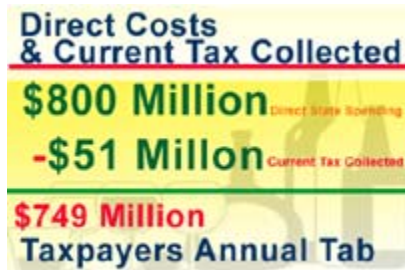


**Louisiana's Alcohol problem is enormous, and expensive.**

In the 10<sup>th</sup> Annual Report to Congress the Louisiana share of the total, US costs amounts to over **\$800 million in direct costs and over \$2 billion in indirect costs**<sup>1</sup>.

The amount Louisiana collects in alcoholic excise taxes to cover these costs is roughly \$50 million<sup>2</sup>

Raising excise taxes on alcoholic



**Table 1. Current Alcoholic Excise Tax Rates and Revenues in Louisiana.**

	Dept of Revenue Rate	Rate per Drink*	Revenue in 2001-2001
<b>Beer Excise Tax</b>	\$.322 per gallon	\$.03 per 12 ounce drink	\$35,074,000
<b>Other Alcoholic Beverage Taxes</b>	\$.66 per liter for Liquor	\$.03 per 1.5 ounce drink	\$16,286,000
	\$.42 per liter for Sparking Wine	\$.062 per 5 ounce drink	
	\$.06 per liter for High Wine	\$.01 per 5 ounce drink	
	\$.03 per liter for Low Wine	\$.005 per 5 ounce drink	
<b>Total Revenue</b>			<b>\$51,360,000</b>

beverages is one way that Louisiana can fight alcohol problems and simultaneously generate substantial and much-needed revenue.



**Policy Support for Addressing the Problem Early**

The choice for governors and state legislators is this; either continue to tax their constituents for funds to shovel up the wreckage of alcohol, drug and nicotine abuse and addiction or recast their priorities to focus on preventing and treating such abuse and addiction. *J. Califano CASA 1998 Report*

**An increase in the excise tax rate** may also bring about a small decrease in consumption, thereby directly reducing the burden of alcohol-related problems, and related costs in parishes across the state.

**Increasing alcohol excise taxes in Louisiana raises substantial revenue.** For example a "Nickel a Drink" across the board increase would raise an estimated \$90 million dollars in state revenue.

**Addiction Tax Equity –Alcohol Overdue**

*Alcohol Vs. Tobacco*

**Number of bottles of wine** that must be sold in Louisiana to produce the same state excise tax revenue generated by one carton of cigarettes:  
**110.1**



**Number of six-packs of beer** that must be sold in Louisiana to produce the same state excise tax revenue generated by one carton of cigarettes: **13.3**

**You Drink, You Pay-**

Today the costs of alcohol problems, are paid for by all Louisiana Tax Payers, not those who consume the most alcohol.

**What this means to you:** If you are like “most” drinkers in Louisiana, you are moderate consumer of alcohol, or a non-drinker, and yet pay most of the costs and expense for those who are heavy drinkers, with costly consequences.

**Under the current tax rates**, user fees from alcohol excise taxes place only a small part of the burden of paying for alcohol problems on alcohol consumers; instead societal costs for alcohol problems are paid by all Louisiana citizens in the form of: *higher sales and income taxes as well as higher insurance rates.*

**What is paid in today?** The current alcohol excise tax: difference between the social cost of an average drink and the tax on that drink is unfairly billed to all taxpayers and constitutes a significant drain on state coffers.

**Louisiana’s alcohol excise taxes have not been increased in more than 50 years.**

The state's alcohol excise tax is not indexed to inflation so it has been declining in real value, while related costs to the state continue to rise. An increase in the state's alcohol excise tax rates would decrease underage alcohol consumption throughout the state.

**Estimated Revenues**

Table 2 shows the estimated increased revenue based consumption levels approximating the 2001-2002 taxes revenues. Although other alcohol beverages are taxed these five represent the beverages most consumed in Louisiana. Consequently, each penny increase in all alcoholic beverage excise taxes raises approximately \$18 million.

**Table 2. Estimated revenue increase associated with a “Nickel-a-Drink” increase in all Louisiana alcoholic beverage excise taxes.**

	<b>Consumption Based on Revenue Collected 2001-2002</b>	<b>“Nickel a Drink” rate Increase</b>	<b>Additional Revenue</b>
<b>Beer</b>	112,000,000 gallons	\$ .53 / gallon	\$57,770,000
<b>Spirits</b>	22,000,000 liters	\$1.10 / liter	\$24,000,000
<b>Low Wine</b>	17,000,000 liters	\$ .34 / liter	\$5,780,000
<b>High Wine</b>	2,500,000 liters	\$ .34 / liter	\$850,000
<b>Sparkling Wine</b>	1,500,000 liters	\$ .34 /liter	\$510,000
<b>Total Revenue</b>			<b>\$90,500,000</b>

**Strong Research** shows that raising the alcohol excise tax is the single most effective strategy for lowering alcohol-related problems, especially among youth.

**“Alcohol is the number one drug of choice among our Nation’s youth. Yet the seriousness of this issue does not register with the general public or policymakers.”**

—Enoch Gordis, MD, Former Director, National Institute on Alcohol Abuse and Alcoholism

On September 10, 2003 the National Academy of Sciences delivered a groundbreaking report to Congress entitled, “Reducing Underage Drinking: A Collective Responsibility.”<sup>3</sup>

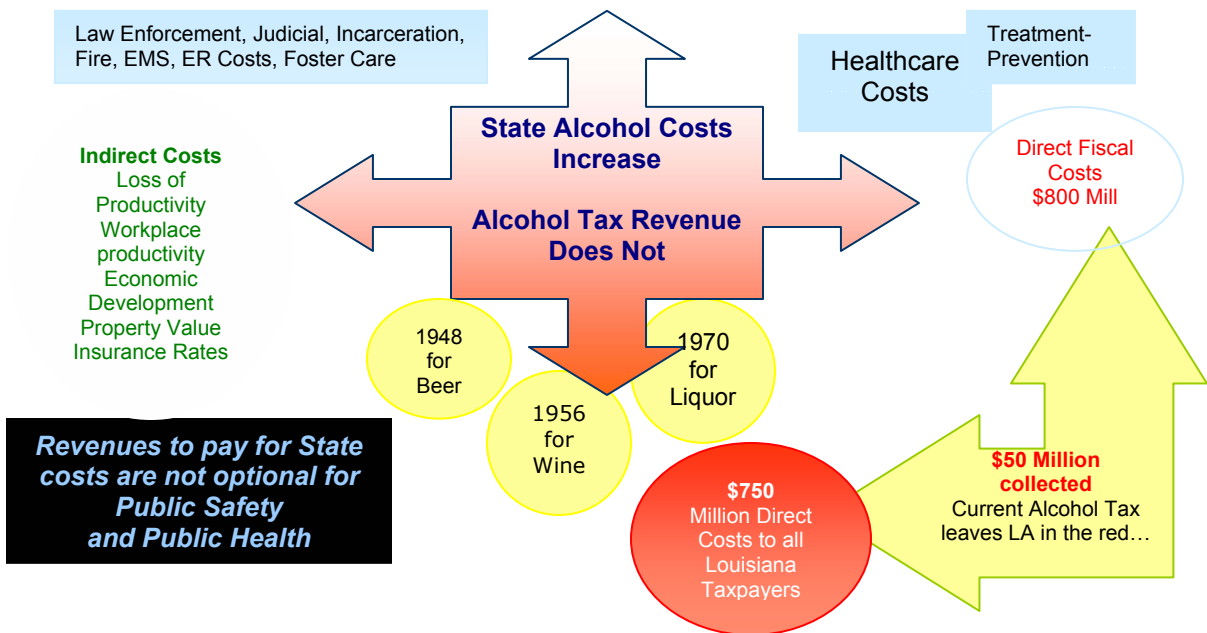
In the report cites three arguments for higher taxes to combat underage drinking. “First, underage drinking imposes particularly high average social costs.... Second, raising excise tax rates...is a strategy that has strong and well-documented prevention effects on underage drinking. Third, a designated portion of the funds generated by the taxes can be earmarked for preventing and reducing underage drinking.”

It further states that, "[s]ignificant increases in alcoholic beverage excise taxes are among the most effective policies for reducing drinking and driving in all segments of the population, with the largest reductions occurring among teens and young adults."

**BACKGROUND INFORMATION**

- **Public Support** for increasing the alcohol tax is widespread. Sixty percent of Louisiana voters support an increase of .10 cents per justifying reductions of "other" taxes, or to treat or prevent alcohol prevention, treatment, recovery support.
- Increasing the alcohol tax reduces alcohol consumption, particularly among youth and young adults. In turn, our social and fiscal costs are reduced, and consumption decreases alcohol-related violence, crime, and traffic crash fatalities.
- Researchers have estimated that even a small increase in the price of beer (10 cents per package of six 12 oz. cans) would reduce the number of 16 to 21 year olds who drink by approximately 11 percent, the number who drink two or three times per week by 8 percent, and the number who consume three to five cans of beer on a typical drinking day by 15 percent.
- Alcohol taxes in Louisiana are very low by historical and international standards. Louisiana's alcohol tax increases have not caught up with the rate of inflation and as a result, the real value of state alcohol taxes has declined by over 70 percent since 1948.
- Alcohol taxes don't come close to paying for alcohol's cost to society. The cost of alcohol use by people of all ages in Louisiana is estimated at \$800 million in 1998. The excise tax only brought in \$50 million, leaving an estimated \$750 million in costs for Louisiana's taxpayers to cover.

**\$2.9 Billion in Annual Alcohol Related Costs**  
LA Direct and Indirect



**Socioeconomic Impact of Alcohol**

**Poverty, Incarceration, Poor Health, and Illiteracy, do not foster a healthy and safe Louisiana. Growth**

and prosperity depend on unhealthy behaviors being redirected, prevented, treated, and monitored for support needs in recovery.

**Risk focused prevention** is based on a simple premise: to prevent a problem from happening, we need to **identify the factors that increase the risk** of that problem developing and then find ways to reduce the risks

Raising the alcohol excise tax has proven to be successful in efforts to reduce alcohol harms, and costs states must contend with each year.

**Note on Inflation:**

It should be noted that the alcoholic beverage excise taxes are based on a volume of liquor and therefore unaffected by inflation like sales and income taxes.

Therefore, if the tax rate is not increased periodically to keep up with inflation the tax erodes. In Louisiana, the beer excise tax was last adjusted for inflation in 1948. **Alcohol Excise Tax and Inflation**

An example we use a bottle of beer that cost 25 cents in 1947, including 2 cents in state taxes (an 8 percent tax rate), this same bottle of beer today in 2004 might cost \$1.80 and be taxed 4 cents (an effective tax rate of just over 2 percent). Although total actual revenue to the state may have increased, the real revenue will have decreased dramatically with inflation.

*This means that a can of beer today that costs 85 cents is charged the same 3 cent tax that a can of beer in 1948 was charged—In 1948 that beer cost the consumer 12 cents!* To adjust for this erosion of the beer excise tax the tax rate on a can of beer would have to be raised 20 cents a drink to be equivalent to the 1948 beer excise tax. The wine and spirits taxes have not been adjusted for inflation since the 1970s.

**Increasing excise taxes is a means of both reducing costs and promoting economic growth.** As a result, the size of government is reduced. The reduction in the size of government results from the reduction of the state budget in the areas of law enforcement, health care, and EMS services. Increasing the alcohol excise tax also represents an engine for economic growth by increasing the desirability of Louisiana for businesses and tourists by reducing the visibility of alcohol related problems.

- 1 National Institute of Alcoholism and Alcohol Abuse. *10<sup>th</sup> Special Report to Congress on Alcohol and Health from the Secretary of Health and Human Services*. US DHHS June 2000. pg 364-371.
- 2 State of Louisiana Financial Report 2001-2003. Department of Revenue. Pg 114
- 3 National Academy of Sciences. *Special Report to Congress on Reducing Underage Drinking: A Collective Responsibility*. September 2003
- 4 Federal Tax Administrators. *Tax Rates on Distilled Spirits, Wine, and Beer*. January 2002.EN.REFLIST