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April 17, 1986

TO: Fred Panzer
FROM: Paul Johnson
RE: Packwood Tax Plan

Attached is testimony of the Center for Science in the Public Interest prepared for the Senate Finance Committee's Monday hearing. Although the testimony targets alcohol products, particularly beer and wine, it provides some excellent insights into our opponents tactics for dealing with the regressivity issue.

Please call if you have questions.

cc: *Peter Sparber*
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TESTIMONY

HEARING ON EXCISE TAXES

COMMITTEE ON FINANCE

UNITED STATES SENATE

MICHAEL F. JACOBSON, Ph.D.

Executive Director

Center for Science in the Public Interest

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APRIL 21, 1986

**SUMMARY OF MAJOR POINTS
TESTIMONY OF MICHAEL F. JACOBSON, PH.D.
CENTER FOR SCIENCE IN THE PUBLIC INTEREST**

1. Alcohol abuse is a major public health, safety, and social problem in America. The economic costs of alcohol abuse total nearly \$120 billion per year. Similarly, budget deficits of historic high levels threaten the economic vitality of the nation. Substantial increases in taxes on alcoholic beverages would help alleviate both these pressing problems.
2. Federal taxes on alcoholic beverages are at their lowest levels since Prohibition, accounting for inflation. Tax rates and tax revenues have failed to keep up with inflation, and as a result, relative alcohol prices are down, consumption of alcohol and alcohol problems are up, and the treasury is billions of dollars poorer. Higher alcohol taxes are needed to reverse these unhealthy trends.
3. No sound justification exists for the current preferential tax treatment accorded beer and wine in contrast to hard liquor. At a minimum, tax rates on alcohol in all three beverages should be equalized at the hard liquor rate. Additionally, tax rates should be increased substantially, and in the future, be indexed for inflation. Equalizing tax rates would yield \$4.7 billion in new revenue. An additional doubling would net \$11.8 billion per year.
4. Higher taxes on alcoholic beverages will not discriminate against low-income consumers. Taxes on alcohol are paid predominantly by a relatively small percentage of drinkers who consume most of the alcohol. Upper income consumers drink considerably more than those with low incomes.
5. New revenues from higher alcohol taxes should be used to offset budget deficits and insure the survival of vital domestic health and social programs, particularly those that help counter alcohol problems.
6. The American public and dozens of prominent economists strongly support increasing taxes on alcoholic beverages to help combat alcohol problems and offset some of the external costs associated with the consumption of alcoholic beverages.

My name is Michael Jacobson. I am executive director of the Center for Science in the Public Interest (CSPI). The Center is a non-profit organization that advocates improved health and nutrition policies and healthy living practices. Currently, CSPI has over 70,000 members throughout the United States.

The Center coordinates the National Alcohol Tax Coalition (NATC), a group of some 30 national and 70 state and local organizations that is urging Congress to raise excise taxes on alcoholic beverages. This coalition, which includes such diverse groups as the American Association of Retired Persons, National Council on Alcoholism, Remove Intoxicated Drivers, and the National Association of Private Psychiatric Hospitals, specifically supports a position statement (a copy of which is attached) calling for the doubling of current excise tax rates on beer, wine, and hard liquor, and the equalization of tax rates, at the liquor rate, on the alcohol in those three beverages. On that point, my testimony today represents the views of NATC member groups as well as those of Center for Science in the Public Interest. A list of supporters of the Coalition's position on alcohol excise tax increases is attached to this testimony.

The social and economic costs of alcohol abuse in the United States are devastating. Government estimates put the yearly toll at between 100,000 and 200,000 lives lost and about \$120 billion in economic harm. These statistics, however, don't begin to describe the widespread pain, suffering, and anguish that result from excessive drinking in America. While the tragedies of drunk driving are well-known, alcohol is also related to half or more of all drownings, child and wife abuse, rapes, and homicides. Alcohol affects practically every organ in the body and, in sufficient quantity, causes brain damage, liver cirrhosis, birth defects, heart disease, and cancers of the liver, mouth, throat, esophagus, and larynx. The harm alcohol causes in the form of broken families, ruined careers, and school failure is incalculable. The dollar costs include health care costs, reduced productivity, and social welfare programs, among other factors. It is no wonder that alcohol abuse is considered by

many experts to be the number one drug problem in America.

At the same time, this nation is faced with staggering budget deficits which threaten our economic vitality. Gramm-Rudman deficit-reduction targets put the survival of important health care and social programs in jeopardy. This committee has an historic opportunity to address both of these problems simultaneously, and in so doing improve the economic and physical health of our nation.

Federal excise taxes on beer and wine were last increased in 1951. Taxes on liquor rose 19% last October, but still lag well beyond inflation since their previous increase during the Korean War. Adjusted for inflation, these taxes are lower than they have ever been since the end of Prohibition. Low tax rates have contributed to the declining relative price of alcoholic beverages, increased consumption, and increased alcohol problems. The failure of alcohol excise taxes to keep up with inflation has been a windfall for the alcoholic beverage industry. For the public health, it has been a disaster. For the U.S. Treasury, it has meant the loss of about \$75 billion in additional revenue between 1952 and the present. Now is the time for major increases in alcohol excise taxes and major changes in the way beer, wine and liquor are taxed.

The proposal before this Committee calls, in part, for an increase in the tax on wine to the level at which alcohol in beer is taxed. We support equitable tax treatment for all alcoholic beverages. We believe that the Committee should extend this equalization concept to increase the taxes on both beer and wine to the level at which alcohol in liquor is taxed. There is no sound rationale for the continued preferential tax treatment of beer and wine. Low taxes on these beverages -- less than 3 cents a 12-oz can of beer, and less than 3 cents for a bottle of wine -- perpetuate the dangerous myth that beer and wine are somehow innocuous "beverages of moderation".

Today, the alcohol in liquor is taxed at about 4 times the rate of alcohol in beer and 17 times the rate of alcohol in wine. From both a public health and revenue

perspective, this approach makes no sense at all. Let's face it, alcohol is alcohol is alcohol. In whatever form, it can be addictive and its abuse dangerous and life-threatening. Liquor may be the most concentrated form of alcohol, but for teenagers, who are at high risk of auto accidents and other violent episodes, beer is the favored beverage. Beer is the choice of most drivers who end up in fatal auto accidents. Low-income alcoholics choose fortified wine, the cheapest source of alcohol, and suffer as a result.

Economists at the National Bureau of Economic Research recently presented evidence that increases in beer taxes would be extremely effective in reducing auto accident fatalities among teenagers and young adults. Equalizing the rate of tax on beer to the rate of tax on alcohol in hard liquor would reduce accident deaths for 18-20 year-old males by 20%. Thousands of lives would be saved, on top of those being saved by increases in state drinking ages.

Taxing the alcohol in beer and wine at the hard liquor rate would yield significant new revenues and other beneficial results. Based on an econometric model developed by the National Alcohol Tax Coalition, we estimate that net revenues would increase by approximately \$4.7 billion annually. On top of that, we estimate that alcohol consumption would drop by nearly 5%, and the economic costs to society saved due to reduced levels of alcohol problems would amount to almost \$6 billion. The Tax Coalition's full proposal calls for doubling tax rates that have been equalized at the liquor rate. Such action would yield \$12 billion in additional net revenue and reduce the costs of alcohol abuse by about \$16 billion.

Federal excise taxes on beer and wine have been so low for so long, it is high time for substantial increases to bring these products out of the soft-drink price range. In order to avoid unnecessary economic dislocation and consumer resentment, these tax hikes could be implemented gradually, over a period of three or four years.

In addition to raising tax rates on wine and beer to equal the rate of tax on

alcohol in hard liquor, taxes on all alcoholic beverages should either be indexed to inflation or set at an ad valorem rate (percentage of price at the producer level). Such a change, which is akin to a proposal before this Committee, would ensure that the relative price of alcoholic beverages in our economy remains stable, and would guarantee that the U.S. Treasury never again is robbed of billions in revenue because alcohol taxes were stuck at fixed levels during a time of high inflation.

This Committee has heard much about the regressive effect of excise taxes -- that taxes on alcoholic beverages would hurt low-income consumers most. Although low-income consumers pay a higher proportion of their disposable income than would a wealthy person for the same product, several factors distinguish taxes on alcoholic beverages from other excises, such as on gasoline or telephone service, and minimize any possible discriminatory effect on the poor.

First, alcoholic beverages are relative luxuries, discretionary items, not essentials like telephone service and transportation. Second, higher taxes on alcohol would hardly be felt by about two-thirds of the adult population. Thirty-six percent abstain and another third consume less than two drinks per week.

Among drinkers, upper-income households spend over twice as much on alcoholic beverages as lower-income households. Lower-income persons, about 25% of whom are elderly persons who consume the least alcohol of any adult cohort, spend only a small fraction -- around 2% -- of total consumption expenditures on alcohol.

A look at industry marketing data on alcoholic beverages, compiled by the Simmons Market Research Bureau, and reported in Impact magazine (September 1, 1985), is instructive in determining the alleged regressive impact of increases in excise taxes on alcohol. For the highest category of household income (\$50,000 and over), 49.4% report consumption of beer and 64.3% report drinking wine. On the low end of the scale, only 30.2% of households under \$10,000 income report drinking beer, and only 28.6% report drinking wine. Even for

households with income between \$20,000 and \$24,999, only 45.6% report drinking beer and 44.3% report drinking wine.

Therefore, excise taxes on beer and wine, and any increases, will be paid predominantly by those outside of the lowest income brackets.*

Furthermore, according to the National Institute on Alcohol Abuse and Alcoholism, roughly 20% of drinkers consume 70% of all alcohol. Higher taxes -- and prices -- on alcoholic beverages would discourage excessive drinking among many in this relatively small fraction of all adults. Additionally, those who continued to drink heavily would be required to contribute more equitably to offset the costs of alcohol abuse to society.

Higher taxes on alcoholic beverages -- particularly equalization of tax rates on beer, wine and hard liquor -- can generate substantial new revenues, reduce alcohol problems and costs, and help educate Americans about the proper role of alcohol in our society. These new revenues should provide a source of funds to insure that vital domestic health care and social programs -- many of which are involved in either preventing, researching, or treating alcohol problems -- are not sacrificed on the cross of the Gramm-Rudman deficit reduction act. Higher alcohol taxes should be used to assure that proposed tax legislation results in increased revenue capable of offsetting budget deficits.

The health of America demands that Congressional budget and tax action preserve and strengthen programs to promote health and combat alcohol abuse and alcoholism. The Public Health Service's National Institute on Alcohol Abuse and Alcoholism should be singled out to receive adequate funding and support.

* Another study, conducted by National Family Opinion (NFO), Inc., and reported in Impact magazine (July 15, 1985), bolsters the view that alcohol taxes do not hit low-income persons hardest. Households with income under \$15,000 (with a 25.4% income share) consumed only 10.6% of all wine and 20.8% of malt beverages. In contrast, households with income of \$35,000 and over, with a 26.4% income share, consumed 41.3% of all wine and 25.2% of malt beverages. According to the NFO study, households with income less than \$25,000, with a 50.3% income share, consumed 26.5% of all wine and 46.8% of malt beverages. Households with incomes of \$30,000 and over, with a 35.6% income share, consumed 57.8% of all wine and 37.6% of malt beverages.

Recent polls demonstrate that a large majority of the American public supports higher taxes on alcoholic beverages. An August, 1984 Roper survey for the Christopher D. Smthers Foundation found that 77% of leadership persons surveyed (corporate executives, federal legislators and state governors, religious leaders, educators, physicians, and the military command) approve of doubling the tax on alcoholic beverages to combat alcoholism. Some 66% of the general public also support doubling the tax.

Perhaps more significantly, some 80 prominent economists, including 3 Nobel laureates, recently joined in a petition to Congress urging that taxes on alcoholic beverages be raised substantially, both to improve the public health and reduce budget deficits. These economists specifically called for the elimination of differential tax treatment for beer, wine, and liquor.

The time has come for Congress to get in step with the public and sound economic policy. Thirty-five years of inaction on alcohol excise taxes must be remedied. For starters, raise beer and wine taxes now.

ATTACHMENTS

**NATIONAL ALCOHOL TAX COALITION
STATEMENT ON ALCOHOL EXCISE TAXES**

The National Alcohol Tax Coalition is comprised of diverse national, state, and local groups that support a substantial increase in federal excise taxes on alcoholic beverages. Increased taxes will serve two purposes: they will help reduce the enormous cost of health and social problems related to alcohol abuse by discouraging excessive alcohol consumption and they will enrich the U.S. Treasury by billions of dollars. This extra revenue will lessen the deficit-driven need to further decimate vital domestic social programs. In addition, new revenues can help expand funding for alcohol abuse prevention, treatment, and research, as well as provide increased stability for public health care programs such as Medicare.

The economic costs of alcoholism and problems related to alcohol abuse are staggering. According to government-sponsored studies and reports, alcohol-related problems cost society approximately \$120 billion and 100,000 - 200,000 deaths each year, plus untold amounts of human grief and suffering. The catastrophic damage linked to drinking includes:

- 53% of all traffic fatalities;
- as many as 60% of child and spouse abuse cases;
- industrial and recreation accidents;
- over 50% of violent crimes, suicides, fatal fires, and drownings;
- birth defects, spontaneous abortions, and liver damage;
- rising incidence of teenage drinking; and
- alcohol dependence for nearly 13 million Americans.

Until Congress recently authorized an increase in taxes on distilled spirits, federal alcohol excise taxes had not been raised in thirty-four years; the rates for beer and wine still remain at their 1951 levels. The failure to raise federal excise tax rates has resulted in a steady decrease in the tax rate and tax revenues in terms of real dollars. A failure to index federal excise taxes to inflation has resulted in a loss of billions of dollars of revenue. While Congress scrambles to find ways to lessen the burgeoning budget deficit, the possibility of additional alcohol tax hikes remains a viable — and increasingly inviting — political option.

We urge the President and Congress to join the majority of Americans who recognize alcohol abuse as a major national problem and who support higher federal alcohol taxes on alcohol beverages as a means of improving our nation's social and economic health. As a part, we offer the following suggestions: restore the tax on hard liquor to its 1974 level, raise taxes on beer and wine so that these beverages are taxed at the same rate per unit of alcohol as liquor, and to prevent these taxes — and prices — from being eroded by inflation, adjust alcohol taxes annually for increased inflation and disposable income. Ideally, a portion of these revenues should be allocated to help reduce alcohol problems and expand access to health care services. These measures might be implemented on an incremental basis to avoid sudden economic dislocation and consumer resentment.

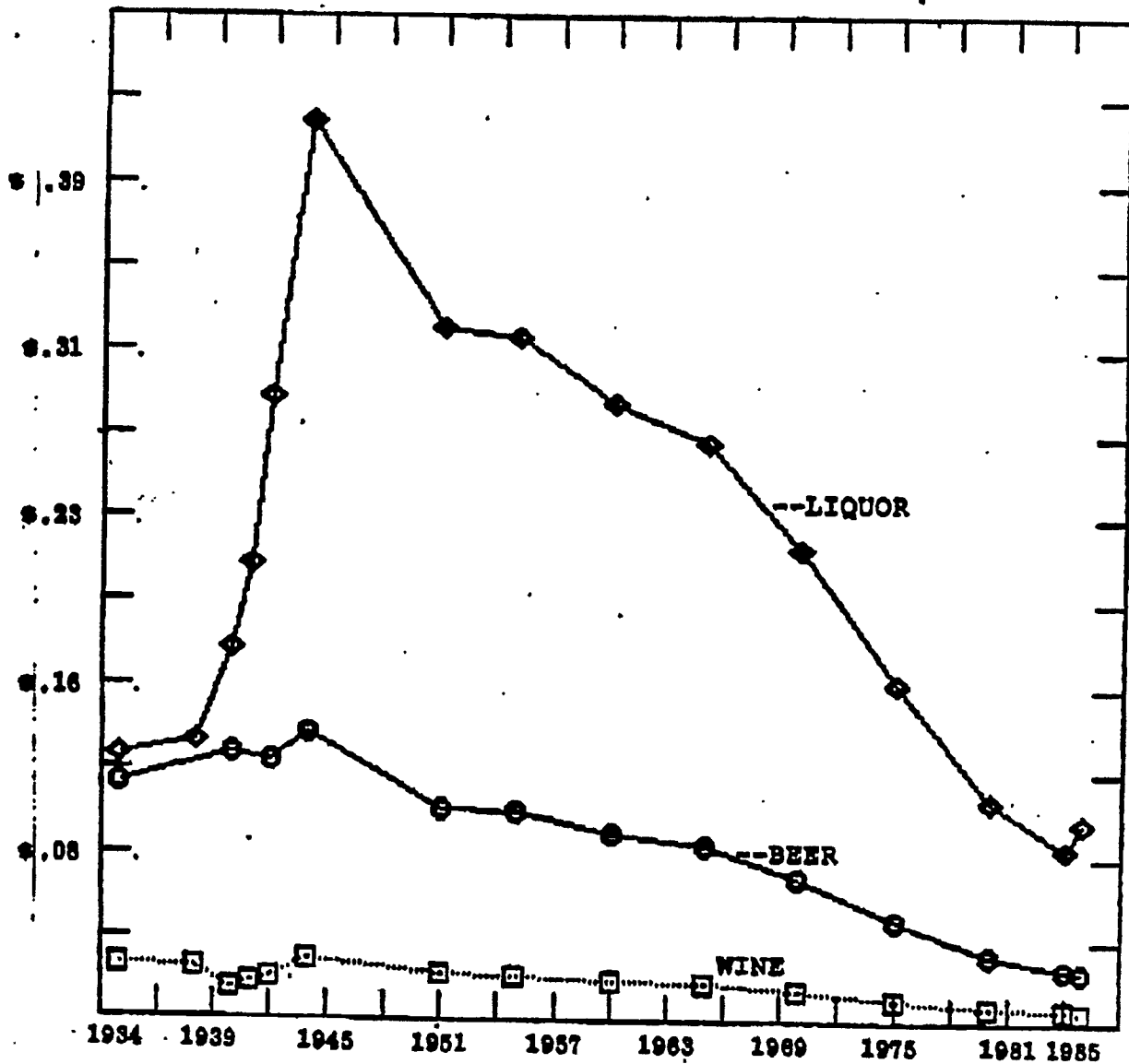
Increasing alcohol taxes alone will not independently solve America's alcohol problems or budget deficits, but we believe that this measure is one important step in that direction.

**NATIONAL ALCOHOL TAX COALITION
NATIONAL SUPPORTERS**

Adventist Health Network
American Association of Retired Persons
American College of Preventive Medicine
American Council for Drug Education
American Council on Alcohol Problems, Inc.
American Licensed Practical Nurses Association
American Medical Students Association
American Youth Work Center
Association of Schools of Public Health
Center for Science in the Public Interest
Children's Defense Fund
The Children's Foundation
Citizens for Highway Safety
Consumer Affairs Committee of Americans for Democratic
Action
Doctors Ought to Care
National Association for Public Health Policy - Council
on Alcohol Policy
National Association of Alcoholism & Drug Abuse Counselors
National Association of Private Psychiatric Hospitals
National Center for Drunk Driving Control
National Council on Alcoholism
National Council on the Aging, Inc.
National Drivers Association for the Prevention of
Traffic Accidents, Inc.
National Women's Christian Temperance Union
National Women's Health Network
Public Citizen
Remove Intoxicated Drivers

- Until a 19% increase in liquor taxes (not on beer and wine) effective October 1, 1985, federal excises on alcoholic beverages had not been increased since 1951.
- Beer and wine taxes are less than one-fourth of what they were at the repeal of Prohibition; the tax on liquor is about 25% less (figures expressed in constant dollars).
- Taxes on alcohol provided over 5% of federal domestic revenues in 1951. By 1984, the percentage dropped to 0.8%. Alcohol revenues were \$5.4 billion in 1984.
- Due to inflation since 1951, the real dollar value of tax revenues on alcoholic beverages declined by 75%. Inflation during this period cost the Treasury between \$40 and \$75 billion in lost revenues.
- The current tax on a 12-ounce can of beer is 2.7 cents; on a glass of wine, about 0.5 cent; and on a shot of 80-proof liquor, 10 cents. The alcohol in liquor is taxed at about 4 times the rate of alcohol in beer, and about 17 times the alcohol in table wine.
- Government reports estimate the annual toll from alcohol abuse at between 100,000 and 200,000 deaths and \$120 billion in economic damage.
- Higher alcohol taxes will reduce drinking by young people and heavy drinkers, and will reduce alcohol-abuser problems like fatal auto crashes and cirrhosis of the liver, according to economists at Duke University and the National Bureau of Economic Research.
- Doubling liquor taxes and then equalizing the rate of tax on alcohol in liquor, beer, and wine, as proposed by the National Alcohol Tax Coalition would:
 - a) increase the tax on individual drinks of beer and wine by about 20 cents and on liquor, by about 10 cents; and
 - b) provide approximately \$12 billion in additional federal revenues, decrease alcohol consumption by about 14 percent, and reduce the annual economic costs of alcohol by up to \$16 billion.
- The thirty-six percent of American adults who do not drink would pay no additional taxes; another third would pay less than 50 cents per week more.
- The \$12 billion in additional revenues is more than the total taxes paid by the 23 million taxpayers whose adjusted gross incomes were under \$12,000 in 1983.
- Twelve billion dollars would pay the combined annual costs of the National Institute on Alcohol Abuse and Alcoholism, the Administration on Aging, the juvenile justice and child abuse state grant programs, and the federal food stamp program.

TAX PER TYPICAL DRINK (1/3 OZ. ETHANOL) (1964\$)



YEAR
RELATIVE TAXES ON BEER, WINE LIQUOR (1934 - 1985)

ARE ALCOHOL EXCISE TAXES REALLY THAT REGRESSIVE?

Although an excise tax is regressive in nature, and falls most heavily upon those with the least ability to pay, several features of the alcohol excise tax minimize the negative impact on low-income people:

- Alcohol is a luxury, discretionary item, not a necessity. Increasing taxes on alcohol is fairer than increasing taxes on gasoline or on phone service. It is certainly more equitable than decreasing taxes primarily for upper income people (as was done in 1981).
- One-third of the population abstains; one-third drinks, on the average, little more than a drink per week. Low-income persons have the highest rate of abstinence, principally because the elderly, 25% of whom live in or near poverty, have the lowest drinking rate of any adult age group.
- Twenty per cent (20%) of the drinkers consume 70% of the alcohol. Therefore, heavy users would rightfully pay most of the tax, a portion of which would be used for programs to combat alcohol abuse.
- Upper-income households spend over twice as much on alcohol as lower-income households. A 1977 USDA Survey reported alcohol expenditures of \$2.82 per week for households with over \$20,000 income and spending of \$.76 and \$.89, respectively, for households with incomes under \$5,000 and between \$5,000 and \$9,999. Well-to-do households will pay substantially more in taxes than the poor and help support programs to reduce the harm caused by alcoholism and alcohol abuse.
- Expenditures for alcohol represent only a small fraction of any income group's total consumption expenditures, around 2% for the tenth of the population with the lowest income.
- Dedication of funds for public alcohol abuse prevention and treatment programs would benefit the poor. Also, the availability of funds to offset budget deficits would save otherwise vulnerable public programs which provide vital services or assistance to low-income persons. These benefits outweigh the minimal additional cost to most low-income consumers.
- Doubling the excise tax would add about 3¢ to the price of a can of beer or a bottle of table wine. A consumer of a six-pack of beer a week would pay less than a quarter more. An across-the-board doubling of taxes would generate as much as \$5.7 billion in additional revenues.
- A majority of Americans support a rise in the federal excise tax on alcoholic beverages. In a 1981 AP poll, 55% of those polled said that federal excise taxes should be raised, while 41% said they should not. Of those who favored a tax increase, 11% said taxes should be increased to raise revenue; 9% to discourage drinking; and 35% favored both.

**ECONOMISTS' PETITION TO INCREASE
FEDERAL ALCOHOL EXCISE TAXES**

We, the undersigned economists, believe that the public health costs and other external costs associated with the consumption of alcoholic beverages are so significant as to justify substantial excise taxes on those beverages. In light of the fact that, in real terms, existing taxes have declined dramatically in the past thirty years and those on wine and beer were not increased even in nominal terms between 1981 and 1985, existing tax rates should be increased.

Further, we see no justification for the differential between the excise tax, per unit of alcoholic content, on beer and wine, on the one hand, and hard liquor on the other. Indeed, in light of the fact that beer is the standard introduction to alcohol for youth, favored tax treatment for it appears to be socially highly undesirable.

Finally, an increase in the excise tax 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 NATIONAL ALCOHOL TAX COALITION to increase federal excise taxes on alcoholic beverages and eliminate or modify the differential tax treatment between beer, wine, and liquor.

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** Nobel laureate

**IMPACT OF ALCOHOL EXCISE TAX
INCREASES ON FEDERAL REVENUES,
ALCOHOL CONSUMPTION, AND ALCOHOL PROBLEMS**

by

**National Alcohol Tax Coalition
1801 18th St. NW
Washington, DC 20036
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September 18, 1985

SUMMARY

Federal excise taxes on alcoholic beverages have not been increased since 1951. Consequently, the taxes (adjusted for inflation) are lower than they have ever been since the end of Prohibition. The low tax rates have contributed to declining relative prices, and hence increased consumption and increased alcohol problems. Had excise taxes been adjusted regularly for inflation, the federal government would have received several tens of billions of additional tax dollars between 1952 and 1984.

Raising excise taxes would reduce both budget deficits and alcohol problems. Tax increases would likely have an especially great effect on reducing alcohol consumption by youths.

A model was developed to estimate the effects of various tax increases. Of the five different plans considered, a doubling of the excise tax, which would still not bring the taxes up to pre-inflation levels, was found to have the least effect on revenues, sales, and problems: \$4.3 billion in new revenue per year and a 5.2 percent decline in alcohol consumption. The reduced drinking would reduce alcohol problems by about \$6 billion annually. The greatest impact would come from raising the tax on liquor to make up for inflation since 1951 and then raising the relatively low taxes on beer and wine to equal the rate per unit of alcohol in hard liquor. This adjustment would yield \$20.5 billion in net revenue and result in a 30.2 percent decrease in consumption and a decrease in alcohol problems estimated to save about \$35 billion.

After considering historical tax rates and the effects of tax increases, several recommendations are made. First, the tax on hard liquor should be doubled, returning it to its 1972 level (adjusting for inflation). Then the taxes on beer and wine should be raised so that these beverages are taxed at the same rate per unit of alcohol as liquor. To prevent these taxes -- and prices -- from being eroded by future inflation, alcohol taxes should be adjusted annually to keep pace with disposable income and inflation. These adjustments would generate approximately \$12 billion annually in new revenues and reduce alcohol consumption by 14 percent. The decline in drinking would reduce direct and indirect costs of alcohol problems by about \$16.4 billion. Using different assumptions about the relative elasticity of demand for alcoholic beverages, the increased tax revenues would vary between \$8.4 billion and \$13.7 billion; decline in consumption, 3.2 to 32 percent; reduction in alcohol problems, \$4 billion to \$38 billion. Finally, portions of the revenue should be earmarked for alcohol education and treatment programs, training programs for dislocated workers, and aid to states.

NOTE: FULL COPIES OF THE REPORT ARE AVAILABLE FROM CENTER FOR SCIENCE IN THE PUBLIC INTEREST, \$3.00 PER COPY.

Wage and Tax Statement

THE TAX PICTURE

TOWARD TOTAL TAX REFORM—FEDERAL AND STATE

Tax reform has become a key issue in the current session of Congress. So many proposals are being discussed in the nation's capital, it is difficult to understand which means what.

Most proposals now under consideration are modified versions of the current progressive income tax code. First enacted in 1913, it is still based on the principle that wealthier people should pay a greater share of their income in taxes.

State governments should be closely following the debate over tax reform on Capitol Hill. The inequities found within the federal income tax system are typically reproduced in the state income tax formulas. Likewise, the inequities and inefficiencies of federal excise taxes are repeated at the state level when legislators choose to rely on selected excises and sales taxes to raise general revenues.

The inequity arises because



Taxes on certain consumer goods unfairly penalize the majority of taxpayers, many agree.

the burden of these taxes falls disproportionately on the working class population. In addition, such taxes are inefficient, artificially raising the price and hence, reducing the consumption and output of the taxed product. It isn't long before depressed demand leads to employment and income losses.

The time is ripe for excise tax reform—federal *and* state. Ripe for federal and state governments to stop relying on taxes on specific goods to raise general revenues.

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*Fred -
let Savarese, et al
see
⊙*

April 17, 1986

TO: Fred Panzer
FROM: Paul Johnson
RE: Packwood Tax Plan

Attached is testimony of the Center for Science in the Public Interest prepared for the Senate Finance Committee's Monday hearing. Although the testimony targets alcohol products, particularly beer and wine, it provides some excellent insights into our opponents tactics for dealing with the regressivity issue.

Please call if you have questions.

cc: *Peter Sparber*
Rick Sullivan
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TESTIMONY

HEARING ON EXCISE TAXES

COMMITTEE ON FINANCE

UNITED STATES SENATE

MICHAEL F. JACOBSON, Ph.D.

Executive Director

Center for Science in the Public Interest

1301 16th Street, N.W.

Washington, D.C. 20036

APRIL 21, 1986

**SUMMARY OF MAJOR POINTS
TESTIMONY OF MICHAEL F. JACOBSON, PH.D.
CENTER FOR SCIENCE IN THE PUBLIC INTEREST**

1. Alcohol abuse is a major public health, safety, and social problem in America. The economic costs of alcohol abuse total nearly \$120 billion per year. Similarly, budget deficits of historic high levels threaten the economic vitality of the nation. Substantial increases in taxes on alcoholic beverages would help alleviate both these pressing problems.
2. Federal taxes on alcoholic beverages are at their lowest levels since Prohibition, accounting for inflation. Tax rates and tax revenues have failed to keep up with inflation, and as a result, relative alcohol prices are down, consumption of alcohol and alcohol problems are up, and the treasury is billions of dollars poorer. Higher alcohol taxes are needed to reverse these unhealthy trends.
3. No sound justification exists for the current preferential tax treatment accorded beer and wine in contrast to hard liquor. At a minimum, tax rates on alcohol in all three beverages should be equalized at the hard liquor rate. Additionally, tax rates should be increased substantially, and in the future, be indexed for inflation. Equalizing tax rates would yield \$4.7 billion in new revenue. An additional doubling would net \$11.8 billion per year.
4. Higher taxes on alcoholic beverages will not discriminate against low-income consumers. Taxes on alcohol are paid predominantly by a relatively small percentage of drinkers who consume most of the alcohol. Upper income consumers drink considerably more than those with low incomes.
5. New revenues from higher alcohol taxes should be used to offset budget deficits and insure the survival of vital domestic health and social programs, particularly those that help counter alcohol problems.
6. The American public and dozens of prominent economists strongly support increasing taxes on alcoholic beverages to help combat alcohol problems and offset some of the external costs associated with the consumption of alcoholic beverages.

My name is Michael Jacobson. I am executive director of the Center for Science in the Public Interest (CSPI). The Center is a non-profit organization that advocates improved health and nutrition policies and healthy living practices. Currently, CSPI has over 70,000 members throughout the United States.

The Center coordinates the National Alcohol Tax Coalition (NATC), a group of some 30 national and 70 state and local organizations that is urging Congress to raise excise taxes on alcoholic beverages. This coalition, which includes such diverse groups as the American Association of Retired Persons, National Council on Alcoholism, Remove Intoxicated Drivers, and the National Association of Private Psychiatric Hospitals, specifically supports a position statement (a copy of which is attached) calling for the doubling of current excise tax rates on beer, wine, and hard liquor, and the equalization of tax rates, at the liquor rate, on the alcohol in those three beverages. On that point, my testimony today represents the views of NATC member groups as well as those of Center for Science in the Public Interest. A list of supporters of the Coalition's position on alcohol excise tax increases is attached to this testimony.

The social and economic costs of alcohol abuse in the United States are devastating. Government estimates put the yearly toll at between 100,000 and 200,000 lives lost and about \$120 billion in economic harm. These statistics, however, don't begin to describe the widespread pain, suffering, and anguish that result from excessive drinking in America. While the tragedies of drunk driving are well-known, alcohol is also related to half or more of all drownings, child and wife abuse, rapes, and homicides. Alcohol affects practically every organ in the body and, in sufficient quantity, causes brain damage, liver cirrhosis, birth defects, heart disease, and cancers of the liver, mouth, throat, esophagus, and larynx. The harm alcohol causes in the form of broken families, ruined careers, and school failure is incalculable. The dollar costs include health care costs, reduced productivity, and social welfare programs, among other factors. It is no wonder that alcohol abuse is considered by

many experts to be the number one drug problem in America.

At the same time, this nation is faced with staggering budget deficits which threaten our economic vitality. Gramm-Rudman deficit-reduction targets put the survival of important health care and social programs in jeopardy. This committee has an historic opportunity to address both of these problems simultaneously, and in so doing improve the economic and physical health of our nation.

Federal excise taxes on beer and wine were last increased in 1951. Taxes on liquor rose 19% last October, but still lag well beyond inflation since their previous increase during the Korean War. Adjusted for inflation, these taxes are lower than they have ever been since the end of Prohibition. Low tax rates have contributed to the declining relative price of alcoholic beverages, increased consumption, and increased alcohol problems. The failure of alcohol excise taxes to keep up with inflation has been a windfall for the alcoholic beverage industry. For the public health, it has been a disaster. For the U.S. Treasury, it has meant the loss of about \$75 billion in additional revenue between 1952 and the present. Now is the time for major increases in alcohol excise taxes and major changes in the way beer, wine and liquor are taxed.

The proposal before this Committee calls, in part, for an increase in the tax on wine to the level at which alcohol in beer is taxed. We support equitable tax treatment for all alcoholic beverages. We believe that the Committee should extend this equalization concept to increase the taxes on both beer and wine to the level at which alcohol in liquor is taxed. There is no sound rationale for the continued preferential tax treatment of beer and wine. Low taxes on these beverages -- less than 3 cents a 12-oz can of beer, and less than 3 cents for a bottle of wine -- perpetuate the dangerous myth that beer and wine are somehow innocuous "beverages of moderation".

Today, the alcohol in liquor is taxed at about 4 times the rate of alcohol in beer and 17 times the rate of alcohol in wine. From both a public health and revenue

perspective, this approach makes no sense at all. Let's face it, alcohol is alcohol is alcohol. In whatever form, it can be addictive and its abuse dangerous and life-threatening. Liquor may be the most concentrated form of alcohol, but for teenagers, who are at high risk of auto accidents and other violent episodes, beer is the favored beverage. Beer is the choice of most drivers who end up in fatal auto accidents. Low-income alcoholics choose fortified wine, the cheapest source of alcohol, and suffer as a result.

Economists at the National Bureau of Economic Research recently presented evidence that increases in beer taxes would be extremely effective in reducing auto accident fatalities among teenagers and young adults. Equalizing the rate of tax on beer to the rate of tax on alcohol in hard liquor would reduce accident deaths for 18-20 year-old males by 20%. Thousands of lives would be saved, on top of those being saved by increases in state drinking ages.

Taxing the alcohol in beer and wine at the hard liquor rate would yield significant new revenues and other beneficial results. Based on an econometric model developed by the National Alcohol Tax Coalition, we estimate that net revenues would increase by approximately \$4.7 billion annually. On top of that, we estimate that alcohol consumption would drop by nearly 5%, and the economic costs to society saved due to reduced levels of alcohol problems would amount to almost \$6 billion. The Tax Coalition's full proposal calls for doubling tax rates that have been equalized at the liquor rate. Such action would yield \$12 billion in additional net revenue and reduce the costs of alcohol abuse by about \$16 billion.

Federal excise taxes on beer and wine have been so low for so long, it is high time for substantial increases to bring these products out of the soft-drink price range. In order to avoid unnecessary economic dislocation and consumer resentment, these tax hikes could be implemented gradually, over a period of three or four years.

In addition to raising tax rates on wine and beer to equal the rate of tax on

alcohol in hard liquor, taxes on all alcoholic beverages should either be indexed to inflation or set at an ad valorem rate (percentage of price at the producer level). Such a change, which is akin to a proposal before this Committee, would ensure that the relative price of alcoholic beverages in our economy remains stable, and would guarantee that the U.S. Treasury never again is robbed of billions in revenue because alcohol taxes were stuck at fixed levels during a time of high inflation.

This Committee has heard much about the regressive effect of excise taxes -- that taxes on alcoholic beverages would hurt low-income consumers most. Although low-income consumers pay a higher proportion of their disposable income than would a wealthy person for the same product, several factors distinguish taxes on alcoholic beverages from other excises, such as on gasoline or telephone service, and minimize any possible discriminatory effect on the poor.

First, alcoholic beverages are relative luxuries, discretionary items, not essentials like telephone service and transportation. Second, higher taxes on alcohol would hardly be felt by about two-thirds of the adult population. Thirty-six percent abstain and another third consume less than two drinks per week.

Among drinkers, upper-income households spend over twice as much on alcoholic beverages as lower-income households. Lower-income persons, about 25% of whom are elderly persons who consume the least alcohol of any adult cohort, spend only a small fraction -- around 2% -- of total consumption expenditures on alcohol.

A look at industry marketing data on alcoholic beverages, compiled by the Simmons Market Research Bureau, and reported in Impact magazine (September 1, 1985), is instructive in determining the alleged regressive impact of increases in excise taxes on alcohol. For the highest category of household income (\$50,000 and over), 49.4% report consumption of beer and 64.3% report drinking wine. On the low end of the scale, only 30.2% of households under \$10,000 income report drinking beer, and only 28.6% report drinking wine. Even for

households with income between \$20,000 and \$24,999, only 45.6% report drinking beer and 44.3% report drinking wine.

Therefore, excise taxes on beer and wine, and any increases, will be paid predominantly by those outside of the lowest income brackets.*

Furthermore, according to the National Institute on Alcohol Abuse and Alcoholism, roughly 20% of drinkers consume 70% of all alcohol. Higher taxes -- and prices -- on alcoholic beverages would discourage excessive drinking among many in this relatively small fraction of all adults. Additionally, those who continued to drink heavily would be required to contribute more equitably to offset the costs of alcohol abuse to society.

Higher taxes on alcoholic beverages -- particularly equalization of tax rates on beer, wine and hard liquor -- can generate substantial new revenues, reduce alcohol problems and costs, and help educate Americans about the proper role of alcohol in our society. These new revenues should provide a source of funds to insure that vital domestic health care and social programs -- many of which are involved in either preventing, researching, or treating alcohol problems -- are not sacrificed on the cross of the Gramm-Rudman deficit reduction act. Higher alcohol taxes should be used to assure that proposed tax legislation results in increased revenue capable of offsetting budget deficits.

The health of America demands that Congressional budget and tax action preserve and strengthen programs to promote health and combat alcohol abuse and alcoholism. The Public Health Service's National Institute on Alcohol Abuse and Alcoholism should be singled out to receive adequate funding and support.

* Another study, conducted by National Family Opinion (NFO), Inc., and reported in Impact magazine (July 15, 1985), bolsters the view that alcohol taxes do not hit low-income persons hardest. Households with income under \$15,000 (with a 25.4% income share) consumed only 10.6% of all wine and 20.8% of malt beverages. In contrast, households with income of \$35,000 and over, with a 26.4% income share, consumed 41.3% of all wine and 25.2% of malt beverages. According to the NFO study, households with income less than \$25,000, with a 50.3% income share, consumed 26.5% of all wine and 46.8% of malt beverages. Households with incomes of \$30,000 and over, with a 35.6% income share, consumed 57.8% of all wine and 37.6% of malt beverages.

Recent polls demonstrate that a large majority of the American public supports higher taxes on alcoholic beverages. An August, 1984 Roper survey for the Christopher D. Smathers Foundation found that 77% of leadership persons surveyed (corporate executives, federal legislators and state governors, religious leaders, educators, physicians, and the military command) approve of doubling the tax on alcoholic beverages to combat alcoholism. Some 66% of the general public also support doubling the tax.

Perhaps more significantly, some 80 prominent economists, including 3 Nobel laureates, recently joined in a petition to Congress urging that taxes on alcoholic beverages be raised substantially, both to improve the public health and reduce budget deficits. These economists specifically called for the elimination of differential tax treatment for beer, wine, and liquor.

The time has come for Congress to get in step with the public and sound economic policy. Thirty-five years of inaction on alcohol excise taxes must be remedied. For starters, raise beer and wine taxes now.

ATTACHMENTS

**NATIONAL ALCOHOL TAX COALITION
STATEMENT ON ALCOHOL EXCISE TAXES**

The National Alcohol Tax Coalition is comprised of diverse national, state, and local groups that support a substantial increase in federal excise taxes on alcoholic beverages. Increased taxes will serve two purposes: they will help reduce the enormous cost of health and social problems related to alcohol abuse by discouraging excessive alcohol consumption and they will enrich the U.S. Treasury by billions of dollars. This extra revenue will lessen the deficit-driven need to further decimate vital domestic social programs. In addition, new revenues can help expand funding for alcohol abuse prevention, treatment, and research, as well as provide increased stability for public health care programs such as Medicare.

The economic costs of alcoholism and problems related to alcohol abuse are staggering. According to government-sponsored studies and reports, alcohol-related problems cost society approximately \$120 billion and 100,000 - 200,000 deaths each year, plus untold amounts of human grief and suffering. The catastrophic damage linked to drinking includes:

- 53% of all traffic fatalities;
- as many as 60% of child and spouse abuse cases;
- industrial and recreation accidents;
- over 50% of violent crimes, suicides, fatal fires, and drownings;
- birth defects, spontaneous abortions, and liver damage;
- rising incidence of teenage drinking; and
- alcohol dependence for nearly 13 million Americans.

Until Congress recently authorized an increase in taxes on distilled spirits, federal alcohol excise taxes had not been raised in thirty-four years; the rates for beer and wine still remain at their 1951 levels. The failure to raise federal excise tax rates has resulted in a steady decrease in the tax rate and tax revenues in terms of real dollars. A failure to index federal excise taxes to inflation has resulted in a loss of billions of dollars of revenue. While Congress scrambles to find ways to lessen the burgeoning budget deficit, the possibility of additional alcohol tax hikes remains a viable — and increasingly inviting — political option.

We urge the President and Congress to join the majority of Americans who recognize alcohol abuse as a major national problem and who support higher federal alcohol taxes on alcohol beverages as a means of improving our nation's social and economic health. As a part, we offer the following suggestions: restore the tax on hard liquor to its 1974 level, raise taxes on beer and wine so that these beverages are taxed at the same rate per unit of alcohol as liquor, and to prevent these taxes — and prices — from being eroded by inflation, adjust alcohol taxes annually for increased inflation and disposable income. Ideally, a portion of these revenues should be allocated to help reduce alcohol problems and expand access to health care services. These measures might be implemented on an incremental basis to avoid sudden economic dislocation and consumer resentment.

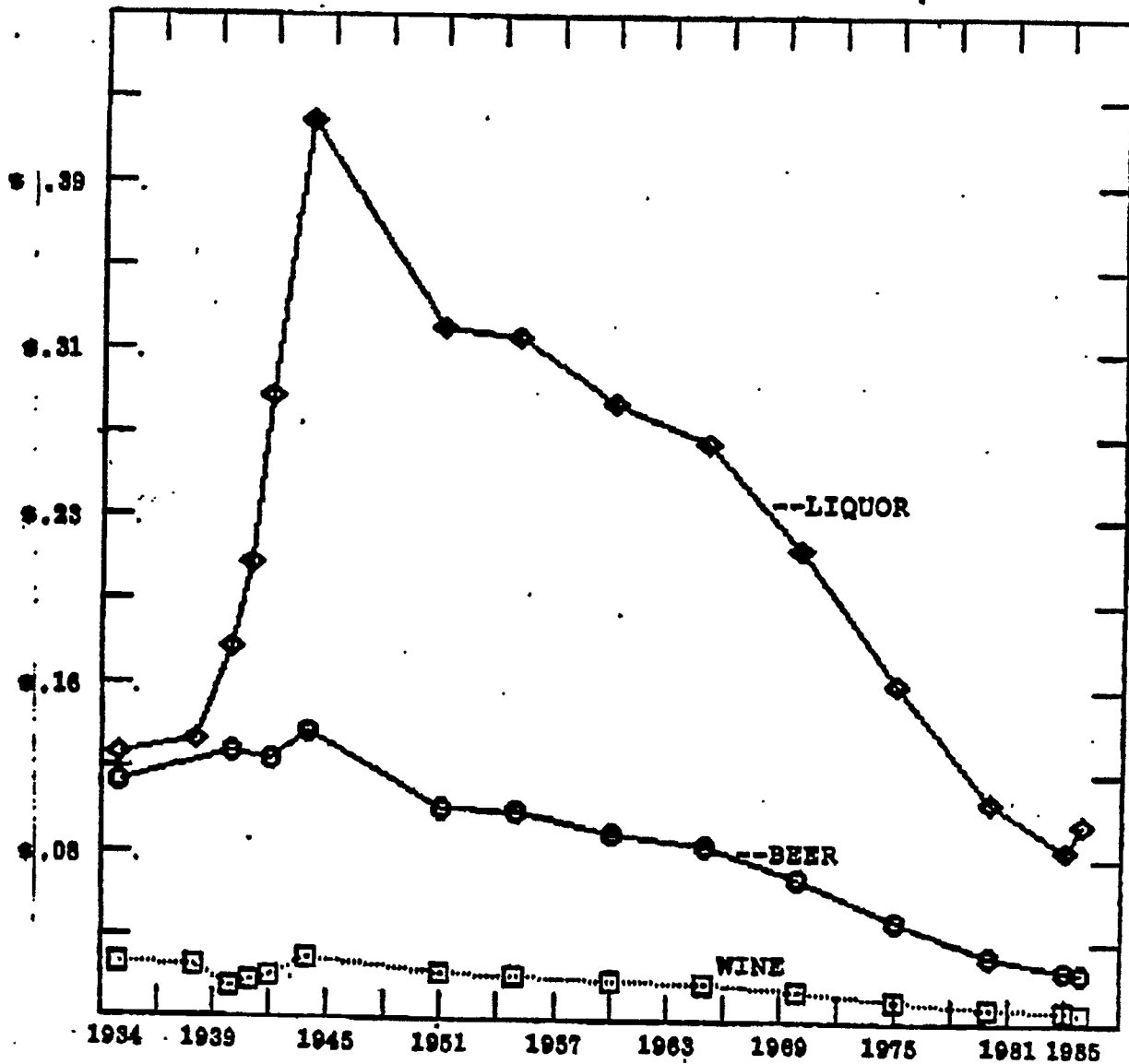
Increasing alcohol taxes alone will not independently solve America's alcohol problems or budget deficits, but we believe that this measure is one important step in that direction.

**NATIONAL ALCOHOL TAX COALITION
NATIONAL SUPPORTERS**

Adventist Health Network
American Association of Retired Persons
American College of Preventive Medicine
American Council for Drug Education
American Council on Alcohol Problems, Inc.
American Licensed Practical Nurses Association
American Medical Students Association
American Youth Work Center
Association of Schools of Public Health
Center for Science in the Public Interest
Children's Defense Fund
The Children's Foundation
Citizens for Highway Safety
Consumer Affairs Committee of Americans for Democratic
Action
Doctors Ought to Care
National Association for Public Health Policy - Council
on Alcohol Policy
National Association of Alcoholism & Drug Abuse Counselors
National Association of Private Psychiatric Hospitals
National Center for Drunk Driving Control
National Council on Alcoholism
National Council on the Aging, Inc.
National Drivers Association for the Prevention of
Traffic Accidents, Inc.
National Women's Christian Temperance Union
National Women's Health Network
Public Citizen
Remove Intoxicated Drivers

- Until a 19% increase in liquor taxes (not on beer and wine) effective October 1, 1985, federal excises on alcoholic beverages had not been increased since 1951.
- Beer and wine taxes are less than one-fourth of what they were at the repeal of Prohibition; the tax on liquor is about 25% less (figures expressed in constant dollars).
- Taxes on alcohol provided over 5% of federal domestic revenues in 1951. By 1984, the percentage dropped to 0.8%. Alcohol revenues were \$5.4 billion in 1984.
- Due to inflation since 1951, the real dollar value of tax revenues on alcoholic beverages declined by 75%. Inflation during this period cost the Treasury between \$40 and \$75 billion in lost revenues.
- The current tax on a 12-ounce can of beer is 2.7 cents; on a glass of wine, about 0.5 cent; and on a shot of 80-proof liquor, 10 cents. The alcohol in liquor is taxed at about 4 times the rate of alcohol in beer, and about 17 times the alcohol in table wine.
- Government reports estimate the annual toll from alcohol abuse at between 100,000 and 200,000 deaths and \$120 billion in economic damage.
- Higher alcohol taxes will reduce drinking by young people and heavy drinkers, and will reduce alcohol-abuser problems like fatal auto crashes and cirrhosis of the liver, according to economists at Duke University and the National Bureau of Economic Research.
- Doubling liquor taxes and then equalizing the rate of tax on alcohol in liquor, beer, and wine, as proposed by the National Alcohol Tax Coalition would:
 - a) increase the tax on individual drinks of beer and wine by about 20 cents and on liquor, by about 10 cents; and
 - b) provide approximately \$12 billion in additional federal revenues, decrease alcohol consumption by about 14 percent, and reduce the annual economic costs of alcohol by up to \$16 billion.
- The thirty-six percent of American adults who do not drink would pay no additional taxes; another third would pay less than 50 cents per week more.
- The \$12 billion in additional revenues is more than the total taxes paid by the 23 million taxpayers whose adjusted gross incomes were under \$12,000 in 1983.
- Twelve billion dollars would pay the combined annual costs of the National Institute on Alcohol Abuse and Alcoholism, the Administration on Aging, the juvenile justice and child abuse state grant programs, and the federal food stamp program.

TAX PER TYPICAL DRINK (1/3 OZ. ETHANOL) (1964\$)



YEAR
RELATIVE TAXES ON BEER, WINE LIQUOR (1934 - 1985)

ARE ALCOHOL EXCISE TAXES REALLY THAT REGRESSIVE?

Although an excise tax is regressive in nature, and falls most heavily upon those with the least ability to pay, several features of the alcohol excise tax minimize the negative impact on low-income people:

- Alcohol is a luxury, discretionary item, not a necessity. Increasing taxes on alcohol is fairer than increasing taxes on gasoline or on phone service. It is certainly more equitable than decreasing taxes primarily for upper income people (as was done in 1981).
- One-third of the population abstains; one-third drinks, on the average, little more than a drink per week. Low-income persons have the highest rate of abstinence, principally because the elderly, 25% of whom live in or near poverty, have the lowest drinking rate of any adult age group.
- Twenty per cent (20%) of the drinkers consume 70% of the alcohol. Therefore, heavy users would rightfully pay most of the tax, a portion of which would be used for programs to combat alcohol abuse.
- Upper-income households spend over twice as much on alcohol as lower-income households. A 1977 USDA Survey reported alcohol expenditures of \$2.82 per week for households with over \$20,000 income and spending of \$.76 and \$.89, respectively, for households with incomes under \$5,000 and between \$5,000 and \$9,999. Well-to-do households will pay substantially more in taxes than the poor and help support programs to reduce the harm caused by alcoholism and alcohol abuse.
- Expenditures for alcohol represent only a small fraction of any income group's total consumption expenditures, around 2% for the tenth of the population with the lowest income.
- Dedication of funds for public alcohol abuse prevention and treatment programs would benefit the poor. Also, the availability of funds to offset budget deficits would save otherwise vulnerable public programs which provide vital services or assistance to low-income persons. These benefits outweigh the minimal additional cost to most low-income consumers.
- Doubling the excise tax would add about 3¢ to the price of a can of beer or a bottle of table wine. A consumer of a six-pack of beer a week would pay less than a quarter more. An across-the-board doubling of taxes would generate as much as \$5.7 billion in additional revenues.
- A majority of Americans support a rise in the federal excise tax on alcoholic beverages. In a 1981 AP poll, 55% of those polled said that federal excise taxes should be raised, while 41% said they should not. Of those who favored a tax increase, 11% said taxes should be increased to raise revenue; 9% to discourage drinking; and 35% favored both.

**ECONOMISTS' PETITION TO INCREASE
FEDERAL ALCOHOL EXCISE TAXES**

We, the undersigned economists, believe that the public health costs and other external costs associated with the consumption of alcoholic beverages are so significant as to justify substantial excise taxes on those beverages. In light of the fact that, in real terms, existing taxes have declined dramatically in the past thirty years and those on wine and beer were not increased even in nominal terms between 1981 and 1985, existing tax rates should be increased.

Further, we see no justification for the differential between the excise tax, per unit of alcoholic content, on beer and wine, on the one hand, and hard liquor on the other. Indeed, in light of the fact that beer is the standard introduction to alcohol for youth, favored tax treatment for it appears to be socially highly undesirable.

Finally, an increase in the excise tax 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 NATIONAL ALCOHOL TAX COALITION to increase federal excise taxes on alcoholic beverages and eliminate or modify the differential tax treatment between beer, wine, and liquor.

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** Nobel laureate

**IMPACT OF ALCOHOL EXCISE TAX
INCREASES ON FEDERAL REVENUES,
ALCOHOL CONSUMPTION, AND ALCOHOL PROBLEMS**

by

**National Alcohol Tax Coalition
1801 16th St. NW
Washington, DC 20036
(202) 332-9110**

September 18, 1985

SUMMARY

Federal excise taxes on alcoholic beverages have not been increased since 1951. Consequently, the taxes (adjusted for inflation) are lower than they have ever been since the end of Prohibition. The low tax rates have contributed to declining relative prices, and hence increased consumption and increased alcohol problems. Had excise taxes been adjusted regularly for inflation, the federal government would have received several tens of billions of additional tax dollars between 1952 and 1984.

Raising excise taxes would reduce both budget deficits and alcohol problems. Tax increases would likely have an especially great effect on reducing alcohol consumption by youths.

A model was developed to estimate the effects of various tax increases. Of the five different plans considered, a doubling of the excise tax, which would still not bring the taxes up to pre-inflation levels, was found to have the least effect on revenues, sales, and problems: \$4.3 billion in new revenue per year and a 5.2 percent decline in alcohol consumption. The reduced drinking would reduce alcohol problems by about \$6 billion annually. The greatest impact would come from raising the tax on liquor to make up for inflation since 1951 and then raising the relatively low taxes on beer and wine to equal the rate per unit of alcohol in hard liquor. This adjustment would yield \$20.5 billion in net revenue and result in a 30.2 percent decrease in consumption and a decrease in alcohol problems estimated to save about \$35 billion.

After considering historical tax rates and the effects of tax increases, several recommendations are made. First, the tax on hard liquor should be doubled, returning it to its 1972 level (adjusting for inflation). Then the taxes on beer and wine should be raised so that these beverages are taxed at the same rate per unit of alcohol as liquor. To prevent these taxes -- and prices -- from being eroded by future inflation, alcohol taxes should be adjusted annually to keep pace with disposable income and inflation. These adjustments would generate approximately \$12 billion annually in new revenues and reduce alcohol consumption by 14 percent. The decline in drinking would reduce direct and indirect costs of alcohol problems by about \$16.4 billion. Using different assumptions about the relative elasticity of demand for alcoholic beverages, the increased tax revenues would vary between \$8.4 billion and \$13.7 billion; decline in consumption, 3.2 to 32 percent; reduction in alcohol problems, \$4 billion to \$38 billion. Finally, portions of the revenue should be earmarked for alcohol education and treatment programs, training programs for dislocated workers, and aid to states.

NOTE: FULL COPIES OF THE REPORT ARE AVAILABLE FROM CENTER FOR SCIENCE IN THE PUBLIC INTEREST, \$3.00 PER COPY.

Wage and Tax Statistics 1977
Wage A. Fair Income
Business Service Center

THE TAX PICTURE

TOWARD TOTAL TAX REFORM—FEDERAL AND STATE

Tax reform has become a key issue in the current session of Congress. So many proposals are being discussed in the nation's capital, it is difficult to understand which means what.

Most proposals now under consideration are modified versions of the current progressive income tax code. First enacted in 1913, it is still based on the principle that wealthier people should pay a greater share of their income in taxes.

State governments should be closely following the debate over tax reform on Capitol Hill. The inequities found within the federal income tax system are typically reproduced in the state income tax formulas. Likewise, the inequities and inefficiencies of federal excise taxes are repeated at the state level when legislators choose to rely on selected excises and sales taxes to raise general revenues.

The inequity arises because



Taxes on certain consumer goods unfairly penalize the majority of taxpayers, many agree.

the burden of these taxes falls disproportionately on the working class population. In addition, such taxes are inefficient, artificially raising the price and hence, reducing the consumption and output of the taxed product. It isn't long before depressed demand leads to employment and income losses.

The time is ripe for excise tax reform—federal *and* state. Ripe for federal and state governments to stop relying on taxes on specific goods to raise general revenues.