

CENTER FOR SCIENCE IN THE PUBLIC INTEREST

Alcohol Policies Project Fact Sheet

Why Raise Alcohol Excise Taxes to Protect Underage Youth? Evidence Supporting NAS Report Recommendations

Recommendation 12-7: congress and state legislatures should raise excise taxes to reduce underage consumption and to raise additional revenues for this purpose. Top priority should be given to raising beer taxes, and excise tax rates for all alcohol beverages should be indexed to the consumer price index so that they keep pace with inflation without the necessity of further legislative action.

(Reducing Underage Drinking: A Collective Responsibility, pg.246)

In its report released on September 9, 2003, *Reducing Underage Drinking: A Collective Responsibility*, the National Academy of Sciences recommends increasing alcohol excise taxes to curb underage drinking. The report listed rationales for increasing the taxes. This fact sheet provides research evidence to support each reason.

1. “[U]nderage drinking imposes particularly high average societal costs...”

- A recent study estimates the total economic cost of underage drinking in the United States is \$61.9 billion bill a year. The estimate includes \$5.4 billion in medical costs, \$14.9 billion in work loss and other resource costs, and \$41.6 billion in lost quality of life (67% of total costs). Alcohol-attributable violence and traffic crashes dominated the costs. The study found that each drink consumed cost \$1 per drink, more than the average purchase price of \$0.90 or the associated \$0.10 in tax revenues.¹
- Alcohol is a factor in the top 4 causes of death (72% of all deaths) among persons aged 10-24: (1) motor-vehicle crashes, (2) unintentional injuries, (3) homicide, and (4) suicide.²
- Young people who begin drinking before age 15 are four times more likely to develop alcohol dependence and are two and a half times more likely to become abusers of alcohol than those who begin drinking at age 21.³
- For college students, lower beer prices are associated with higher incidences of troublemaking with police and other authorities, property damage, verbal or physical fights, or sexual misconduct.⁴

2. “[R]aising excise tax rates, and hence prices, is a strategy that has strong and well-documented prevention effects on underage drinking.”

- Young adults are more responsive to price increases than adults.⁵
- Beer prices inversely correlate with youths’ decision to drink.⁶
- Frequency and quantity of underage alcohol consumption is inversely correlated with the price of alcohol.⁷
- Incidence the four types of violent acts (getting in trouble with the police, residence hall, or other college authorities; damaging property or pulling a fire alarm; getting into an argument or a fight; and taking advantage of another person sexually or having been taken advantage of sexually) is inversely related to the price of beer in the state in which a student attends college.⁸
- In a survey of self-reported responses, high school students admit to reducing their overall alcohol use because of price increases.
- 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 to \$1.00 per case would increase the probability of graduating from college by 5.3%.⁹
- Binge drinking during the senior year of high school reduces the probability of receiving a high school diploma and increases the probability of an individual obtaining a General Education Development (GED) degree instead, at a later time in life.¹⁰
- College students are less likely to transition from abstainers to moderate drinkers or from moderate drinkers to heavy drinkers if alcohol prices are high.¹¹

- Increasing the price on alcohol by raising excise taxes would reduce moderate and heavy drinking by college students.¹²
- 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% between 1990 and 1992. Syphilis rates fell nearly 40% during the same time period.¹³
- 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% and syphilis rates by 32.7%.¹⁴ Additionally, increasing the average state excise tax on beer by 10% will reduce the gonorrhea rate by 4.7% for males ages 15-19 and by 4.1% for males ages 20-24.¹⁵ The study also suggests that AIDS rates may be reduced with higher beer taxes.¹⁶

3. “[A] designated portion of the funds generated by the taxes can be earmarked for preventing and reducing underage drinking.”

- 75% of drinkers support increasing the beer tax if the funds were used for substance abuse prevention¹⁷
- 82% of adults support an increase of 5 cents per drink in alcohol taxes to pay for programs to prevent minors from drinking and to increase alcohol treatment programs.¹⁸
- Americans favor an increase in state alcohol taxes by more than a 2 to 1 margin (64% to 30%) when the funds would go to programs to reduce teen drinking and strengthen enforcement of laws to prohibit alcohol sales to underage youth¹⁹
- Ten states use tax revenues or other revenues from alcohol sales to fund alcohol treatment programs, many of which have been forced to make cuts due to budget shortfalls. Fifteen other states earmark the revenues generated from alcohol sales to support programs in education, corrections, tourism promotion and other areas, or simply to supplement the budgets of the state, counties or municipalities.²⁰

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¹ Miller TR, Levy DT, Spicer RS, Taylor DM. *Societal costs of underage drinking*. J Stud Alcohol. 2006 Jul;67(4):519-28.

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³ Grant, B.F., & Dawson, D.A. (1997). Age at onset of alcohol use and its association with DSM-IV alcohol abuse and dependence: Results from the National Longitudinal Alcohol Epidemiologic Survey. *Journal of Substance Abuse* 9: 103-110.

⁴ Grossman, M., and Markowitz, S. “Alcohol regulation and violence on college campuses.” In: *Economic Analysis of Substance Use and Abuse: The Experience of Developed Countries and Lessons for Developing Countries*. Cheltenham, United Kingdom: Edward Elgar, 2001. pp. 257–289.

⁵ Chaloupka, F.J., Grossman, M. & Saffer, H. (2002). The effects of price on alcohol consumption and alcohol-related problems. *Alcohol Research & Health*. 26(1):22-34.

⁶ Cook, P.J. & Moore, M.J. (2002). The economics of alcohol abuse and alcohol-control policies. *Health Affairs*. 21(2):120-133.

⁷ Grossman, M., Chaloupka, F.J., Saffer, H. & Laixuthai, A. (1994). Effects of alcohol price policy on youth: A summary of economic research. *Journal of Research on Adolescence*. 4(2):347-364. Cook, P.J. & Moore, M.J. (1993). Drinking and schooling. *Journal of Health Economics*. 12:411-429.

⁸ Grossman, M., Markowitz, S. Alcohol regulation and violence on college campuses. *National Bureau of Economic Research*. January 2000.

⁹ Cook, P.J. & Moore, M.J. (1993). Drinking and schooling. *Journal of Health Economics*. 12:411-429.

¹⁰ Renna, Francesco. *Teens’ alcohol consumption and schooling*. Economics of Education Review. Volume 27, Issue 1, February 2008, Pages 69-78

¹¹ Williams, J., Chaloupka, F. & Wechsler, H. (2002). *Are there differential effects of price and policy on college students’ drinking intensity?* ImpactTeen. Research Paper Series, No. 16. January 2002. Online: http://impactteen.org/ab_RPN016_2002.htm

¹² Ralph Hingson, Timothy Heeren, Michael Winter, and Henry Wechsler. *Magnitude of Alcohol-Related Mortality And Morbidity Among U.S. College Students Ages 18–24: Changes from 1998 to 2001*. (April 2005) Boston University School of Public Health, Center to Prevent Alcohol Problems Among Young People, Boston, Massachusetts. Annu. Rev. Public Health 2005. 26:259–79.

Online at: http://www.collegedrinkingprevention.gov/media/Mag_and_Prev_ARPH_April_2005.pdf

¹³ Chesson, H.; Harrison, P.; and Kassler, W.J. “Sex under the influence: The effect of alcohol policy on sexually transmitted disease rates in the United States.” *Journal of Law and Economics* 43(1): 215–238, 2000.

¹⁴ Chesson, H., Harrison, P. & Kassler, W.J. (2000). Sex under the influence: The effect of alcohol policy on sexually transmitted disease rates in the United States. *Journal of Law and Economics*. XLIII:215-238.

¹⁵ Grossman, Michael, Kaestner, Robert and Markowitz, Sara, "An Investigation of the Effects of Alcohol Policies on Youth STDs" (December 2004). NBER Working Paper No. W10949. Online at: <http://www.nber.org/papers/w10949.pdf>

¹⁶ Grossman, Michael, Kaestner, Robert and Markowitz, Sara, "An Investigation of the Effects of Alcohol Policies on Youth STDs" (December 2004). NBER Working Paper No. W10949. Online at: <http://www.nber.org/papers/w10949.pdf>

¹⁷ Penn, Schoen, and Berland/CSPI Poll, Aug. 2001

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¹⁹ The Mellman Group & QEV Analytics/AMA Poll, April 2004

²⁰ Ensuring Solutions to Alcohol Problems (2003). "Treating Alcohol Problems and State Alcohol Tax Revenues." June 2003. Online: http://www.ensuringsolutions.org/resources/resources_show.htm?doc_id=339039