

## Why Increasing Alcohol Taxes Makes Sense

### *Reducing Underage Drinking, High-risk Drinking and Related Harms*

A review of 72 studies and reports published in the Journal of Preventive Medicine found strong evidence that raising alcohol taxes is an effective strategy for reducing excessive alcohol consumption and related harms. The authors noted that “increased alcohol taxes are associated with decreased overall consumption, decreased youth consumption, decreased youth binge drinking, reduced alcohol-related motor-vehicle crashes, reduced mortality from liver cirrhosis, and reduced violence.<sup>1</sup>

### Why is an increased tax on alcohol needed?

- The economic and social costs of drinking far exceed alcohol tax revenues. Underage drinking alone cost the citizens of Nebraska \$324 million in 2013. These costs include medical care, work loss, and pain and suffering associated with the multiple problems resulting from the use of alcohol by youth.<sup>2</sup>
- A CDC study reports that, in 2010, Nebraska’s costs due to excessive alcohol consumption were \$1.16 billion, \$491 million of which was paid for by the government.<sup>3</sup> In contrast, the state only took in \$27.6 million in taxes that year, or a mere 5.6% of its cost.
- More than 95,000 deaths are caused by excessive alcohol use each year, making it the third-leading cause of preventable death in the United States.<sup>4</sup> Excessive alcohol use is also a risk factor for many health and societal problems.<sup>5</sup>
- Revenues from increased alcohol taxes can be designated to fund alcohol prevention programs, increased enforcement of alcohol laws (i.e. high-profile sobriety checkpoints), treatment for alcohol-related disorders, or education.
- 43% of Nebraskans surveyed support or strongly support additional taxes.<sup>6</sup> Furthermore, in a national survey, nearly 81 percent of adults favor an increase of five cents per drink in the tax on beer, wine, or liquor to pay for programs to prevent minors from drinking and to increase alcohol treatment programs.<sup>7</sup>
- 20% of drinkers consume over 85% of all alcoholic beverages.<sup>8</sup> This means the remaining 80% of drinkers consume, on average, relatively small quantities of alcohol and pay a minimal amount of taxes. Alcohol tax increases impact excessive drinkers more and these drinkers are the ones who are causing all the socio-economic costs in our communities.
- Now a fraction of what they were decades ago, federal alcohol excise tax rates in the United States have fallen off dramatically. Adjusted for inflation, the federal excise tax on a six-pack of beer since 1950 has dropped from \$1.33 to 33 cents, making beer far cheaper today, relative to other consumer products, than it was twenty and thirty years ago, according to the Center for Public Interest.<sup>9</sup>
- The latest CDC Prevention Status Report indicates that Nebraska ranks among the worst states in terms of alcohol excise tax rates.

<sup>1</sup> Elder et al. (2010)

<sup>2</sup> PIRE (2015)

<sup>3</sup> Sacks et al. (2015)

<sup>4</sup> CDC ARDI (2020)

<sup>5</sup> The Community Guide (n.d.)

<sup>6</sup> NASIS (2020)

<sup>7</sup> Harwood, Wagenaar, & Bernat (2002)

<sup>8</sup> Rogers & Greenfield (1999)

<sup>9</sup> Center for Science in the Public Interest (2007)

- Nebraska's excise tax for beer is \$0.31/gallon; the Community Preventive Task Force (Task Force) recommends the tax to be at or above \$1 per gallon.
- Nebraska's excise tax for wine is \$0.95/gallon; the Task Force recommends the tax to be at or above \$2 per gallon.
- Nebraska's excise tax for distilled spirits is \$3.75/gallon; the Task Force recommends the tax to be at or above \$8 per gallon<sup>10</sup>.

## Alcohol tax increases work

- **Studies show that increased alcohol taxes are effective.** Higher excise taxes on alcohol are often passed on to consumers, which leads to a reduction in the quantity and frequency of alcohol consumption among youth<sup>11</sup>, who are more price-sensitive consumers. Higher alcohol prices or taxes have been consistently related to fewer motor vehicle crashes and fatalities, less alcohol-impaired driving, less mortality from liver cirrhosis, less violence, lower incidence of sexually transmitted diseases (STDs), and less alcohol-related dependence.<sup>12</sup> Six studies from the systematic reviews conducted by the Task Force found consistent evidence that higher alcohol prices were associated with less youth drinking. On average, a 10 percent increase in the price of alcohol reduced beer, wine and spirit consumption by 5 percent, 6 percent, and nearly 8 percent respectively with alcohol-related crashes and other problems falling by like levels. Smaller increases produce proportional results.<sup>13</sup>
- **How do increased taxes on alcohol prevent underage drinking?** Although alcohol excise taxes are often raised for revenue-generating reasons, several studies suggest that higher excise taxes also have an impact on youth consumption and its consequences. Young adults are more responsive to price increases than adults. Higher taxes on alcohol are associated with less drinking among 16- to 21-year olds and specifically amongst high school students.<sup>14</sup>
- **Excise taxes naturally lose effectiveness over time.** Alcohol taxes are implemented at the federal and state level and are beverage specific (i.e. differing for beer, wine and spirits). Excise taxes are based on volume, unlike sales taxes which are based on the sales price. When taxes are based on volume, and not adjusted regularly, their effects are quickly reduced through inflation.

## The Nebraska experience

While a number of high-profile drunken driving crashes has seen Nebraska state senators examining a variety of approaches to cracking down on the problem, no bill to address alcohol taxes has made it to the floor for debate in recent legislative sessions.

- Nebraska ranks as the 4<sup>th</sup> worst state in terms of binge drinking with 20.4% of adults binge drinking.<sup>15</sup>
- Nebraska ranks 2<sup>nd</sup> worst in terms of self-reported drinking and driving with 955 episodes per 1,000 population.<sup>16</sup> Between 2009 and 2019, the Nebraska Highway Safety Office reports 771 people were killed in an alcohol-involved crash in Nebraska due to a drunk driver.<sup>17, 18, 19</sup>
- While traffic fatalities are a great concern, they are only a fraction of the total alcohol-attributable deaths Nebraska experiences. Between 2006 and 2010, Nebraska averaged 436 alcohol-attributable deaths per year and more than 12,000 years of potential life lost.<sup>20</sup> In 2015, an estimated 703 alcohol-related deaths and 2,403 hospitalizations occurred.<sup>21</sup>
- Mirroring the decline of the federal rate due to inflation, Nebraska's inflation-adjusted excise tax on a six-pack has dropped from 32 cents to 17 cents since 1970.<sup>22</sup>

<sup>10</sup> CDC (2016)

<sup>11</sup> Coate & Grossman (1988)

<sup>12</sup> Center for Science in the Public Interest (2007)

<sup>13</sup> The Community Guide (2007)

<sup>14</sup> The Community Guide (2007)

<sup>15</sup> CDC (2020)

<sup>16</sup> Jewett et al. (2015)

<sup>17</sup> NDOT-HSO (2018)

<sup>18</sup> NDOT (2019)

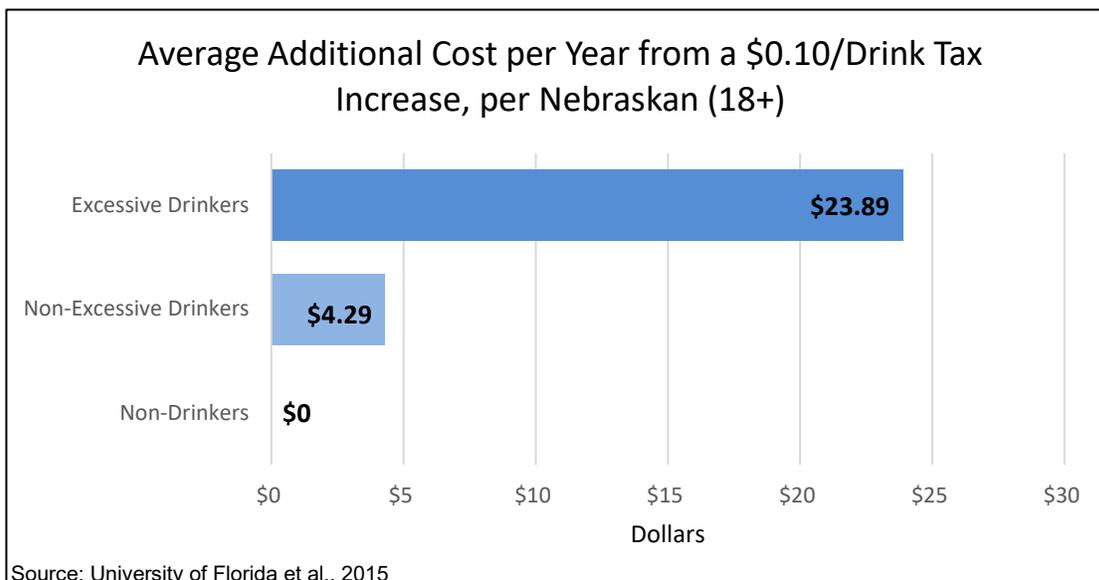
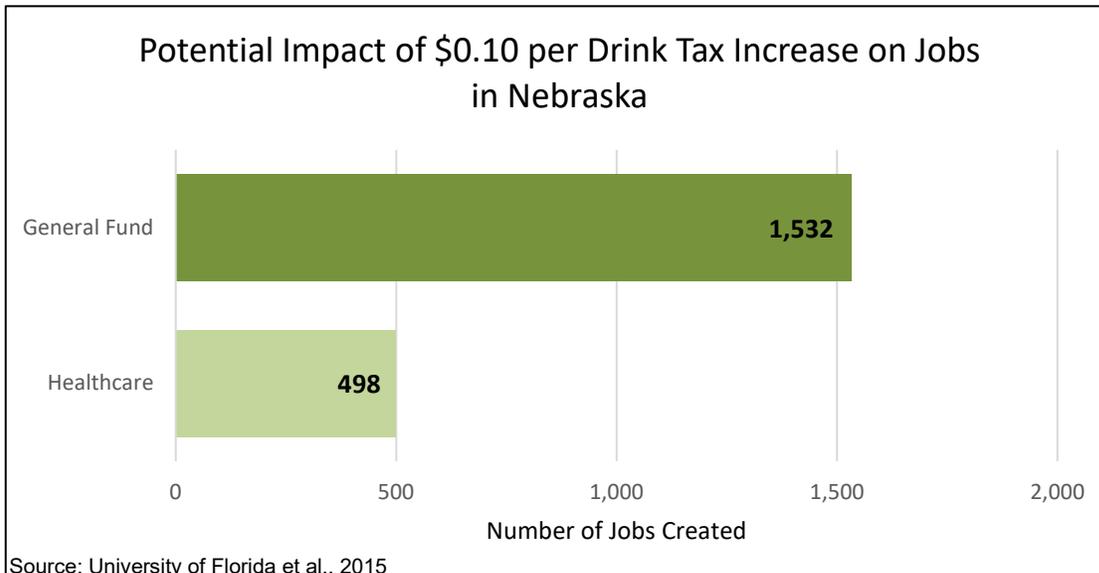
<sup>19</sup> NDOT (2020)

<sup>20</sup> Gonzales et al. (2014)

<sup>21</sup> Nebraska Epidemiological Profile (2017)

<sup>22</sup> Omaha World Herald (2011)

- Nebraska has increased its alcohol taxes just 14 times in the past 80 years with only six of those increases applying across the board, meaning that the tax rate on each type of alcohol was increased at the same time. Rates have not been raised across the board since 1985.<sup>23</sup>
- If a \$0.10 per drink excise tax increase were to be imposed on alcohol in Nebraska, the state could create an estimated 2,030 new jobs. Furthermore, excessive drinkers would be most impacted by the tax increase, paying over five times more on average than non-excessive drinkers per year.<sup>24</sup>



- A Centers for Disease Control and Prevention analysis of 23 separate sobriety checkpoints in 2002 found the strategy reduced alcohol-related deaths and injuries by an average of 20 percent.<sup>25</sup> In Nebraska, this would save 15 lives every year.<sup>26</sup> Such increased enforcement could be funded with revenue from increased alcohol taxes.

<sup>23</sup> Nebraska Legislature (n.d.)

<sup>24</sup> University of Florida et al. (2015)

<sup>25</sup> Elder et al. (2002)

<sup>26</sup> Nebraska Department of Roads (2014)

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