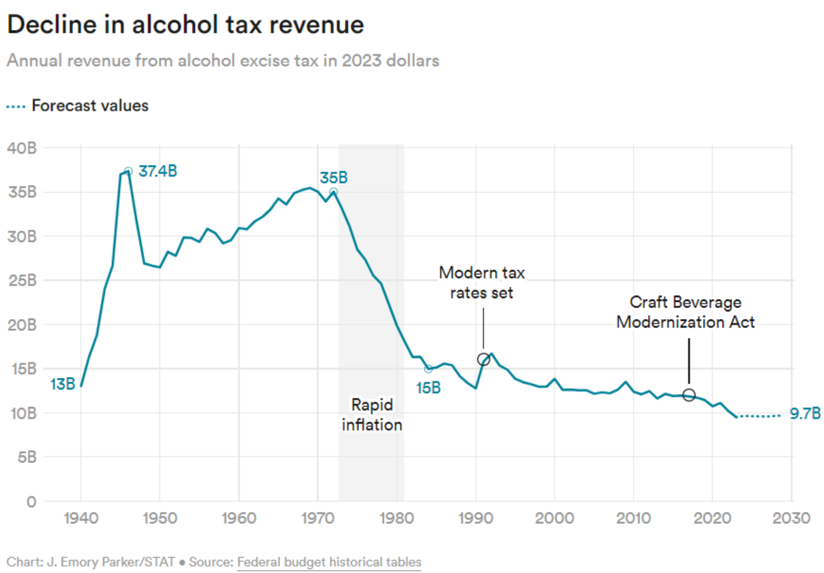
Drinking is cheaper than it's been in decades. Lobbyists are fighting to keep it that way

Written by Isabella Cueto

For years, it has been a reliable way to cut back on the consumption of cigarettes and sugary drinks: raise taxes on them. So it might seem an obvious tactic to apply to alcohol, which contributes to untold injuries, diseases and deaths in the United States each year.

That's the thinking of advocates and state legislators across the country, who also see it as a way to pull in more revenue. But at virtually every turn — including in Nebraska, Colorado, Oregon and New Mexico — efforts to raise taxes on alcoholic beverages have been thwarted by the alcohol industry, a vast and powerful coalition of corporate conglomerates, mom-and-pop producers, retail stores, hospitality workers, trade associations and their lobbyists. The result is a population with mounting alcohol-related woes and an ever-cheaper, more accessible supply of drink.

Researchers found a glass of the cheapest spirit cost the average worker less in 2011 than at any time in the previous 60 years. Between the end of Prohibition and 2018, researchers estimate excise taxes on wine, beer and distilled spirits (which are often passed down to consumers) declined by over 65% from their starting rate.



The cost of alcohol has dropped in part due to the cuts passed by the Trump administration, which slashed how much producers had to pay on the front end. But an important reason that state and local taxes on alcoholic drinks haven't even kept up with inflation is the alcohol industry's influence in statehouses and in contributing to political campaigns.

In Nebraska, for example, Gov. Jim Pillen was on a mission to slash property taxes by 50% and in his search for revenue, proposed quadrupling taxes on spirits. His plan to hike "sin" taxes on things like cigarettes and candy would have raised the excise tax on vodka, whiskey and other spirits from $3.75 to $14.50 per gallon, and generated an estimated $200 million in new revenue for the state, on top of its budget of $17.6 billion.

But when Pillen's idea to quadruple taxes went public in July, alcohol industry trade groups mobilized their tens of thousands of members in the state. Spirits United, an industry advocacy group, blasted out marching orders and warned of “significant job loss” in Nebraska, and of local liquor stores losing business to bordering states if the tax increase passed. The Distilled Spirits Council of the U.S., a well-heeled national trade association, organized a campaign that led to more than 1,500 opposition letters sent to Nebraska senators. The Wine & Spirits Wholesalers of America got its members to send 6,000 emails.

By the end of a special session this past summer, the proposal had been gutted. Instead of increasing alcohol taxes, what emerged was a tax cut — a proposal to reduce the tax on spirits to $2.75 per gallon for producers who made under 100,000 gallons per year, which includes every distillery in the state. In the end, alcohol taxes were dropped from the package.

“It’s kind of a joke,” Chris Wagner, a public health advocate who’s been trying for years to reduce alcohol-related harms in the state, told STAT. “The bill that would’ve done the most to raise revenue, it was essentially dead because they couldn’t get enough support.” Even an accompanying public hearing on alcohol taxes was indefinitely postponed.

The unraveling of Nebraska’s proposal mirrors the fate of similar efforts in other parts of the country.

In Colorado this spring, senators introduced a bill that would have imposed fees on alcohol in order to fund substance use disorder prevention, treatment and recovery. The funding mechanism would have collected about $20 million per year, according to fiscal analysis by legislative staff. As soon as tax hikes were proposed, alcohol industry groups successfully lobbied to cut them, and mobilized brewers and other producers in-state to oppose the bill. In May, the legislation stalled without a clear path forward. Colorado has the second-lowest alcohol tax rate in the nation.

In Oregon, lawmakers have twice considered funding addiction treatment with an increase to beer and wine taxes — which are some of the lowest in the nation, and haven’t changed in decades. Their deliberations in 2023 were derailed by a scandal. Local reporters found that the state health authority had buried a report that showed increasing taxes wouldn’t make a dent in drinking problems. Then it was revealed that federal health officials questioned the report’s credibility, given its reliance on research funded by the alcohol industry.

An advisory panel meant to guide lawmakers’ decision on the alcohol tax failed to reach a consensus. Amid all the confusion, an industry PAC was throwing hundreds of thousands of dollars into the campaigns of top state officials, local news outlet Willamette Week reported.

With some notable exceptions, the industry and its allies have in recent years successfully smothered efforts in places with distinct political landscapes. Its strategy helps both to keep taxes low and maximize profits, and to discourage copycat attempts elsewhere, advocates say.

“They’re afraid if this happens in one place, it might happen in a lot of places,” Tiffany Hall, chair of the U.S. Alcohol Policy Alliance, a network of groups trying to reduce alcohol-related issues, said of the industry.

Loopholes, levies and less drinking

Alcoholic beverages — including beer, wine, spirits and ready-to-drink cocktails — are taxed at the federal, state and local levels. But more and more, the issue of price is fought locally. Cuts in 2017 to federal excise taxes on alcohol were made permanent by Congress during the pandemic.

The Craft Beverage Modernization Act, the federal tax cut, was pitched as a way to help small producers. However, the alcoholic beverage industry is increasingly consolidated, with large conglomerates swallowing craft producers across the country. Loopholes in the law also allowed big producers to claim they made less alcohol than they did, granting them the reduced tax rate, said Adam Looney, a visiting fellow at Brookings and director of the Eccles Institute for Economics and Quantitative Analysis at the University of Utah.

“The ultimate beneficiary is not some artisanal local craftsman, but a multinational conglomerate,” he said. Data suggest the federal tax cuts mostly benefit large beer, wine and spirits producers, all while driving the price of drink lower.

(Alcohol taxes are one of a slate of proposals backed by Bloomberg Philanthropies’ Task Force on Fiscal Policy for Health. STAT receives funding from Bloomberg Philanthropies.)

There is by now overwhelming evidence that increasing the price of alcohol can decrease everything from alcohol-related car crashes to violence and sexually transmitted infections. It’s a policy based on basic economics: “When a product gets more expensive, people tend to buy less,” said Alex Wagenaar, a professor at Emory University’s Rollins School of Public Health.

After the Great Recession, several states increased their excise taxes on alcohol. Illinois passed the largest of those hikes. As a result, all drinkers, including heavy drinkers, reduced their purchases of alcoholic beverages, according to an analysis of 22,000 households’ buying habits before and after the tax change.

Higher taxes are one of the World Health Organization’s top recommendations for reining in alcohol-driven issues. Doing so in the United States could also be an economic boon. In 2022, staff of the Joint Committee on Taxation found raising all federal alcohol excise taxes to 25 cents per ounce of pure alcohol and indexing them for inflation could reduce the nation’s budget deficit. In 10 years, such a change could slash the deficit by $114 billion, according to the report.

“I’m baffled that the public is so sanguine about it,” said Looney.

Advocates see it as a no-brainer: Reduce costs associated with alcohol while raising revenue to be used for substance use treatment or prevention or whatever else the citizenry wants. But they are also battling public perception of alcohol. People may see alcohol as harmful only in unusual or extreme circumstances — like wasted bar brawls or drunk-driving deaths — that don’t apply to them personally, Looney said.

However, data suggest when Americans do drink, many consume more alcohol than is recommended by health officials. An estimated 17% of adults binge drink, which means consuming four or more (women) or five or more (men) servings in one occasion. About a quarter of those who binge drink report doing so multiple times per month. Researchers found “excessive drinking” cost the U.S. nearly $250 billion in 2010, the most recent year for which data are available. The median cost per state at the time was $3.5 billion, and mostly driven by binge drinking.

“Everybody pays the costs in extra policing, and all the car crashes in our car insurance, we pay for it in our health insurance, all the cancers caused by drinking,” Wagenaar said. About 5% of cancer cases in adults over 30 are attributable to alcohol use, recent studies suggest.

Even just adjusting tax rates for inflation could have a substantial effect, experts say. But that requires going against alcohol companies with a business incentive to keep taxes low.

Case study: Industry wins again

The results of cheap alcohol are clearly visible in rates of heavy drinking, defined by the Centers for Disease Control and Prevention as more than one drink per day for women, or more than two drinks per day for men. Rates of alcohol-related injuries, diseases and deaths, some of which increased during the pandemic, are concerning public health officials. More people in the U.S. die every year of alcohol-related causes than of opioid overdose. Increasingly, alcohol is harming and killing young people — one in five deaths among people 20 to 49 years old is attributable to drinking, according to CDC data.

Nowhere is the toll more evident than in New Mexico. The state has for decades endured the highest rates of alcohol-related deaths in the country — up to three times the national average. In 2022, a seven-part series published in New Mexico In Depth, a local online publication, laid bare exactly how much alcohol was costing the state. The year after the series ran, the statehouse took up the issue and passed a small alcohol tax increase. Then Gov. Michelle Lujan Grisham, a Democrat, vetoed the legislation.

That sequence of events did not shock Dede Feldman, a former New Mexico senator who served for 16 years. While leading the health and human services committee, Feldman saw it as her ethical obligation to decline financial contributions from tobacco, pharmaceutical companies and, for a while, alcohol makers. She made an exception in the late ’90s, when she wanted to increase driver’s license requirements for teenagers. Feldman needed help from Anheuser-Busch InBev, the multinational giant that owns over 600 beer brands, including Corona and Budweiser.

“In New Mexico, it’s all a question of personal relationships. We’re a small state,” she said. For decades, lawmakers didn’t have staff to help with policy research and writing when they were out of session. Lobbyists, some of them former lawmakers themselves or representing clients on various issues, happily stepped in. “They are there to help you do everything from take your jacket to the dry cleaner to provide you with a brief on why the alcohol taxes should never be raised,” said Feldman, who now works with the nonpartisan group Common Cause New Mexico.

The resulting cozy dynamic makes it extraordinarily difficult to combat special interests and resist the industry’s influence, she said. That, along with money. Between 2013 and 2023, New Mexico legislators got nearly $500,000 in contributions from the alcohol industry and its allies, according to a report Feldman co-wrote for Common Cause NM. In 2023 alone — when the tax increase was being considered anew — alcohol lobbyists spent an estimated $75,000 entertaining representatives in both houses of New Mexico’s Legislature, especially lawmakers on tax-related committees, she said. (Grisham, the governor, was a frequent recipient of campaign contributions from the industry.)

Owners of craft breweries, bars and restaurants flocked to the statehouse to oppose the bill, often pointing to the economic difficulties they weathered during Covid. The industry also argued, as it has elsewhere, that a tax increase would hurt poor people the most.

Experts say while it is technically correct to call alcohol taxes regressive since they consume a larger share of a poorer person’s income, the label can be used to mislead. People with higher incomes tend to buy and consume more alcohol, but low-income people bear the brunt of many societal costs of alcohol. The public health benefits outweigh the burden of the tax, advocates argue.

Everyone in New Mexico might agree that alcohol is a problem, and listen to the doctors talking about extremely high rates of alcohol-associated liver disease and drunk driving. But when it comes time to vote, “It’s just not enough in the face of all this other stuff,” Feldman said.

Where taxes have prevailed, it’s taken persistence and sometimes, outmaneuvering the industry.

How advocates outgamed industry

In “control” states like Utah and Alabama, the supply of alcoholic products is more tightly regulated and can be priced at the state’s discretion with markups on the sales price. This year, Utah increased the markup charged by state liquor stores on spirits, wine, malt liquor and beer. Lawmakers also passed an incremental increase on the beer tax, to a high of $14.10 per barrel in 2027. Alabama increased the sales tax rate for products sold at state-controlled stores, a change that’s projected to increase revenues to counties and municipalities by over $5 million.

Changes are trickier in other places. Boosting the alcohol sales tax had come up multiple times in Anchorage, Alaska, but never made it far. Then, in 2019, the mayor of Anchorage got the issue on the ballot. Hall, executive director of Recover Alaska, scrambled to run an educational campaign in support. It was too little, too late, she said. The industry had set its sights on “teeny, tiny Anchorage,” and tapped into its vast resources to run a campaign against the tax increase. Voters rejected the measure.

The following year though, Hall was prepared. The ballot measure had failed, but not by much. Her group did polling to find out exactly what policy Anchorage voters wanted, and what they wanted the money to be used for. Recover Alaska hired a firm to run fundraising and marketing, and Hall did the rounds talking to assembly members. It also happened that around this time, the alcohol industry was focused on the state capitol in Juneau, where a massive overhaul of state alcohol laws was coming to a head.

The Anchorage tax made it on the ballot again. This time, it passed, placing a 5% tax on every drink sold in Anchorage and raising nearly $14 million in the first year. “Everything just lined up for us,” Hall said.

Public health advocates in many states look to Maryland as an example of what they could do. The state was one of the first to update its alcohol taxes, passing a 3 percentage-point increase to its 6% sales tax in 2011. The tax has stayed in place since and, since it’s a sales tax, risen with the price of alcoholic beverages. Vincent DeMarco, president of Maryland Health Care for All, is widely credited with securing that tax increase using an ingenious strategy.

As candidates for the Maryland state house and senate mounted their campaigns in 2010, DeMarco and his team at the Maryland Citizens’ Health Initiative surveyed them: Would they support an increase in the alcohol tax? Then, they made those 140 pledges public and used polling data to show there was strong support for an alcohol tax. Even though the alcohol industry activated its members in opposition, by the time the tax hike came up in the legislature, lawmakers had publicly committed to passing it and knew they had support from their constituents.

Being in a very blue state helped, but the candidate work changed the course of the issue, which had stagnated for decades, DeMarco told STAT. “Until we did that election work, it was impossible to overcome those lobbyists,” he said. DeMarco is also an adjunct professor at the Johns Hopkins Bloomberg School of Public Health.

Try, try again

In Hawaii, where two tax efforts have died in recent years, advocates are weighing a game of hard ball: Morphing into a 501(c)4 organization in order to make campaign contributions and endorse politicians. “I’m not supposed to say this, but money talks,” said Rick Collins, director of the Hawaiʻi Alcohol Policy Alliance.

In New Mexico, a sponsor of the failed 2023 tax bill is planning to introduce another version in the new year. Its exact shape is still under construction, but the bill will probably include an excise tax update and an added sales tax, Sen. Antoinette Sedillo López told STAT.

And in Oregon, where dramatic revelations have tainted alcohol tax reform, legislators are set to take the issue up again in January.