

**The Potential Economic Effects of
Alcohol Excise Tax Increases in Maryland**

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Executive Summary

In late 2009, we issued a report detailing the potential benefits of alcohol excise taxes in Maryland. In that report, we concluded that alcohol excise tax increases save lives, reduce health care costs, create and preserve jobs, and prevent alcohol-related health problems.¹ The current report updates and expands on our earlier work. Key conclusions include:

- Alcohol use is responsible for 1,278 deaths and 7,470 violent crimes in Maryland every year.
- Alcohol is the leading drug problem among Maryland youth, and causes one out of three deaths of Marylanders between the ages of 15 and 20.
- Multiple reviews of the research literature have concluded that alcohol tax increases are an effective means of reducing alcohol-related harm, including problem drinking, among youth and adults.
- Maryland's alcohol taxes have been steadily eroded by inflation, and today alcohol excise taxes account for one-tenth of one percent of total state revenues.
- Alcohol costs the State of Maryland between \$3.5 billion and \$7.1 billion per year, including direct costs such as medical care and judicial and penal expenses, as well as indirect costs such as lost productivity as a result of premature death, illness, institutionalization and crime.
- A ten cents per drink increase in Maryland's alcohol excise tax will lead to \$215.6 million in new revenues for the State, and an additional \$225.2 million in cost savings for Maryland's economy. It will result in a 4.25 percent decrease in alcohol consumption.
- Conservatively estimated, the decrease in alcohol consumption resulting from a dime per drink increase will result in an annual increase in economic productivity of \$131.7 million in Maryland.
- Productivity gains alone will exceed any job losses in the alcohol industry. In addition, if spent as designated in the current legislative proposal, funds raised by the tax will preserve and create jobs in health and mental health care, development disability support, tobacco use prevention and cessation, and alcohol and other drug addiction treatment and prevention, as well as expanding access to health care in Maryland.
- The tax increase will also save 33 lives and prevent 370 violent acts and 13,301 cases of alcohol dependence or abuse in the State every year.
- Comparison of current retail prices for alcohol in Maryland and surrounding states with current state excise tax rates indicates that the tax rates have little relationship to current prices, except a very slight impact on the lowest-priced beverages.

The tax increase will lead to a modest 6.6 percent average increase in the price of alcohol, and will cost drinkers who do not drink in a risky way an average of \$10.83 per year. The research literature on cross-border shopping suggests that this increase will not have a significant impact on the State's ability to raise the anticipated revenue.