SENATE TAXATION
EXHIBIT NO. 1
DATE 2-10-05
BILL NO. SB 343

February 11, 2005

(S) Taxation Committee
Hearing on SB 343

Dear Mr. Chairman and Members of the Committee,

My name is Jenny Haubenreiser and I have been involved in the field of alcohol and other drug prevention for the past 10 years (as the Director of Health Promotion at Montana State University in Bozeman). Specifically, our mission is to prevent the negative consequences of underage and heavy drinking, which have been linked through innumerable studies to long-term harm to both students and to surrounding communities. In fact, this issue has become one of the primary concerns among the nation's colleges and universities.

I also serve as the chair of our Community Alcohol Coalition, which was appointed by the Bozeman City Commission in the Fall of 2003 to address high risk and underage drinking within our community. There is no question that alcohol poses the most serious public health problem on college campuses and is a primary factor in death and injury among U.S. youth. The recent National Academy of Science's (NAS) Institute of Medicine report estimates the cost of underage drinking at $53 billion ($19 billion from traffic crashes and $29 billion from violent crime alone). For people between the ages of 10 and 24, alcohol is involved in the top four causes of death: motor-vehicle crashes, unintentional injuries, homicide, and suicide.

Fortunately, a wealth of recent research has shown us the best ways to prevent alcohol-related harm among youth – increasing the beer excise tax being one of these. Beer is the most widely abused form of alcohol among younger people because it is relatively cheap and often comes in large quantities. And taxation of beer has failed to keep up with inflation, making beer cheaper today than many nonalcoholic beverages.

The NAS study makes three arguments for increasing beer taxes: 1) to offset the social costs of underage and high risk drinking (social costs associated with beer alone in the year 2000 were estimated at $21.9 billion annually; however, state and federal governments collected only $3.6 billion in taxes); 2) raising excise tax increases the cost of beer, which a variety of economic studies have shown to reduce consumption by the youngest drinkers (even small increases in price are linked to a decline in youth consumption at the population level); and 3) to generate revenue to fund treatment and prevention services. Montana faces an undeniably severe deficit of adequate public treatment facilities, particularly for youth. Revenue from this excise tax will help fund programs to prevent this harm among Montana's youth and to handle the persistent problem of substance addiction.

Opponents to this bill typically cite that this would unfairly burden moderate or light drinkers. This simply does not make sense. A 'nickel a can' increase will barely be

noticed by those who drink responsibly. And the heaviest drinkers would either be forced to reduce consumption or contribute more to the medical and other expenses caused by excessive drinking. Essentially, consumers will pay in proportion to the amount of beer they drink, and the bulk of the tax will be paid by the relatively small percentage of drinkers who consume the most beer. This is only fair.

As legislators you are in a very important position to weigh the evidence and address the public costs of alcohol. The National Academy of Science, the AMA, along with other credible national organizations, emphatically recommend that states increase their beer excise tax to help reduce underage drinking while generating revenue for treatment and prevention services. Inflation has eroded the current beer tax values, which is depriving Montanans of this much needed revenue.

I have attached a sheet summarizing some of the most relevant research available on the benefits of an increase beer excise tax. My request to you, as lawmakers, is to consider this evidence carefully. Even small changes, a small increase in the price of beer, can have big results. Please support SB 343.

Sincerely,

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The Incredible Shrinking Beer Tax

- The federal beer tax has been increased only once in the last five decades, 1991. Even at today's rate, $18.00 per barrel, the tax would have to increase to $1.15 per six-pack (from its current level of approximately $0.33) just to offset the effects of inflation since 1951.
- In its September 2003 report, the National Academy of Sciences' Institute of Medicine recommended raising alcohol excise taxes, stating that "top priority should be given to raising beer taxes," since underage drinkers use and abuse beer more than any other type of alcoholic beverage.[1]
- The federal beer tax produced more than $3.2 billion for the federal treasury in 2002.[2] However, if the tax rate had kept up with inflation since 1951, the amount of revenue collected would have exceeded $11.1 billion.[3]
- The combined federal and average state beer excise tax rate amounts to $0.47 per six-pack, or less than 10% of the average price of a six-pack.
- 23 states have not raised their beer-tax rates in more than 20 years. As a result, the current rates have eroded in value by up to 87 percent in some states.
- Many states with low beer-tax rates are missing the opportunity to pay for much-needed state programs, such as public education, healthcare, substance abuse treatment and prevention, and others, by keeping those rates low. Modest increases in the tax rate could raise millions in state revenue.
- State alcohol taxes have declined in value by an average of 46 percent in the past 20 years.[3]
- Raising beer taxes will raise beer prices and moderately depress consumption, ultimately reducing alcohol-related problems (see below).
- Low beer-tax rates are reflected in low beer prices and increased availability of beer to underage youth and other price-sensitive people.

Taxes & Consumption:

- Numerous studies show that raising beer taxes will help reduce alcohol-related problems:
  - gonorrhea and syphilis rates[4]
  - incidents of crime and violence, especially domestic violence, child abuse, and rapes[5]
  - beer consumption by underage youth[6]
  - alcohol-related traffic fatalities and crashes[7]
- Increasing beer taxes could:
  - provide millions of dollars for state coffers -- money that can be used for education programs, healthcare funding, substance abuse treatment and prevention programs, etc.
  - increase college attendance and graduation rates[8]

Public Opinion:

- Public opinion polls show that a large majority of adults support raising beer taxes to fund youth substance abuse treatment and prevention programs.[9]
- The American Medical Association (AMA) found that the majority of Americans (65%) prefer raising alcohol taxes to other taxes to help reduce state budget deficits. In particular, most Americans (52%) think that their state's beer tax rate should be raised, with 32% stating that the beer tax should be raised "a lot."[10]

Economics:

- More than 70% of Americans want to raise beer taxes to fund the following programs:[10]
  - education and health care

- stronger enforcement of drinking and driving laws
- treatment programs for teenagers with drinking problems
- stronger underage drinking law enforcement
- prevention programs for underage people
- state budget deficit
- treatment programs for people with drinking problems
- cutting other state taxes

- Most Americans agree that it's fair to tax beer more than other products because of the social and health problems caused by alcohol consumption. In addition, a majority of Americans would support raising alcohol taxes if the revenues go to specific earmarked funds.[11]

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9. Harwood, E.M., Wagenaar, A.C. & Zander, K.M. (1998). *Youth access to alcohol survey: Summary report.* Princeton, NJ: Robert Wood Johnson Foundation. Online: http://www.rwjf.org/publications/publicationsPdfs/Youth_Access_to_Alcohol_Survey.pdf.

10. The American Medical Association. *National Survey on Alcohol and Beer Taxes.* Press Release Online: http://www.ama-assn.org/ama/pub/article/1616-8551.html.

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