



Though Congress rarely debates alcohol excise taxes, they are one of the oldest levies the government imposes, with the first dating to 1791. | Craig Barritt/Getty Images for Johnny Walker

Tax cut on booze triggers fears of more abuse and drunken driving

Public-health advocates say the effects of the Republican tax law will be dire.

By **BRIAN FALER** | 12/31/2017 08:02 AM EST

People hoisting a beer mug or tipping a champagne glass to ring in the New Year have an extra reason to celebrate: Congress just slashed taxes on alcohol for the first time in decades.

But public-health advocates fear the effects of the Republican tax law will be dire — more drunken driving, underage drinking and other alcohol-related programs.

They say Congress's decision to cut alcohol taxes by 16 percent also contrasts with lawmakers' treatment of cigarettes, a health threat they consider on par with alcohol, which has seen its levies climb nearly 1,500 percent since 1970.

“The cheaper alcohol is, the more people drink and the more they have alcohol problems, and there is a huge international literature that has shown that over and over and over,” said David Jernigan, head of the Center on Alcohol Marketing and Youth at Johns Hopkins University. “The public health ramifications of this continue to be invisible to policymakers.”

Though the issue drew hardly any debate during the dash to pass the once-in-a-generation tax-code overhaul, the alcohol industry is one of the biggest winners of the Republican plan President Donald Trump signed into law Dec. 22. It cuts taxes on wine, beer, whiskey, vodka, tequila and other forms of alcohol.

That translates to \$1.6 billion in savings next year for MillerCoors; Diageo, the maker of such brands as Captain Morgan rum and Ketel One Vodka; and smaller beer and spirits operators that had pushed for the cut.

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“It’s not helpful in terms of fighting drunk driving,” said J.T. Griffin, chief government affairs officer at Mothers Against Drunk Driving, who says his group doesn’t have the lobbying clout of the alcohol industry.

Sen. Rob Portman (R-Ohio), who sponsored the provisions, disputed predictions the cut will bring an uptick in alcohol-related programs.

“I don’t think it will have that effect,” he said. “All it does is help small craft breweries and small distillers.” He didn’t comment on the larger companies such as MillerCoors that would also benefit.

Sen. Ron Wyden (D-Ore.), who voted against the overall GOP plan though he had long pushed for the alcohol tax cuts, added: “Moderation is the key, and you can’t legislate moderation.”

Though Congress rarely debates alcohol excise taxes, they are one of the oldest levies the government imposes, with the first dating to 1791.

“The consumption of ardent spirits particularly, no doubt very much on account of their cheapness, is carried to an extreme which is truly to be regretted,” Treasury Secretary Alexander Hamilton wrote in 1790, pushing for the first alcohol tax — which proved wildly unpopular and sparked the Whiskey Rebellion among frontier distillers. “Should the increase of duties tend to a decrease of the consumption of those articles, the effect would be, in every respect, desirable.”

Lawmakers have not touched alcohol taxes in decades — the last time was in 1991, when they increased them. Because the taxes aren’t indexed for inflation, they’ve steadily fallen in value since then.

Last year, taxes on wine, beer and liquor raised \$10.6 billion, IRS data show.

While lawmakers emphasize the benefits to small craft brewers, their plan would cut taxes on all alcohol companies, with the largest reduction going to liquor makers.

TAXES

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They currently pay a \$13.50 tax per “proof gallon,” which is defined by the beverage’s alcohol content. Under the legislation, that would fall to \$2.70 for the first 100,000 gallons produced.

Beer makers now generally pay \$18 per barrel, which translates to about 30 cents per six pack, though small producers pay \$7 on their first 60,000 barrels. Beginning Jan. 1, brewers will pay \$3.50 on the first 60,000 barrels, and \$16 after that, up to 6 million barrels.

Taxes on wine, which increase with alcohol content, would also fall. Still wines with no more than 14 percent alcohol content now pay \$1.07 per wine gallon or 21 cents per 750-ml bottle. Wines with between 14 percent and 21 percent alcohol pay \$1.57. Under the new law, wines up to 16 percent alcohol — the vast majority of them — will pay \$1.07.

The industry has been pushing for the cuts for years, spending \$22.6 million this year lobbying lawmakers, according to the nonpartisan Center for Responsive Politics.

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By JOSHUA ZEITZ

The tax cuts are temporary, running through 2019, though lawmakers will be pressured to extend them beyond that.

Public health advocates say there is substantial academic research showing links between tax rates and alcohol consumption and argue, if anything, the levies ought to be increased.

“Cigarette taxes go up on a fairly regular basis, and alcohol taxes almost never go up — and in this case, they’re going down — and yet they are, in a lot of ways, similar products,” said Jernigan.

The Distilled Spirits Council rejects complaints that lower taxes will lead to more alcohol-related problems, and that it will even necessarily result in cheaper liquor. Distillers will use their tax savings to expand production and hire more people, said Frank Coleman, a spokesman for the trade association.

“They’re going to invest in their companies — they’re not necessarily going to lower their product prices,” he said. “It will help provide more jobs.”