

Key Points Regarding The  
*“Brewers Excise and  
Economic Relief Act”*  
*(BEER Act)*



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## Key Points Regarding the Brewers Excise and Economic Relief Act (BEER Act) Legislative Education Packet

On October 2<sup>nd</sup>, 2009 in the National Center on Addiction and Substance Abuse (CASA) at Columbia University printed in its newsletter that, “The beer merchants’ lobby ‘proudly announced’ last week that it had lined up ... 218 members of the US House of Representatives to sponsor legislation to roll back the federal excise tax on beer.”

At this time three reasons are used to support this bill.

- 1) To stimulate the economy.
- 2) The tax on beer is more than other alcohol products and therefore is an unfair tax.
- 3) The tax on beer is a “regressive tax” hurting the lower economic class most.

The purpose of this packet is to provide facts regarding the accuracy of the assertions used to support the bill as well as to indicate how raising alcohol taxes is one of the most effective public health policies available to lower the harm caused by the use of alcohol.

### 1) Stimulating the Economy

According to The Center for Science in the Public Interest (CSPI), alcohol consumption “is the third leading cause of early mortality in the U.S, annually costing our nation some \$185 billion per year and claiming the lives of 85,000 people.” These economic costs include health care, criminal justice, social services, property damage and loss of productivity.

Continuing, CSPI notes that these costs “far exceed the current \$9.2 billion generated by federal alcohol taxes ...” Using these dollar amounts tells us that we only collect in alcohol excise taxes less than 5% (4.97) of the economic harm caused to society by the use of alcohol.

The CSPI also cites that the “Annual national health-care costs for alcohol-related problems amounts to \$36 billion.” Therefore, using only the health care costs to society from alcohol use, just over 25% (25.55) of these costs are recovered in alcohol excise taxes.

Whether we only consider health care costs or the total costs to society, the more alcohol that is used, the more costs we as a country must absorb. Therefore, the logical conclusion is that passing legislation to increase the use of alcohol will, as a result, create a heavier burden on our economy, inhibiting its growth potential.

For more information on this and other aspects see the letters, “Reject Beer Tax Cut Bill (H.R 836): Bad Fiscal and Public Health Policy Masquerading as “Middle-Class tax Relief”” and “Increase Taxes on Alcoholic Beverages to Ease the Deficit, Raise Revenue and Reduce Alcohol Costs” provided as attachments.

2) Taxes on Beer are Unfair Compared to Other Alcohol Products

The federal excise tax on beer amounts to only about a nickel per drink. It was 1991 when Congress last increased the excise tax on beer. Since this time, the alcohol industry has been paying proportionately less in taxes as their revenue has increased. In 1992 the federal tax revenue was just shy of 7% of sales. In 2005 the federal tax revenue was just over 4% of sales. (See Fact Sheet: Those Incredibly Shrinking Alcohol Excise Taxes.)

Therefore, as the alcohol industry has been making greater profits, they have been paying a lower percentage of their revenues in taxes. (See Fact Sheet: Beer Sales v. Federal Beer Tax Revenue, In Billions.) This reality, combined with the \$36 billion in health care costs and \$185 billion in costs to society related to alcohol use, brings to light the inequity of current taxes to cover the economic harm costs of alcohol use in the U.S. Finally, most of the increased revenue is taken off-shore in that the four top breweries are foreign owned companies. A logical conclusion, then, is that all alcohol taxes should be raised so that the industry may move closer to paying its fair share of the harm caused by the use of their products and alleviate this burden from U.S. tax payers.

3) Beer Tax is a Regressive Tax Hurting the Lower Economic Class the Most

Contrary to the popular notion, it is actually people in the upper income levels that drink the most beer. The U.S. Bureau of Labor Statistics, Consumer Expenditures Survey of 2005 provides data showing people in the “bottom (income) quintile consume only about eight percent of alcohol beverages”. At the same time, people in the highest income quintile consume about 38% of alcoholic beverages.

The following table, provided by the CSPI, takes another look at the data. This table indicates that 49.0%, close to half of the beer consumers, have an income of \$75,000 or greater. Those making under \$20,000 per year account for only 8.6% of the beer consumers.

Income Distribution of Beer Consumers

	\$75,000 and over	\$60,000-\$74,999	\$50,000-\$59,999	\$40,000-\$49,999	\$30,000-\$39,999	\$20,000-\$29,999	Under \$20,000	Total
Percentage of beer drinkers	49.0	10.6	7.7	8.1	8.5	7.5	8.6	100.0
Percentage of U.S. Adult Population	42.0	10.0	7.9	8.8	9.6	9.1	12.4	100.0

Source: *Adams Beer Handbook 2008*

From another angle, the Marin Institute states that “... A third of the population does not drink at all, while the majority of drinkers consume relatively little. The only people who will be significantly impacted by higher prices are those who consume too much alcohol. In this way,

higher alcohol taxes target consumers who cause the most harm, while not hurting the mythological ‘Joe Six Pack.’” (See attachment: Increasing Alcohol Taxes – Myth v. Reality.)

The CSPI cites, at the current federal tax rate of \$18 per barrel,

- 35 percent of adults pay nothing at all.
- 80 percent of drinkers pay at most \$26.50 per year, about 7 cents per day.
- Half of beer drinkers pay at most a penny a day.
- The heaviest drinkers (top 5%), who average some 11 beers per day, pay on average \$215 a year, about 60 cents per day.

It is clear that the only people who may experience an economic impact are the 5% of the drinkers who consume 48% of the alcohol. The other 95% of the population would not experience any significant difference in costs. Therefore, lowering the tax on beer would be reinforcing problematic drinking as it allows youth easier access to alcohol.

### Reducing Underage Drinking

Among the significant information the CSPI has gathered, they have cited a report by the National Academy of Sciences (NAS). (See Fact Sheet: “Why Raise Alcohol Excise Taxes to Protect Underage Youth?”) The NAS presents a specific recommendation for public policy around alcohol taxes. It is as follows.

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)*

Finally, the Pacific Institute for Research and Evaluation (PIRE) released a fact sheet specific to underage drinking in Michigan in November of 2009. (See: “Underage Drinking in Michigan *The Facts*”) PIRE presents three primary items.

- 1) Underage drinking cost the citizens of Michigan \$2.4 billion in 2007. These costs include medical care, work loss, and pain and suffering associated with the multiple problems resulting from the use of alcohol by youth.
- 2) Underage drinking is widespread in Michigan. Approximately 476,000 underage youth in Michigan drink each year.
- 3) Underage drinking in Michigan leads to substantial harm due to traffic crashes, violent crime, property crime, unintentional injury, and risky sex.

In Montcalm County, we are concerned about the health of our youth and have made significant investments in addressing the prevention of underage drinking. The research indicates lowering the beer tax offers very little or no economic relief to tax payers but may seriously undermine the prevention of underage drinking efforts.