

Why Raise Alcohol Excise Taxes to Protect Underage Youth? Evidence Supporting NAS Report Recommendations

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 alcoholic 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)

In its report released on September 10, 2003, *Reducing Underage Drinking: A Collective Responsibility*, the National Academy of Sciences recommends increasing alcohol excises taxes to curb underage drinking. The report listed rationales for increasing the taxes. This fact sheet provides research evidence to support each reason.

1. “[U]nderage drinking imposes particularly high average social costs...”

- One study estimates the total economic cost of alcohol use by underage drinkers in America amounts to nearly \$53 billion a year. This includes more than \$29 billion in alcohol-related violent crime costs, over \$19 billion in traffic crashes, and over \$1.5 billion in suicide attempts (fatal and nonfatal). If this cost were shared equally by each congressional district, the amount would total more than \$120 million per district.¹
- Alcohol is a factor in the four leading causes of death among persons ages 10 to 24: (1) motor-vehicle crashes, (2) unintentional injuries, (3) homicide, and (4) suicide.²
- Young people who begin drinking before age 15 are four times more likely to develop alcohol dependence than those who begin drinking at age 21.³
- For college students, lower beer prices are related to higher incidences of troublemaking with police and other authorities, property damage, getting into an argument or a fight, and taking advantage of or being taken advantage of sexually.⁴

2. “[R]aising excise tax rates, and hence prices, is a strategy that has strong and well-documented prevention effects on underage drinking.”

- Young adults are more responsive to price increases than adults.⁵
- Beer prices inversely correlate with youths’ decisions to drink.⁶
- Frequency and quantity of underage alcohol consumption is inversely related to the price of alcohol.⁷
- In a survey of self-reported responses, high school students admit to reducing their overall alcohol use because of price increases.⁸
- Research shows that higher taxes increase the probability of attending and graduating from a four-year college or university. According to the study, raising the state beer tax from \$0.10 per case to \$1.00 per case would increase the probability of graduating from college by 6.3 percent.⁹
- College students are less likely to transition from abstainers to moderate drinkers or from moderate drinkers to heavy drinkers if alcohol prices are high.¹⁰
- The Centers for Disease Control and Prevention found that a beer-tax increase of 20 cents per six-pack would reduce gonorrhea rates by 8.9 percent and syphilis rates by 32.7 percent.¹¹
- Higher beer taxes are associated with lower rates of traffic fatalities. For every one percent increase in the price of beer, the traffic fatality rate declines by 0.9 percent.¹²

3. “[A] designated portion of the funds generated by the taxes can be earmarked for preventing and reducing underage drinking.”

- Nearly 82 percent of adults favor an increase of five cents per drink in the tax on beer to pay for programs to prevent minors from drinking and to increase alcohol treatment programs.¹³
- Few states are taking advantage of alcohol excise tax collections by earmarking revenues to pay for important treatment and prevention programs that, because of budget shortfalls, have been forced to make cuts.¹⁴
- A recent report found that 24 states earmarked the revenues from alcohol taxes and sales to various state programs in 1997. Some examples of programs to which the money went include public schools in Idaho, the school aid fund in Michigan, and health insurance programs in Oregon.¹⁵

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References

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