

Raising Michigan's Beer Tax is the Right Thing to Do

Alcohol is consumed by 60% of the adult population nationwide and in Michigan.¹ Most people realize that at times alcohol causes harm.

- “Excessive alcohol consumption is the third leading cause of death in the U.S., and each year accounts for approximately 79,000 deaths.”²
- “Excessive alcohol consumption contributes to a variety of health and social problems, including unintentional injuries; suicide; homicide; liver cirrhosis; gastrointestinal cancers; vandalism; and lost productivity.”³
- In 2015 in Michigan, there were 963 alcohol related traffic deaths and 74,157 alcohol related crash injuries.⁴

It is estimated that excessive alcohol consumption cost 8.2 billion dollars in 2006. Michigan government paid 3.5 billion dollars or 43% of the total costs. The average cost per person in the state was \$814.⁵

We can create a healthier and safer Michigan by raising the beer tax. Research demonstrates that increasing the price of beer will reduce:

- substantial reductions in underage drinking⁶
- reductions in the consumption levels of heavy drinkers⁷
- alcohol-impaired driving and alcohol-related traffic crashes and deaths⁸
- a reduction in sexually transmitted infections⁹
- incidents of violent crime, including homicide, assault, robbery, and rape¹⁰
- mortality from liver cirrhosis.¹¹

Raise the excise tax on beer from \$6.30 to \$21.70 a barrel. This will increase the tax on a 12 oz. beer by a nickel to almost 7 cents. There will be four states in the U.S. with a higher tax than Michigan.¹²

Index the tax to inflation. The Michigan beer excise tax lost 86% of its value since 1966. If the tax had kept pace with inflation, instead of 0.20 per gallon, it would be \$1.42 per gallon. A can of beer would cost about eleven cents more. In 2014, the tax on beer in Michigan generated about 39 million dollars. Under this proposal, the beer tax and sales tax would generate approximately 103 million dollars.¹³

New revenue generated with this increase will be dedicated to funding prevention, treatment, recovery support services, and alcohol law enforcement.

Michigan's support for substance use disorder services has been drastically cut over the years to one of the lowest levels in the country. General Fund contribution to substance use disorder services in 1995 was \$35 million. In 2013, that funding is less than half that number, at 16 million. This bill restores the funding level of 20 years ago.¹⁴

Michigan citizens support raising the tax on beer. EPIC-MRA conducted a 2016 state wide poll asking Michigan voters if they would support or oppose legislation to increase the tax on beer?

- Sixty-three percent of the respondents strongly or somewhat supported legislation to increase the tax on beer if the extra revenue raised went to the general fund. Seventy-five percent supported it if the money was designated for substance abuse prevention and treatment programs.
- Every category of respondent [gender, political party (including tea party), region of the state, and age] favored an increase.

Higher alcohol taxes will help, not hurt, the economy. Economic research also shows that the industry passes on more than 100% of the increase to drinkers, from 1.6 to 2.1 times the amount of the tax.¹⁵ The additional increase in retail price more than compensates for lost revenue and enables industry to maintain pre-tax profit levels. Some sectors may even make more money after a tax increase.

References

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³Ibid 2.

⁴Michigan State Police, Criminal Justice Information Center, Total Crashes, Statewide Totals for 1/1/2015 through 12/31/2015, Traffic Crash Reporting System

⁵Michigan Department of Community Health, Alcohol Epidemiology Program, www.michigan.gov/substanceabuseepi.

⁶Xuan Z, Nelson TF, Heeren T, et al. Tax Policy, Adult Binge Drinking, and Youth Alcohol Consumption in the United States. *Alcohol Clin Exp Res*. 2013 Oct;37(10):1713-9.

⁷Ibid 6.

⁸Staras S, Livingston M, Wagenaar A. Maryland Alcohol Sales Tax and Sexually Transmitted Infections A Natural Experiment. *Am J Prev Med*; 2015

¹⁰Ibid 2.

¹¹Ibid 2.

¹²Tax foundation (2015), taxfoundation.org.

¹³Alcohol Justice-The Industry Watchdog, Tax/Fee Revenue Calculator. <http://alcoholjustice.org/tax-calculator.html>.

¹⁴Michigan Association of Substance Abuse Coordinating Agencies, 2013.

¹⁵Young D.J., Bielinska-Kwapisz A. Alcohol taxes and beverage prices. *National Tax Journal*, LV 2002;1:57-74.

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