

June 19, 2009

Re: Raise alcohol taxes to help fund
comprehensive health care reform

Dear Chairman _____ (Baucus, Kennedy, Waxman, Rangel),

We are writing in support of your efforts to pass legislation this year to reform our country's health care system. Such reform will require considerable financial resources and should also focus on disease prevention, health promotion, and cost containment. We strongly urge you to support one measure under consideration that will cover all those bases: increase federal excise taxes on alcoholic beverages.

Alcohol taxes have not increased since 1991, and their value has since been eroded significantly by inflation. As a result, relative prices of alcoholic beverages have fallen and the U.S. Treasury has been denied billions of dollars in potential revenue. Low prices have also made alcohol more affordable for underage persons and have fueled excessive drinking, leading to a wide range of costs to the economy.

Higher taxes could help pay for health care and offset some of the costs of excessive alcohol use. Even a modest increase in tax rates, such as the revenue options developed by the Congressional Budget Office and the Senate Finance Committee, would yield some \$60 billion over the next decade in new revenue. Raising the current tax on distilled spirits by 50% and equalizing the tax rates on alcohol in beer and wine to that level, which we favor, would raise more than \$100 billion over 10 years, a substantial contribution to the health care bill. Indexing those tax rates for future inflation would assure that the value of the rates won't wither as they have historically, and would keep the Treasury from being short-changed.

By any measure, alcohol does not pay its way in society. Federal tax collections of \$9.2 billion per year pale in comparison with the \$185 billion annual economic toll of alcohol problems. Those problems diminish our national productivity and also contribute to incalculable social disruption, including more than 85,000 deaths per year.

Higher taxes – and prices – on alcoholic beverages will also contribute to a healthier America by reducing teen drinking and binge drinking and a wide range of associated negative consequences, including drinking-driving crash deaths, interpersonal violence, the spread of sexually transmitted diseases, and school failures. Because some heavier drinkers will also moderate their drinking in response to price increases, alcohol

related disease mortality will also decline. Those health benefits will help reduce health care and public safety costs across the nation.

Most American adults (35% - 40%) either don't drink or drink very little. Most of the alcohol, about 85%, is consumed by the top 20% of consumers. They pay most of the taxes on alcohol now, and they'll be the ones to pay the lion's share of the increase (and also be encouraged to cut back on their drinking). The vast majority of consumers will barely notice an alcohol tax increase (if it is, in fact, added to the price), which is why popular support for the measure has always polled high.

Even among lower-income Americans the burden won't be excessive because those consumers drink less than the more affluent and fewer of them drink. Only the small cohort of very heavy drinkers at the low end of the income scale will be hit hard. However, government services that they receive from health care reform and other programs will help moderate the taxes' regressive effect on them.

We strongly urge you to include alcohol tax increases among the financing measures for health care reform. Congressional action on this issue is long overdue; it would be fair to the vast majority of consumers. Most significantly, it would advance the important health care goals of prevention, health promotion, and cost containment that are essential to making the endeavor a success. Please speak up about and support higher taxes on alcoholic beverages to help fund health care reform. We look forward to hearing your views and to observing successful Congressional action on this critical policy issue.

Sincerely,