

# **Raising Alcohol Taxes**

## **Wins, Losses, and Countering Industry Myths**

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# Why the Time is Right, Right Now

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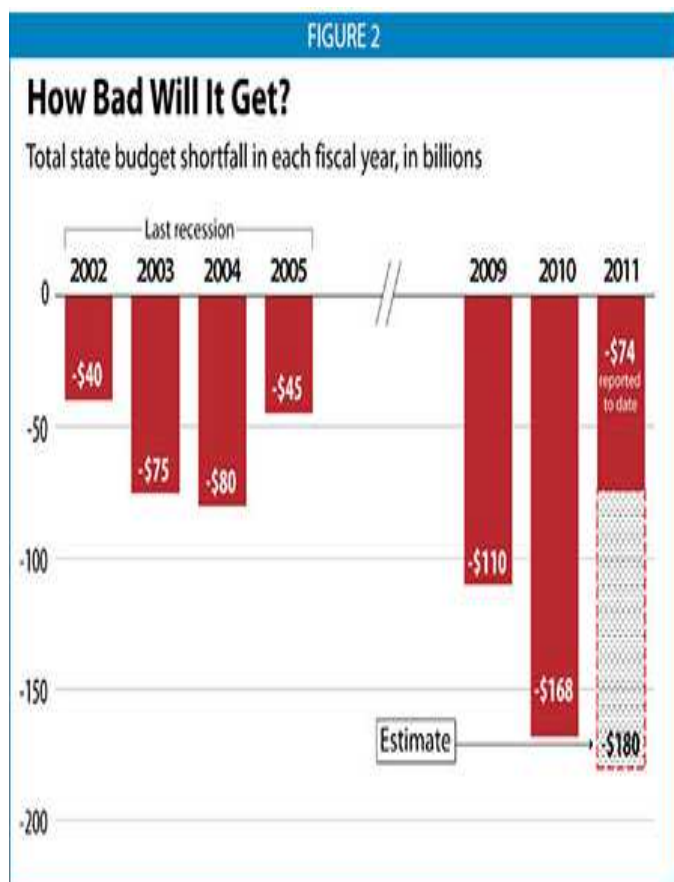


## 2010

- 48 states with deficit - \$168 billion
- 24 percent of state budgets

Source: Center on Budget and Policy Priorities

# Why the Time is Right, Right Now



## 2011

- 36 states anticipate deficits
- Additional \$74 billion

Most states cannot run in red  
Only 3 options:

- draw down reserves
- cut spending
- **raise taxes**

Source: Center on Budget and Policy Priorities

# What Happened this Session

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- At least half of the states proposed tax increases
- Most bills are already dead
- Some are still pending or are in 2-year sessions
- Victories in:
  - Kentucky                      Massachusetts
  - New York                      New Jersey
  - Illinois                      North Carolina

# What Happened this Session – Good News

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## Lifted Sales Tax Exemption

- Massachusetts
- Kentucky

## Increase

6.5%  
6%

## Raised Excise Tax

- New York  
(beer) 11 cents (wine) & 3 cents
- New Jersey 25 % (not beer)
- North Carolina  
(beer\*) 8.7 cents (wine) & 5 cents
- Illinois **64 cents (spirits) \$4.05 (wine)**  
**4.6 cents (beer)**

Illinois tax is being challenged in court

\* per liter, all others per gallon



# What Happened this Session – Not so Good

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At least 13 states had bills that died:

- Arkansas
- Connecticut
- Delaware
- Indiana
- Kentucky\*
- Maryland
- Minnesota
- Montana
- Nevada
- New Hampshire
- New Mexico
- New York\*
- Oregon

\* States with additional higher tax proposals than what passed.



# What Happened this Session – in \$\$

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<u>State RAISED taxes income</u>	<u>Estimated NEW</u>
North Carolina	\$20.3 million
Massachusetts	\$78.3 million
Illinois	\$105.3 million

(examples, full report coming in October)



# What Happened this Session – in \$\$

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States bill DIED  
LOST income

Estimated

Nevada

\$79.5 million

Oregon  
million\*

\$127 – \$218

Minnesota

\$313.3 million

\*Range of losses from two bills

(examples, full report coming in October)



# What Happened this Session – in \$\$

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## A Closer Look at New York's "Victory"

Combined potential revenue: \$959.8 million

Passed budget revenue: \$16.7 million

*Difference:* \$943.1 million

Cuts in state services: \$68 million

***Budget Cuts Imperil Guardian Program for Elderly and Disabled***

(New York Times, February 5, 2009)



# What's Happening in California

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- Fall 2008 Governor's proposal – 5 cents / drink, failed

Despite 85% approval polling

- New Bill – 10 cent/drink fee, not tax, allocated funding
- Taxes v. Fees under California Law
- 2009 - Didn't get votes to pass health committee
- Now 2-year bill, coming back in 2010
- Who's opposed? Big Wine, of course



# Industry's Talking Points

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**Myth:** Poor Joe Six Pack, taxes are regressive

## Reality

- 1/3 of public does not drink, but all pay for costs
- Alcohol is not a necessity, unlike food or shelter
- People with higher incomes more likely to drink
- People most impacted, youth and those who drink too much

**Hypocrisy:** Anheuser-Busch InBev,  
MillerCoors raising prices



# Industry's Talking Points

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**Myth:** Loss of jobs, the economic sky will fall

## Reality

Industry passes on more than 100% of tax increase (from 1.6 to 2.1 times), some sectors make more money.

Convenient scare tactic:

“InBev has made a good faith commitment that it will not close any of Anheuser-Busch’s current 12 breweries located in the United States, *provided there are no new or increased federal or state excise taxes...*”

*(Source: Anheuser-Busch Proxy Statement)*



# Industry's Talking Points

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**Myth:** Loss of jobs, the economic sky will fall

## Reality

- Taxes can raise millions of dollars for government programs, thereby creating health-promoting jobs
- Minor drops in consumption will save government money in healthcare and other costs from alcohol problems

# Industry's Talking Points

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Myth: Industry pays too much in taxes

## Reality

- State and federal governments get only 5% of the revenue from alcohol sales, industry gets the other 95%
- Taxes cover only 3.7% of the national costs of alcohol use
- Beer taxes are 5-7 times higher in the UK and Sweden than in the U.S., even including the average state tax rate
- Inflation erosion in real value – 39 percent federal since 1991



# Raising Alcohol Taxes: Win-Win Solution

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## Bottom Line

- The economic sky will not fall from relatively minor increases in alcohol taxes.
- Industry arguments are easily countered and should not provide policymakers convenient excuses.
- Higher alcohol tax increases are a win-win policy solution.
- Alcohol taxes will lower consumption while providing revenue for much-needed government programs to mitigate harm.



# Resources & Contact

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Download this presentation, hand-outs, other resources

Coming soon!

[ChargeforHarm.org](http://ChargeforHarm.org)

Join California Charge for Harm Alliance to pass fee bill  
(AB 1019)

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