

# Economists' Declaration on Federal Alcohol Excise Taxes

We, the undersigned economists, believe that the public health and other external costs associated with the consumption of alcoholic beverages, estimated by the National Institute on Alcohol Abuse and Alcoholism to be \$185 billion per year, are so significant as to justify substantial excise taxes on those beverages. Because those taxes have been little adjusted for decades, the effective rate of taxation on those products has declined dramatically, decreasing real revenues and contributing to a fall in the price of alcoholic beverages relative to other products. We see no justification for expanding the economic availability of products that cause so much damage in society. We oppose proposals to further reduce the tax burden on alcoholic beverages and we strongly support increases in those taxes.

Further, we see no justification for the enormous difference between the excise tax, per unit of alcohol content, on beer and wine on the one hand, and distilled spirits on the other. Beer is the standard introductory alcoholic drink for underage persons. In accordance with recommendations on taxation of beer in the National Academy of Sciences 2003 report, "Reducing Underage Drinking: A Collective Responsibility," we find that favored tax treatment for beer appears to be socially highly undesirable. Finally, an increase in the excise tax rates on alcoholic beverages would contribute to the reduction in the budget deficit in a way that has no significant adverse economic effects and would have substantial social benefits, while tending to increase economic efficiency.

Consequently, we support efforts by the Coalition for the Prevention of Alcohol Problems to oppose decreases and promote increases in federal excise taxes on alcoholic beverages and eliminate or modify the differential tax treatment between beer, wine, and liquor.

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(May, 2005)