

Setting the Record Straight on the Health Equity Resource Communities Initiative and the Alcohol Tax

September 30, 2020

1. An increase in the alcohol tax will hurt small businesses, especially restaurants and bars. The 2011 increase led to a reduction in sales of alcoholic beverages.

This initiative will have enormous positive public health benefits, including a reduction in drunken driving, underage drinking and binge drinking. And it will generate critically needed funds to improve health care in underserved communities and expand behavioral health treatment.

The penny per dollar increase in the alcohol tax will not affect alcohol consumed in bars and restaurants for two years, which gives them ample time to recover from the current economic downturn.

Maryland saw significant benefits from an increase in the alcohol sales tax in 2011 (see Reference 1):

- Underage drinking fell by 26 percent, underage binge drinking by 28 percent, and binge drinking among adults by 17 percent.
- 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.
- 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.

2. People who have lost their jobs in the pandemic will have to pay more for alcoholic beverages with this tax increase and that's unfair.

For the next two years, the tax would not increase on alcohol consumed in restaurants or bars, so average Marylanders will not even notice the increase. Those who will be most affected are those who drink excessively. Overall, a penny per dollar is a very small increase, while the proceeds will be used to provide benefits in communities hit hard by the pandemic.

3. In a recession is a terrible time to impose an additional tax on the hard-hit hospitality industry.

Research has found that the alcohol industry passes through tax increases to its customers. While consumers will pay pennies more for their alcohol, communities hardest hit by the pandemic and the recession will get much-needed health resources.

The recession has had a minor impact on sales at package liquor stores and taverns. For the 12 months ending in June 2020, which included the main impact of the pandemic, sales tax revenue

from liquor stores and taverns declined by only 1.6 percent, according to records compiled by the Maryland Comptroller's office.

- 4. Revenue generated by the 2011 increase in the alcohol tax was supposed to go to the Developmental Disabilities Administration, but only a small fraction of the revenues actually went there. While addressing health disparities is a good goal, the General Assembly will simply redirect proceeds from an alcohol tax increase to other state needs.**

That's not true. This proposal will create a dedicated fund that cannot be used for anything except substance use treatment and support for HERCs. It can ONLY go for these purposes. The 2011 law did allocate \$5 million annually to the DDA, and at least \$5 million in new revenues from the alcohol tax increase did indeed go to the DDA every year since 2012. (The first year, some of the proceeds from the tax increase were allocated to a major school construction initiative.) Other revenue from the 2011 tax increase went to other aspects of public health, including support for the Health Enterprise Zone initiative. (See Reference 2.)

- 5. While it's a good goal to address health disparities, it's wrong to increase the most regressive tax in the state.**

The tax on alcoholic beverages has the largest impact on heavy drinkers. Benefits from the tax are clearly progressive, providing support to communities that have suffered from disinvestment.

A study found that roughly 75 percent of the additional cost as a result of a tax increase is paid for by excessive drinkers. Among customers who do not drink excessively, those in the highest income bracket would pay more additional taxes per year on average than those in the lowest income bracket. (See Reference 3.) A 2015 national survey on consumption habits found that 78% of higher-income adults reported that they drink alcohol in contrast to only 45% of lower-income adults. (See Reference 4.)

- 6. Alcohol is taxed twice in Maryland – the excise tax and point-of-sale tax.**

Maryland's excise tax is among the lowest in the country. Plus, however we tax alcohol, the proceeds do not come close to paying for the damage to public health caused by alcohol, through things like drunken driving, binge drinking, emergency room and other medical care costs, and spousal abuse. Even with this tax increase, we will continue to subsidize alcohol.

A study found that in Maryland in 2010, excessive drinking cost the state \$4.96 billion, with government covering \$2.1 billion (42.3%) of these costs. Binge drinking represented \$3.85 billion (77.6%) of these total costs. Those figures far outpace how much money the state collects through taxes on alcoholic beverages. (See Reference 5.)

- 7. Maryland's alcohol tax rate is already higher than most surrounding states, including Virginia (5.3%), Pennsylvania (6%) and West Virginia (6%).**

We cannot compare Maryland's tax rate to those states, because those states all control liquor prices, giving them an extra tool to increase revenue on alcoholic beverages. The neighboring jurisdiction that is most comparable is the District of Columbia; with this increase, we would match the District's tax rate.

Reference 1

Keshia Pollack Porter, Shannon Frattaroli, and Harpreet Pannu. "Public Health Policy in Maryland: Lessons from Recent Alcohol and Cigarette Tax Policies." *The Abell Report* 31, no. 2 (2018): 1-20.

Marie-Claude Lavoie, Patricia Langenberg, Andres Villaveces, Patricia C. Dischinger, Linda Simoni-Wastila, Kathleen Hoke, and Gordon S. Smith. "Effect of Maryland's 2011 Alcohol Sales Tax Increase on Alcohol-Positive Driving." *American Journal of Preventive Medicine* 53, no. 1 (2017): 17-24. Accessed 2017/05/14. <https://dx.doi.org/10.1016/j.amepre.2016.12.011>.

S.S. Staras, M.D. Livingston, and A.C. Wagenaar. "Maryland Alcohol Sales Tax and Sexually Transmitted Infections: A Natural Experiment." *American Journal of Preventive Medicine* 50, no. 3 (2016): e73-80.

Reference 2

Porter, KP., Frattaroli S., Pannu, H. Public Health Policy in Maryland: Lessons from Recent Alcohol and Cigarette Tax Policies. *The Abell Report* (2018); 31(2).

Reference 3

[The Consumer Costs and Job Impacts from State Alcohol Tax Increases Web Tool](#)
(Social and Health Effects of Changes in Alcohol Prices)

Reference 4

Reference: Jones, J.M. (2015, July 27). Drinking Highest Among Educated, Upper-Income Americans. Gallup. <https://news.gallup.com/poll/184358/drinking-highest-among-educated-upper-income-americans.aspx>.

Reference 5

Sacks, JJ., Gonzales, KR., Bouchery, EE., Tomedi LA., Brewer, RD. 2010 National and State Costs of Excessive Alcohol Consumption. *American Journal of Preventive Medicine* (2015); 49(5):e73-e79. DOI: 10.1016/j.amepre.2015.05.031.