



# Alcohol Excise Taxes

## Why is there an excise tax on alcohol?

Historically, alcohol excise taxes existed for two reasons; to reduce alcohol consumption and related harms and to raise revenue for public purposes.

## The Erosion of Alcohol Taxes

Alcohol excise taxes in Texas have not been changed since 1984 and are not indexed to inflation. As such, they have lost over half their value and are a poorly performing revenue source for Texas.

Texas Alcohol Excise Tax Rates		
Alcohol Type	Current Tax Rate (value set in 1984)	Tax Rate if Indexed for Inflation in 2013 <sup>2</sup>
Beer	\$0.19/gallon	\$0.43/gallon
Wine (<14% alcohol)	\$0.20/gallon	\$0.45/gallon
Distilled spirits	\$2.40/gallon	\$5.38/gallon

## Texans Support Increasing Alcohol Taxes

- A majority of Texans say increasing alcohol taxes would be their first or second choice to raise additional revenue to cover budget shortfalls, according to the 2010 Texas Lyceum Poll.
- 72.7% of Texas PTA members said they support an increase in alcohol taxes to raise revenue for public education, according to a 2011 Texas PTA poll.<sup>3</sup>

## Alcohol Taxes Generate Revenue and Cut Public Costs

Excise tax funds are a significant source of revenue for governments and an area of opportunity for those facing budget deficits. A state alcohol excise tax increase as small as 30¢ per serving of beer, liquor, and wine would generate \$1.6 billion for Texas.<sup>4</sup>

Alcohol excise taxes are also proven to reduce underage and risky drinking which would ultimately help the state budget as well. Excessive drinking costs each Texan \$695 a year, amounting to a total cost of \$19 billion in 2013.<sup>5</sup>

“A substantial body of research has shown that higher prices or taxes on alcoholic beverages are associated with lower levels of alcohol consumption and alcohol-related problems, especially in young people.”

National Institute on Alcohol Abuse and Alcoholism<sup>1</sup>

Changes in Consumption Given Various Excise Tax Increases			
	Proposed Tax Increase per Drink		
	\$ 0.05	\$ 0.10	\$ 0.30
Reduction in Spirit Consumption	-5.8%	-11.5%	-34.6%
Reduction in Wine Consumption	-3.5%	-7.0%	-21.1%
Reduction in Beer Consumption	-4.2%	-8.4%	-25.2%
<b>Increase in Alcohol Tax Revenue (in millions)</b>	<b>\$ 383.00</b>	<b>\$ 707.99</b>	<b>\$1,568.59</b>

Source: Texas Alcohol Beverage Commission, 2014; Diaz & Chaloupka, 2014

## Alcohol Excise Taxes Reduce Underage Drinking

- Alcohol excise taxes are recognized as an effective way to reduce underage alcohol consumption by the Surgeon General, the National Academy of Sciences, and the National Institute on Alcohol Abuse and Alcoholism.<sup>6</sup>
- When alcohol costs more, youth consume less and drink less often. Youth are more sensitive to small price increases than adults.<sup>7</sup>
- The second most common reason college students report quitting or reducing their alcohol consumption is because drinking was too expensive.<sup>8</sup>

## Alcohol Excise Taxes Improve Health and Public Safety

- Higher excise taxes are associated with fewer motor vehicles crashes and fatalities, less alcohol-impaired driving, fewer deaths from liver-cirrhosis, and fewer deaths overall.<sup>9</sup>
- Higher alcohol prices are negatively associated with college students getting in trouble with the police or college authorities, damaging property, getting into an argument or a fight, and taking advantage of another person sexually or being taken advantage of sexually.<sup>10</sup>

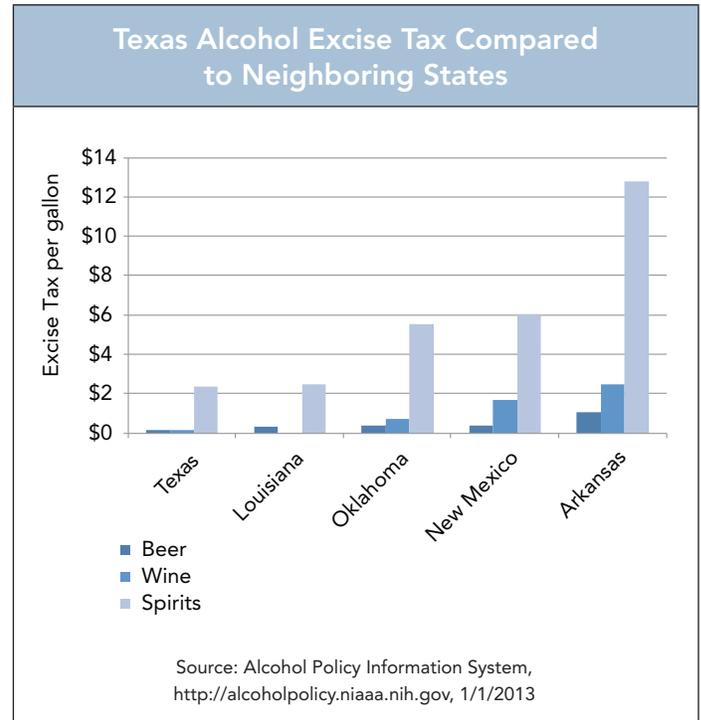
## How Much Excise Tax is Paid Per Drink?

Both state and federal excise tax is included in the price of alcohol. For example, when buying a beer in Texas, consumers pay 1.8 cents of state excise tax and 5 cents of federal excise tax, totaling only 6.8 cents. The amount of state excise tax per drink in Texas is lower than the average across all U.S. states for beer, wine, and distilled spirits.

Alcohol Excise Tax Per Drink			
	Beer (12 oz.)	Wine (5 oz.)	Distilled Spirits (1.5 oz.)
Texas	1.8 ¢	0.8 ¢	2.8 ¢
U.S. State Average	2.6 ¢	3.1 ¢	7.8 ¢
Federal	5.0 ¢	4.0 ¢	12.0 ¢

## Alcohol Excise Taxes are Low in Texas

Compared to neighboring states, Texas has the lowest alcohol excise tax for beer and distilled spirits and the second lowest for wine.



<sup>1</sup> National Institute on Alcohol Abuse and Alcoholism. (2006). Underage drinking: Why do adolescents drink, what are the risks, and how can underage drinking be prevented? *Alcohol Alert*, 67.

<sup>2</sup> Bureau of Labor Statistics. CPI Inflation Calculator. Retrieved February 2014 from [http://www.bls.gov/data/inflation\\_calculator.htm](http://www.bls.gov/data/inflation_calculator.htm)

<sup>3</sup> Texas Parent Teacher Association. (n.d.). Background and talking points on school finance in Texas.

<sup>4</sup> Diaz, M.C., & Chaloupka, F.J. (2014) The Effects of Alcohol Excise Tax Increases in Texas.

<sup>5</sup> Ibid.

<sup>6</sup> Center for Science in the Public Interest. (2008). Alcohol Policies Project Fact Sheet: Why raise alcohol excise taxes to protect underage youth? Retrieved from [www.cspinet.org/new/pdf/why\\_raise\\_alcohol\\_excise\\_taxes.pdf](http://www.cspinet.org/new/pdf/why_raise_alcohol_excise_taxes.pdf)

<sup>7</sup> 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.

<sup>8</sup> Department of State Health Services. (2013). 2013 Texas Survey of Substance Use Among College Students.

<sup>9</sup> Guide to Community Preventive Services. (2012). Preventing excessive alcohol consumption. Retrieved from [www.thecommunityguide.org/alcohol/index.html](http://www.thecommunityguide.org/alcohol/index.html)

<sup>10</sup> Grossman, M., & Markowitz, S. (1999). Alcohol regulation and violence on college campuses. *National Bureau of Economic Research Working Papers*.