



MICAP RECAP

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Dear Friends and Colleagues,

There is Good News to share. Finally, House Bill 4573 has been laid to rest. Extended sales of beverage alcohol (BA) died at the closing session of the 2007-2008 Michigan Legislature. MICAP's role in that death was to expose the bogus claims on which the bill was predicated and to educate and activate our readership. Hats off to you who wrote, called or e-mailed our legislators and encouraged others to do the same; and hats off to our legislators whose wisdom allowed HB 4573 to die. THANK YOU...all for your support and wisdom!

A Key item in this issue of MICAP-RECAP is "Taxation and Beverage Alcohol, Part II: Federal Excise Taxes." In our December 2008 issue, I covered the "why of taxing BA, flat taxes vs. percentage taxes, and the benefits of taxation. In this issue I make suggestions for federal taxation and how increased funds ought to be used. In the April issue, I'll complete the taxation issue with Part III, "Taxes on Beverage Alcohol in Michigan: Suggestions for our 2009-2010 Legislature."

Did you know that April is Alcohol Awareness Month? You'll find in that brief article a couple of suggestions for local churches' Social Concerns/Mission Committees to build awareness of problems associated with the use and abuse of BA.

Finally, if you'd like a MICAP speaker to visit your church or congregation on a Sabbath (or other) day, or to make a presentation in a class or other event, please call 517.484.1770 so we can work out a mutually agreeable time.

Thank you again for your readership and support!

Sincerely,

Rev. W. J. (Bill) Amundsen, President
Board of Directors, Michigan Council on Alcohol Problems

TAXATION AND BEVERAGE ALCOHOL, PART II: FEDERAL EXCISE TAXES

While it is clear to many of us that the Federal Excise Tax on BA needs to be raised, that will not be an easy task. As I researched for this article, I found that there are several large law and accounting firms whose primary business is to help brewers, distillers, and wineries hold taxes down, keep them from paying taxes already levied, lobby against any new levies, and lobby against raising any old levies. So MICAP's advocacy for increased Federal Excise Tax on BA will be met with strong opposition. Nevertheless, when we consider the public good and the power of taxation to lessen the harmful effects of BA, it behooves us to proceed.

Federal Excise Taxes on BA date back to the 18th Century. As I indicated in Part I (see the MICAP-RECAP for Dec., 2008), they have been "flat" historically. And "flat" taxes do not keep pace with inflation.

Most persons or groups writing about taxation and BA note the 1951 tax rates and the erosion of those taxes from that date. If we were keeping up with inflation, according to the 1951 levies, beer should be taxed at a rate of \$1.98 per gallon (currently it is taxed at \$0.58 a gallon), wine should be taxed at a rate of \$1.16 per wine gallon (currently, it is taxed at a rate of \$1.07 per wine gallon), and distilled spirits should be taxed at a rate of \$71.87 per proof gallon (currently, it is taxed at \$13.50 per proof gallon). As you can see, there has been substantial loss of revenue over the past 58 years due to inflation.¹

Using the same figures, it is clearly seen that BA is far cheaper today, relative to other consumer products than it was 24, 40, or even 50 years ago.²

The above figures tell the tale also regarding income to the federal treasury. In 1950, the Federal Excise Tax on BA brought in 6.2% of the revenue. In 1990 (which is also almost 20 years ago now) it brought in less than one-half of 1%. The largest part of that was the erosion of the tax due to inflation.³

The cumulative effect produces a consumer good which offers harmful effects at a price which makes it too easily attainable. The National Institute on Alcohol Abuse and Alcoholism (NIAAA) reports a disastrous \$195 Billion Dollar national price tag in 2007, including deaths, disease, abuse, lost productivity, etc.,. The same source tells us that the Federal Government collects about \$14 Billion dollars of Federal Excise Tax on BA annually. That is a lot of money. But it is \$181 Bil-

lion Dollars short of the cost to our society annually.⁴ BA wreaks more havoc on our society than all the other illegal drugs put together.

From the world scene, we would do well to take a lesson from the country of Finland. In March, 2004, the Finnish Parliament cut taxes on BA by ONE-THIRD. By 2006, disastrous results were evident. Liver cirrhosis deaths had skyrocketed 30%, alcohol related diseases shot up by 20%, alcohol-positive deaths rose 17%, and there was an overall increase in BA consumption of 10%. Clearly, following the reduction of taxes, the nation of Finland experienced one of the corollaries of alcohol pricing: "A decrease in the cost of BA equals increased consumption and a corresponding increase in the harmful effects of BA."⁵

Several other studies also have shown the opposite effect: "That an increase in the cost of BA decreases sales, reduces underage and binge drinking, cuts alcohol-related disease proliferation and traffic incidents, as well as reduces lost business productivity and overall costs to society."⁶

The Center for Science in the Public Interest (CSPI) report that several Nobel Laureate economists strongly urge congress to raise the Excise Taxes on BA. They also strongly reject the alcohol industry's initiatives to reduce such taxes. The basic economics of BA can be distilled down to "the lower the price, the greater the consumption." Therefore, taxation becomes one of the means of limiting consumption of a dangerous, albeit legal drug. It is especially helpful in deterring underage and binge drinking.

There are several proposals for increasing the Federal Excise Tax on BA. Two seem to have a better chance at passage than others.

The first indexes a new tax rate to inflation since the last raise in 1991. Under this proposal, taxes would rise as follows:

Beer would rise from \$0.58 to \$0.92 per gal.,

Wine would rise from \$1.07 to \$1.70 per gal.,

and Liquor (80 proof) from \$10.80 per gal. to \$17.18 per gallon. If this tax rate would have been in use during the 2007 Fiscal Year, our national income from the Alcohol Excise Tax would have risen from

\$9.348 Billion to \$13.743 Billion, an increase of \$4.395 Billion.

The other proposal is called the "Nickel-A-Drink Increase Proposal." Some sources indicate this proposal has come from California. But it makes sense to me considering the erosion of value of the flat excise tax over the years. This proposal would raise the Federal Excise Tax approximately 5 cents per drink. Compared with the 1991 year (the year the tax was last raised), current taxes would go to:

Beer would rise from \$0.58 to \$1.11 per gal.,

Wine would rise from \$1.07 to \$2.35 per gal.,

and Liquor (80 proof) would rise from \$10.80 to \$15.07 per gallon. If this tax rate had been in use during the 2007 Fiscal Year, our national income from Alcohol Excise Tax would have risen from \$9.348 Billion to \$13.991 Billion, an increase of \$4,643 Billion.⁷

While the BA industry has anticipated changes in the tax structure in the state and national arenas, it's not surprising to find that their literature decries all raises. Neither is it only a national issue. It is an international issue. And across the whole spectrum, the industry is claiming that it is being besieged by taxes, that taxes will depress sales, cause grape acreage to decrease, and eliminate jobs. Indeed, we do have our work cut out for us.

State and National policy makers, however, have couched many of the suggested tax hikes as a way of encouraging responsible drinking. As indicated earlier, studies in the USA, the United Kingdom, and elsewhere have found direct links between price and alcohol consumption.

The general public has become aware of the problems caused and the expenses occurring with BA. Most polls indicate that the public stands squarely behind a 5 cent increase in taxes per drink. But the public wants those dollars to be earmarked to deal with the problems caused by Beverage Alcohol and not just be rolled into a state budget. This is especially true when it comes to underage drinking and problem prevention. This would help to equalize the difference between the \$195 Billion cost annually against the \$14.4 Billion income annually. In short, those using BA would be required to pay for more of the damages. The rest of the nation, including almost half of adults who have one or two or NO drinks per year would not be required to subsidize those who cause most of the problems nearly as much.

What shall we do? If you agree that the information presented here makes sense, then you might want

to suggest to our national Senators and Representatives that they talk to other Senators and co-sponsor such a Bill. It will be dangerous for a senator to sponsor such a bill on their own. They will need co-sponsors to get such a bill passed without peril to their career. At present, I know of no proposal in either the House or Senate. But, according to everything which I am able to find about taxation and BA, it is long overdue. The contact information for our Senators is included here. Because of space constraints, contact information for our representatives cannot be included in this issue.

Levin, Carl - (D - MI) 269 RUSSELL SENATE OFFICE BUILDING WASHINGTON DC 20510 (202) 224-6221 Web Form: levin.senate.gov/contact/index.cfm

Stabenow, Debbie - (D - MI) 133 HART SENATE OFFICE BUILDING WASHINGTON DC 20510 (202) 224-4822 Web Form: stabenow.senate.gov/email.cfm

FOOTNOTES:

1. www.uic.edu/~fjc, "Reducing Morbidity and Mortality Through Alcohol Pricing and Taxation"
2. Hammond, Robert, "All About Alcohol, 2007 Ed., p. 26.
3. Institute of Medicine, National Research Council, "Reducing Underage Drinking, a Collective Responsibility," cited by Center for Science in the Public Interest at www.cspinet.org.
4. Sources: NIAAA, 2000; Alcohol and Tobacco Tax and Trade Bureau, 2006; and U.S. Census Bureau, 2007.
5. Holder, Harold D., "What We Learn from a Reduction in the Retail Alcohol Prices: Lessons from Finland," in *Addiction*, Vol. 102, Issue 3, pp. 346-347, March, 2007.
6. www.spinet.org
7. www.spinet.org.

APRIL IS ALCOHOL AWARENESS MONTH

Suggestions for Local Congregations

What could your Committee or Congregation do to help make your congregation aware of the dangers of use and abuse of beverage alcohol? Here are a couple of suggestions you might like to have in place by the time April 1, 2009 rolls around.

A. You may want to hand out a questionnaire about warning signs of alcohol abuse:

Warning signs of Alcohol Abuse (From the U.S. Dept. of Health and Human Services)

If you answer "yes" to any of the following questions, you may have a problem with alcohol.

- Do you drink alone when you feel angry or sad?
- Does your drinking ever make you late for work?
- Does your drinking worry your family?
- Do you ever drink after telling yourself you won't
- Do you ever forget what you did while drinking?
- Do you get headaches or have a hangover after drinking?

B. You may want to update your congregation about several groups of persons who abuse alcohol.

When many people think of alcohol abusers, they picture teenagers sneaking drinks before high school football games or at unsupervised parties. However, alcohol abuse is prevalent within many demographic groups in the United States. People who abuse alcohol can be:

- College students who binge drink at local bars.
- Pregnant women who drink and put their babies at risk for fetal alcohol syndrome.
- Professionals who drink after a long day of work.
- Senior Citizens who drink out of loneliness.

C. Create some "DRINK RESPONSIBLY" flyers: We're not suggesting that abstinence is wrong.

There are many who abstain from drinking beverage alcohol. Their commitment needs to be honored. But many people will give you a hearing if you talk about drinking responsibly rather than abstaining. If you choose this message you can suggest:

1. No alcohol for people who are:
 - a. Under 21
 - b. Pregnant, trying to become pregnant or breastfeeding,
 - c. Operating any time of vehicle or machinery
 - d. Recovering alcoholics or drug dependent
 - e. Using certain medications
2. No more than one standard drink* per day for women
3. No more than two standard drinks* per day for men.

*A Standard Drink is the amount of alcohol (14 grams, or 0.6 fluid ounces) in 12 ounces of beer or wine cooler, 8-9 oz. of malt liquor, 5 oz. of table wine, 3-4 oz. of fortified wine, 2-3 oz of cordial, liqueur, or aperitif, 1.5 oz. of brandy, or 1.5 oz. of spirits. You can't just count your drinks. You have to think about the size of the drink and the alcohol content of the various beverages available.

OUR BOARD MEETINGS

Our Board of Directors meetings are now held on the First Tuesday of February, May, August, and November. They are held at Central United Methodist Church, 215 North Capitol Avenue, Lansing Michigan. We begin at Noon with a light lunch (provided) and try to be through by 3:00 p.m. Notice of your presence will help with plans for lunch.

THANKS FOR YOUR SUPPORT!

Your gifts to MICAP in 2008 helped us to come through the year in the black. You may continue to help by using the enclosed envelope. Thank You for your help!

Former HEW Secretary, under President Carter,

JOSEPH A. CALIFANO, Jr.

is coming to speak at MSU April 1, 2009.

MSU's Institute for Public Policy and Social Research is putting it on. Time of day, location, and title can be had by contacting Ms. Cynthia Kyle, IPPSR, 517-353-1731. Mr. Califano is fiercely opposed to alcohol and drug abuse. He is now making that crusade his current life's work at the National Center on Addiction and Substance Abuse at Columbia University. This will be well worth your time and you won't be disappointed. I hope you will plan to make it! WJA.