

Vermont Legislative Research Shop

Beer Tax Increase

Legislators in Vermont have proposed a bill (H.322), currently in committee, which will increase the beer tax from 26.5 cents to 48.8 cents per gallon, an increase of approximately two cents per can. The additional tax revenue will be earmarked for substance abuse treatment programs to be administered by a newly created Treatment and Prevention Advisory Committee. Forty-five and seven-tenths percent of the increased tax revenue will go to the Department of Health, which will collaborate with the Treatment and Prevention Advisory Committee, for distribution among adolescent substance abuse treatment, the New Directions Program, Opiate Addiction Treatment programs, adult treatment programs, and for use in school substance abuse programs (Vermont State Legislature 2001).

Earmarked Beer Tax in other States

Efforts are already underway to increase the existing excise tax rate on beer within Oregon. A number of legislators have indicated the state's beer tax should be increased to provide additional revenue to alcohol and drug abuse programs. Others continue to suggest a tax increase is warranted due to the fact the state's beer tax of \$2.60 per 31 gallon barrel has not been increased since 1977 and is somewhat lower than the rate maintained in other states (Oregon Neighborhood Store Association 1999). In Montana, the beer tax is \$4.30 on each barrel produced in or imported into the state. A small portion of the revenue, \$49,723 out of \$3.6 million in 2000, is earmarked for Indian tribes residing within the state (State of Montana Legislative Fiscal Division). In Alabama, the beer excise tax is mandated by state law but collected at the county level. The state law determines how the county is to spend the money by earmarking the funds for such things as local boards of education, rescue squads, historical societies and libraries (Alabama State Legislature). Beginning in 1984, Texas earmarked 25% of funds from beer tax to the Foundation School Fund. This was revoked in 1995 and all revenues now go to the general fund (Texas Office of the Comptroller). In Utah, proceeds of the beer excise tax are deposited in the General Fund and dedicated to programs or projects related to prevention, treatment, detection, and prosecution of offenses in which alcohol is a contributing factor (Utah Code 32A-1-115).

The Effects of Beer Tax Increases

The real price of alcoholic beverages has been falling since 1951, partly because of low alcohol tax rates (for current tax rates, see Figure 1). Between 1975 and 1991 the real price of beer fell by 20% (Chaloupka 1993). In addition, most states' alcohol excise taxes have fallen in real terms as well (Figure 2). Many studies have shown that alcohol prices affect consumption. Studies show that for every increase in the price of beer, there is an associated decrease in beer consumption (Chaloupka 1993). Raising alcohol taxes may decrease alcohol-related injuries and violence, as well as alcohol-related health problems (Grossman, Chaloupka & Saffer 1994).

Violence:

Research indicates that increasing the beer tax by 10% would decrease alcohol consumption by 0.48% per capita, which, in turn, should reduce rapes by 1.32%, robbery by 0.9%, murder by 0.3%, and assaults by 0.3%

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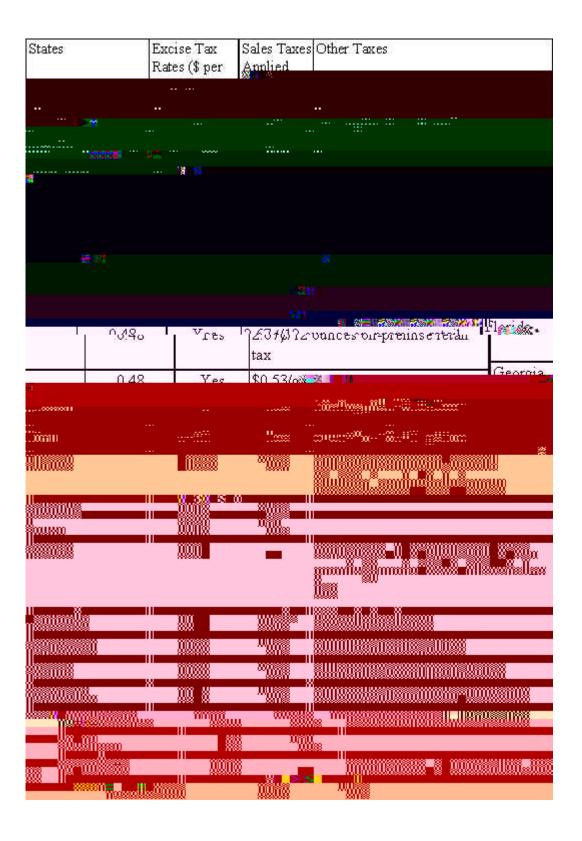
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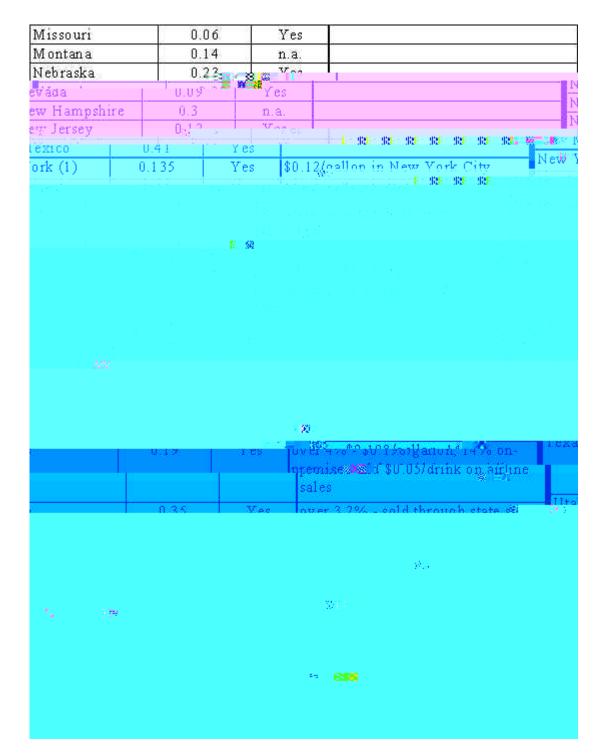


Figure 1: State Beer Excise Tax Rates