Higher alcohol taxes lower underage drinking

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Outdated alcohol excise taxes make some alcoholic beverages cheaper than milk

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An article posted November 21 on the website of the National Council on Alcohol and Drug Dependence, Inc. (NCADD) notes higher alcohol taxes discourage teens from drinking. "These taxes prevent and reduce drinking and death among young people, as well as among heavy drinkers," says David H. Jernigan, PhD, Associate Professor and Director, Center on Alcohol Marketing and Youth (CAMY), Johns Hopkins Bloomberg School of Public Health, who has conducted research on the effect of the taxes.
In a report prepared as part of the campaign to advocate for increasing Maryland’s excise tax, CAMY estimated that a dime a drink increase in Maryland’s alcohol excise taxes would reduce alcohol consumption by 4.8 percent. "The impact could be even larger among youth, since they are less likely to be addicted to alcohol than older drinkers, and also have less disposable income — both factors that make them more sensitive to increases in the cost of alcohol," the report states.

However, in a 2009 Prevention Resources Center report, researchers found that increasing the prices of alcohol beverages to reduce alcohol consumption among adults may actually have the opposite effect, since drinkers who were buying the more expensive brands will switch to cheaper drinks, and because they are cheaper than what they were paying originally, buy and drink more.

"When alcohol is cheaper at the corner store than milk, orange juice or sometimes even water, it sends young people the wrong message," Jernigan says. "It makes alcohol look like an ordinary commodity when it is not." He notes that prices on alcohol used to be much higher than those on other beverages. The most important factor in the price drop has been the inability of alcohol taxes to keep up with inflation.

Alcohol excise taxes affect the price of alcohol, and are intended to reduce alcohol-related harms, raise revenue, or both. Alcohol taxes are implemented at the state and federal level, and differ for beer, wine and spirits. These taxes are usually based on the amount of beverage purchased (not on the sales price), so their effects can erode over time due to inflation if they are not adjusted regularly.

The Community Preventive Services Task Force recommends increasing the unit price of alcohol by raising taxes based on strong evidence of effectiveness for reducing excessive alcohol consumption and related harms. Public health effects are expected to be proportional to the size of the tax increase. Their survey of various health and taxation studies, found higher alcohol prices or taxes were consistently related to:

- Fewer motor vehicle crashes and fatalities (10 of 11 studies)
- Less alcohol-impaired driving (3 of 3 studies)
- Less mortality from liver cirrhosis (5 of 5 studies)
- Less all-cause mortality (1 study)
- Effects also were demonstrated for measures of violence (3 studies), sexually transmitted diseases (1 study), and alcohol abuse or the disease of alcoholism (1 study).

Most of the money in the Maryland tax hike is being directed to health-related programs. In addition to the $14 million to expand services for the elderly and disabled, the funds will be used for programs for people with developmental disabilities, and community health services, including a program that covers outpatient primary care, substance abuse and pharmacy benefits.

The coalition promoting the Maryland excise tax increase led the campaign with the public health case for the tax, Jernigan says, including two CAMY reports summarizing research on alcohol taxes. "Our message was, 'Regardless of what we do with this money, the tax will save
lives because that is what these taxes do." The coalition immediately got copies of the report out to the media to engage their interest.

In one study cited, which was published in the American Journal of Preventive Medicine in 2010, researchers reviewed 72 papers and reports, nearly all of which found an inverse relationship between the tax or price of alcohol and measures of excessive drinking or alcohol-related health outcomes. The results "constitute strong evidence that raising alcohol excise taxes is an effective strategy for reducing excessive alcohol consumption and related harms," the researchers conclude.

Jernigan is working with the Centers for Disease Control and Prevention (CDC) on technical tools that are designed to assist states and communities in implementing recommendations of the Task Force on Community Preventive Services, a nongovernmental group appointed by the CDC director. One of the recommendations is to raise alcohol excise taxes.

In Illinois, the tax on liquor is $8.55 per gallon, table wine is taxed at $1.39 per gallon and beer is taxed at $.231 per gallon. Nationally, taxes range from $2.00 (Missouri) to $24.63 (Oregon) per gallon of liquor, $.11 (Louisiana) to $2.20 (Alaska) per gallon of table wine, and $.019 (Wyoming) to $1.07 (Alaska) per gallon of beer, however some states also tack on a wholesaler tax.