes and sales taxes. Wholesalers pay excise taxes based on the type of alcohol and amount being produced. The wholesaler then passes the increase on to retailers, who pass it on to consumers. Taxes per gallon are fixed amounts that do not change with inflation. As a result, from 1991 to 2015, on average across the nation the inflation-adjusted value of these taxes fell by 30% for beer, 32% for distilled spirits, and 27% for wine.⁶ In contrast, sales taxes on alcohol are a percentage of the total price, and are charged to the consumer. Unlike excise taxes, because sales taxes are tied to the price of the beverage, their value rises with inflation.

Increasing Maryland's alcohol sales tax to match that of the District of Columbia would be a win-win for the state: it would reduce underage drinking, drinking-driving and other alcohol problems, and increase state revenues. The 3 percent sales tax increase passed in 2011 increased alcohol sales tax revenues off-premises (at package stores and taverns) by 44.7 percent, or an average of 14.9 percent per one percent change in the tax. One of the main arguments for the 2011 increase was to come closer to the District of Columbia's alcohol tax rate, which currently stands at 10 percent, as opposed to Maryland's 9 percent. Increasing Maryland's sales tax on alcohol sold for off-premises consumption by 1 percent could be anticipated to raise approximately \$14.3 million.⁷ If the increase included all sectors (i.e. package stores and taverns as well as hotels, motels, restaurants and nightclubs), it would raise an estimated \$22.3 million.

Increasing Maryland's alcohol excise tax by a nickel a drink could raise significant revenues. Had Maryland's alcohol excise taxes kept up with inflation, current taxes would be \$.05 per can of beer, \$.10 per glass of wine, and \$.17 per serving of distilled spirits. A nickel a drink increase would come close to adjusting the beer tax for inflation, although it would fall short of adjusting it for wine and spirits. A nickel a drink increase would raise approximately \$111 million in new revenues for the state.⁸

The bulk of an alcohol tax increase would be paid by excessive drinkers. In Maryland, 42% of adults did not drink in the past 30 days, while 21% drank excessively. This group, the excessive drinkers, would pay three-quarters of any alcohol tax increase in Maryland.⁹

Alcohol Taxes: Basic Facts

Binge drinking hurts all Americans, whether they drink or not. Heavy drinking causes preventable death, health problems, injuries, and violence, and reduces workplace productivity.

- Excessive drinking is the third leading cause of preventable death in the United States.¹⁰ A total of 88,000 lives are lost to alcohol abuse each year, including an estimated 1321 deaths in Maryland.¹¹ Binge drinking is responsible for more than half of these deaths.¹²
- Excessive drinking can lead to cirrhosis of the liver, cancers of the head, neck, digestive tract and female breast, alcoholism, and injury.¹³
- Alcohol is involved in a third of violent crimes and two in three cases of intimate partner violence.¹⁴
- Lost productivity due to alcohol-related illness, death, disability and incarceration costs \$161 billion each year.¹⁵

Current alcohol taxes do not reflect the high cost of excessive drinking. Alcohol taxes in the United States are low and decrease in value each year. Today's alcohol tax revenues do not come close to covering the cost of excessive drinking.

- The United States has some of the lowest alcohol taxes in the developed world. In many European countries taxes on liquor are three times what they are in the U.S.¹⁶
- In 2010 excessive drinking cost an estimated \$249 billion, or \$2.05 per drink.¹⁷ Federal taxes on alcohol are about 8.5 cents per drink, and state taxes are an average of 5 cents per drink.¹⁸

Raising alcohol taxes reduces binge drinking and alcohol-related harms.

- Doubling federal alcohol taxes would reduce alcohol-related deaths by 35 percent, traffic fatalities by 11 percent, and sexually transmitted disease by 6 percent.¹⁹
- An increase in federal alcohol taxes of 25 cents a drink would reduce drinking in excess of amounts recommended by the U.S. Dietary Guidelines by 11 percent. High-risk drinkers would pay nearly five times more in taxes than low-risk drinkers.²⁰
- A nickel a drink increase in federal alcohol taxes would reduce fatal traffic crashes by 7 percent and deaths due to cirrhosis by 32 percent.²¹

Increasing alcohol taxes makes the roads safer for everyone by reducing drunk driving. Drunk driving and high numbers of fatal traffic accidents are associated with heavy drinking.

- Three in ten Americans will be involved in an alcohol-related traffic accident during their lifetime.²²
- Drunk drivers kill one person every 50 minutes in the United States.²³
- A 10 percent increase in the price of beer would reduce traffic accidents by 5 to 10 percent, and traffic accidents involving youth by 7 to 17 percent.²⁴

Raising alcohol taxes would reduce underage drinking. Three out of ten high school students drink, and one in eight binge drinks.²⁵ However, because most people under 21 do not have much disposable income, raising alcohol taxes can reduce underage drinking significantly.

- Alcohol use causes the deaths of 4,400 people under age 21 annually. The most common causes of death are motor vehicle crashes, homicides and suicides.²⁶
- Teen drinking is associated with higher rates of risky sexual behaviors.²⁷
- Underage drinking is very responsive to changes in the price of alcohol.²⁸
- Higher alcohol taxes lead to improved graduation rates, study habits and higher grades.²⁹

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