TAXFACTS

Some lawmakers and activists would have you believe that increasing alcohol taxes will raise funds without any negative repercussions, but this is not the case. Find out the real facts about alcohol taxes below.

JOBS ARE LOST WHEN ALCOHOL TAXES ARE INCREASED

- Raising taxes on the already struggling hospitality industry will add to the nation's unemployment totals—unemployment in the hospitality industry is already above 11 percent.

- Some activists have proposed adjusting federal excise taxes to account for inflation since the doubling of the federal excise tax in 1991. If the disastrous alcohol tax policies of the early 1990s are repeated, economic models project a loss of 160,000 hospitality industry jobs.

- The nation's hospitality industry—restaurants, bars, hotels, retail stores, etc.—derive a substantial portion of jobs and sales from alcohol. For example, restaurants that sell alcohol, earn, on average, more than 25 percent of their revenue from these sales.

- Alcohol taxes are more properly referred to as hospitality taxes, because they tend to hurt lower-income hospitality workers. It is largely these laborers who are victimized by loss of income and jobs.

- FOR EXAMPLE: A proposal that passed this year to add sales tax to the industry's already high tax burden in Massachusetts is expected to reduce state economic activity by over $85 million eliminating some 800 jobs in the process.

ALCOHOL TAXES ARE REGRESSIVE

- Excise taxes are known to be the most regressive form of taxation, impacting those with lower incomes far more than the wealthy.

  - When alcohol taxes are raised, the working poor are most affected. Over one-third of all alcohol consumers come from households having income of less than $50,000.

  - Under current law individuals making less than $20,000 per year face federal alcohol tax burdens that are more than 18 times higher than individuals making in excess of $200,000.[1]

[1]http://www.taxfoundation.org/files/e9f3485dabfce0abc451e68b17dee1a8.pdf

RAISING ALCOHOL TAXES IS NOT AN EFFICIENT WAY TO RAISE MONEY

- For example, Kentucky's 2009 alcohol tax increase reduced the alcohol tax revenue by 55 percent just one month after tax increase went into effect.
- When federal excise taxes on liquor, beer and wine were last raised in 1991, they generated $2.4 billion less than Congress forecasted over the succeeding 5-year period.
- Alcohol taxes that are levied at the county or state level make it very likely that people will shop outside the taxing jurisdiction. This is especially true for those living close to the county or state line.

ONE OF THE HIGHEST TAXED CONSUMER GOODS IS ALCOHOL

- Direct alcohol excise and sales taxes levied at the federal, state, and local levels account for more than one-third of the shelf price of many popular brands.
- The result is that government at all levels earns $2 from the sale of beer, wine, and liquor for every $1 earned by producers, wholesalers, and retailers.
- When indirect taxes and fees associated with the production and sale of beverage alcohol are included, the total tax burden accounts for more than half the price that consumers pay for most brands.

DETERRING ALCOHOL ABUSE BY RAISING TAXES IS NOT EFFECTIVE

- Raising alcohol taxes penalizes all consumers of alcoholic beverages because of the actions of a relatively small number of drinkers.
- In 2001, the National Institute on Alcohol Abuse and Alcoholism reported that alcohol tax increases had no effect on the 5 percent of heaviest drinkers, those who consume 36 percent of the total alcohol consumed.[2]

[2]http://pubs.niaaa.nih.gov/publications/aa51.htm

THE WORST TIME TO BE RAISING TAXES IS IN A BAD ECONOMY

- The hospitality industry can be a vehicle for economic growth, but during hard economic times the industry is impacted disproportionately. As people look to reduce expenses, dining out costs are some of the first spending areas cut.

- In 2008, leisure and hospitality employment declined at a rate of 2 percent, far faster than the 1.3 percent rate of unemployment for most other sectors.

- The power to tax is the power to destroy. High tax rates destroy the incentive to invest and prevent economic growth and job creation. With the continuously slowing economy, destructive tax increases are ill-advised.

THE ALCOHOL INDUSTRY CONTRIBUTES SIGNIFICANTLY TO THE ECONOMY

- The beer, wine and liquor sectors contribute a combined $350 billion to the U.S economy. Manufacturers, distributors and retailers employ over 3.7 million hardworking Americans.

- “How valuable is the alcohol industry to your state?” To find out more go to http://nodrinktax.com/tax-facts/ and click on “The Alcohol Industry Contributes Significantly To The Economy” link.