

### Beer Consumption & Taxes

A growing body of research documents the effect of price on the consumption of alcoholic beverages, particularly beer, and certain harms related to drinking. Raising the price of alcohol, especially by increasing alcohol taxes, can be an effective means to reduce excessive and binge drinking.

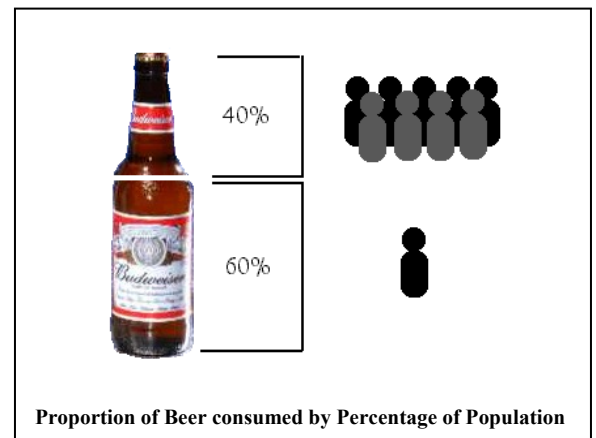
#### Beer Consumption in the United States: Adolescents & General Population

##### Adolescents<sup>1</sup>

- Between 2001 and 2002, 57.6 percent of 12th-graders reported using beer on an annual basis. During the same time period, 36.2 percent of 12th-graders reported using beer monthly.
- Of the students in senior high school that drink beer, most began drinking between the ages of 12-15.
- 48.1 percent of 8th-graders and 78.9 percent of 12th-graders reported that beer is “fairly easy” or “very easy” to get.

##### General Population<sup>2</sup>

- Beer accounts for 67 percent of the alcohol consumption reported in the United States.
- 42 percent of alcohol consumed in the United States is consumed by the top 10 percentile of drinkers, who represent the heaviest beer-drinkers.
- Beer accounts for over four-fifths (81 percent) of all the alcohol that is reported drunk in hazardous amounts in the United States.
- In the United States, beer is disproportionately consumed in hazardous amounts (i.e., five or more drinks per occasion) relative to wine and spirits.



#### Public Opinion, Public Costs

- 82 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>3</sup>
- Alcohol excise tax rates have rarely been increased to compensate for the effects of inflation. As a result, “real” tax rates have declined over most of the postwar period. This erosion of real tax rates has contributed to overall declines in real beverage prices.<sup>4</sup>
- In 1998, the estimated economic cost of alcohol abuse in the United States exceeded \$184 billion. This cost is equivalent to roughly \$683 for every man, woman and child living in the United States.<sup>5</sup>
- The cost to Americans of underage drinking totals nearly \$53 billion, equivalent to \$200 for every man, women and child in the United States.<sup>6</sup>
- In 2000, the estimated cost of alcohol-related traffic crashes to the public in the United States surpassed \$114 million.<sup>7</sup>
- Each year, the federal government spends between \$900 million and \$1 billion on alcohol prevention services for people of all ages, less than two percent of the annual cost of alcohol use by youth alone.<sup>8</sup>
- According to the Internal Revenue Service, Federal excise tax collections for alcoholic beverages totaled more than \$8.3 billion in 2002.<sup>9</sup> Put into perspective, this amounts to about 4.5 percent of the \$184 billion in alcohol-related costs experienced by the American public.

## General Effect of Alcohol Taxes

- An increase in alcohol taxes generally results in a larger increase in retail price, as wholesalers and retailers add markups to the products as they move through the distribution system. However, because the retail price incorporates many other costs and taxes comprise only a small percent of price, an increase in excise taxes only will have a minimal effect on the price of alcoholic beverages.<sup>10</sup>
- At the state level, the rare tax increase and most tax-increase proposals contemplate relatively modest hikes in levies – perhaps a few pennies per gallon, and at most a penny or two per drink.
- Even increases at those levels have shown significant – if not massive – reductions in alcohol consumption and problems, especially among young people. This research has its detractors,<sup>11</sup> but nonetheless provides strong evidence for the benefits of alcohol tax increases.

## Impact of Alcohol Taxes on Alcohol-Related Public Health Issues

### *Sexually-Transmitted Diseases*

- In 1991, the Federal excise tax on beer increased for the first time since 1951. Research shows that the rate of sexually transmitted diseases (STDs) fell sharply from its 1988-90 levels in 1991 and 1992. Nationwide, gonorrhea rates declined nearly 30 percent between 1990 and 1992. Syphilis rates fell nearly 40 percent during the same time period.<sup>12</sup>
- The Centers for Disease Control and Prevention found that a beer-tax increase of 20 cents per six-pack would reduce gonorrhea rates by 8.9 percent and syphilis rates by 32.7 percent.<sup>13</sup>

### *Domestic Violence*

- Increases in the state excise tax on beer decrease the probability of overall violence toward children. Specifically, a 10 percent increase in the excise tax on beer will reduce the probability of severe violence by 2.3 percent, the probability of overall violence by 1.2 percent, and unconditional overall violence (the sum of participation and frequency) by about 2.1 percent.<sup>14</sup>

### *Youth & College Students*

- Young adults are more responsive to price increases than adults.<sup>15</sup>
- Beer prices inversely correlate with youths' decisions to drink.<sup>16</sup>
- Frequency and quantity of underage alcohol consumption is inversely related to the price of alcohol.<sup>17</sup>
- In a survey of self-reported responses, high school students admit to reducing their overall alcohol use because of price increases.<sup>18</sup>
- Research shows that higher taxes increase the probability of attending and graduating from a four-year college or university. According to the study, raising the state beer tax from \$0.10 per case to \$1.00 per case would increase the probability of graduating from college by 6.3 percent.<sup>19</sup>
- Increasing the price on alcohol by raising excise taxes would reduce moderate and heavy drinking by college students.<sup>20</sup>
- College students are less likely to transition from abstainers to moderate drinkers or from moderate drinkers to heavy drinkers if alcohol prices are high.<sup>21</sup>
- For college students, lower beer prices are related to higher incidences of troublemaking with police and other authorities, property damage, getting into an argument or a fight, and taking advantage of or being taken advantage of sexually.<sup>22</sup>

### *Traffic Fatalities*

- Higher beer taxes are associated with lower rates of traffic fatalities. For every one percent increase in the price of beer, the traffic fatality rate declines by 0.9 percent.<sup>23</sup>
- Increasing the federal excise tax on beer in 1988 to the inflation-adjusted equivalent of its value in 1975 would have saved between 3,330 and 3,700 lives annually.<sup>24</sup>
- A 10 percent increase in the price of alcoholic beverages would decrease the number of binge-drinking episodes per month by approximately eight percent.<sup>25</sup>

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