

# Coalition for the Prevention of Alcohol Problems

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## NOTED ECONOMISTS SUPPORT HIGHER TAXES ON ALCOHOLIC BEVERAGES

Dear Member of Congress:

The Coalition for the Prevention of Alcohol Problems takes great pleasure in transmitting the attached Economists' Declaration on Alcohol Taxes. That document, endorsed by 59 scholars, including many of the most distinguished economists in America, strongly opposes any reductions in federal excise taxes on alcoholic beverages and instead provides a compelling case for long-overdue increases. Such increases in the tax rates on beer, wine, and liquor would contribute to deficit reduction goals and help better offset the massive economic and social costs imposed by alcohol-related harms.

The Declaration's signers include four winners of the Nobel prize for economics and four former presidents of the American Economic Association. Their statement amplifies public health and safety constituency opposition to unjustified, self-serving, special-interest legislation (S.722, H.R.1305, H.R.1791) that would reduce taxes on beer and liquor. Lowering taxes on those products would constitute bad fiscal and public health policy, adding to budget deficits and threatening the health and safety of Americans:

- A 2003 review of research on alcohol tax issues conducted by the National Academy of Sciences Institute of Medicine (NAS) concluded that cheaper alcohol would contribute to higher levels of underage drinking and alcohol-related harm. That NAS report recommended tax increases, especially on beer.
- Federal excise taxes on alcoholic beverages have failed to keep up with inflation, having increased only once in 54 years for beer and wine and only twice for liquor. Current alcohol-tax revenues (some \$18 billion at the local, state and federal levels) don't come close to offsetting the staggering public health and safety costs of alcohol consumption – estimated at \$185 billion per year, including \$53 billion per year for the costs of underage drinking alone.
- The Congressional Budget Office (CBO) highlighted the case for increasing alcohol taxes in its February, 2005 "Budget Options for Congress." The CBO proposal would standardize the base on which the federal excise tax is levied, increasing the tax to \$16 per proof gallon (about 25 cents per ounce of ethyl alcohol) on all alcoholic beverages. Such action would boost revenues by about \$4.5 billion in 2006 and by a total of almost \$27 billion between 2006 and 2010.
- By wide margins, the American public supports increases – not decreases – in alcohol taxes. And most Americans would barely notice a tax change (up or down), because they either don't drink or drink sparingly. Tax reductions would benefit only the alcohol industry and its best customers: heavy and addicted drinkers who consume some 85% of all the alcohol.

Please reject industry appeals to lower federal excise taxes on alcoholic beverages and consider ways to increase them instead.



Stacia Murphy, President  
National Council on  
Alcoholism and Drug Dependence

Sincerely,



George A. Hacker, Director  
Alcohol Policies Project  
Center for Science in the Public Interest

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