

Alcohol Taxes in Michigan

Background:

Excessive alcohol use is responsible for approximately 88,000 deaths and 2.5 million years of potential life lost each year in the United States.¹ There are a number of strategies outlined in The Community Guide that have been thoroughly researched and proven successful in reducing the harms related to excessive alcohol consumption. Increasing alcohol taxes is one of those strategies.

In Michigan, the beer tax was established in 1966 and the wine tax was established in 1937 with two minor revisions occurring in 1981.² Additionally, the most recent revision on the spirit tax occurred in 1985.² At the current rate, the taxes for beer and wine are \$0.20 and \$0.51, respectively, which amounts to roughly 2 cents per 12 ounce beer and 2 cents per 5 ounce glass of wine.³ The tax on spirits combines both markups and taxes, so specific rates for this type could not be determined.³

Additionally, the Centers for Disease Control and Prevention (CDC) has developed Prevention Status Reports (PSRs) to highlight the status of public health policies and practices around important public health problems, and alcohol-related harms is included.⁴ The PSRs offer a simple three-level rating scale – green, yellow, or red – to show the extent to which the state has implemented the policy or practice in accordance with supporting evidence and/or expert recommendations.⁴ Michigan beer and wine taxes were given red ratings using this scale.

Rating	State beer excise tax
Green	≥\$1.00 per gallon
Yellow	\$0.50–\$0.99 per gallon
Red	<\$0.50 per gallon

Rating	State wine excise tax
Green	≥\$2.00 per gallon
Yellow	\$1.00–\$1.99 per gallon
Red	<\$1.00 per gallon

Effectiveness of Taxes to Reduce Excessive Alcohol Use:

The Community Preventive Services Task Force, an independent, nonfederal body of public health experts, recommends increasing taxes on the sale of alcoholic beverages due to the strong evidence showing the effectiveness of this policy in reducing excessive alcohol consumption and related harms.⁵ The systematic review of 73 studies completed by The Community Preventive Services Task Force looked at the relationship between either tax rates or total price and the measures related to excessive alcohol consumption or its related harms.⁵ More specifically, the review determined:

¹ Centers for Disease Control and Prevention. 2018. Alcohol and Public Health. Fact sheets – alcohol use and your health. Retrieved from: <https://www.cdc.gov/alcohol/fact-sheets/alcohol-use.htm>.

² Michigan’s Major Taxes: Revenue estimates, tax rates, and yields for FY 2018-19 & FY 2019-20. 2019. Retrieved from: <http://www.senate.michigan.gov/sfa/Revenue/AmountMajorTaxes.PDF>

³ The Centers for Disease Control and Prevention. 2017. PSRs by state. Retrieved from: <https://www.cdc.gov/psr/?state=Michigan>.

⁴ The Centers for Disease Control and Prevention. 2017. About the prevention status reports. Retrieved from: <https://www.cdc.gov/psr/overview.html>.

⁵ The Community Guide. Alcohol – Excessive Consumption: Increasing Alcohol Taxes. Retrieved from: <https://www.thecommunityguide.org/findings/alcohol-excessive-consumption-increasing-alcohol-taxes>.

- Higher alcohol prices or taxes were consistently related to:⁵
 - Fewer motor vehicle crashes and fatalities
 - Less alcohol-impaired driving
 - Less mortality from liver cirrhosis
 - Less all-cause mortality
 - Less youth drinking
- The expected percentage change in alcohol consumption for every 10% increase in price:⁵
 - 5% reduction in beer consumption
 - 6.4% reduction in wine consumption
 - 7.9% reduction in spirits consumption
 - 7.7% reduction in total alcohol consumption

A research collaborative that included Johns Hopkins University and Boston University created an online tool that simulates the effects of various tax increases on alcohol. For example, a 5% alcohol tax increase in Michigan would:

- Cost excessive drinking adults 18 years and older an extra \$19.22 per year⁶
- Cost non-excessive drinking adults 18 years and older an extra \$3.43 per year⁶

Essentially, any alcohol tax increase would primarily be paid for by excessive drinkers. Persons who do not drink would not pay any of these additional tax dollars.

The tool also models the potential impact of a 5% alcohol tax increase on jobs. The funds generated by this tax increase could support an additional 1,343 jobs if allocated to the general fund, or 494 jobs if earmarked for healthcare.⁶

Conclusion:

In Michigan, the beer, wine and spirits excise taxes have remained unchanged for decades. On the basis of strong scientific evidence, the Community Preventive Services Task Force recommends increasing alcohol excise taxes to prevent excessive alcohol use and related harms. Increasing alcohol excise taxes can be used as part of a comprehensive approach including other strategies outlined in The Community Guide, such as limiting the days and hours of sale of alcohol and regulating alcohol outlet density, to reduce excessive alcohol use and alcohol-related harms in Michigan.

For more information, please contact Patrick Hindman (Alcohol Epidemiologist) by phone or e-mail.

Phone: 517-335-5027 | E-mail: hindmanp@michigan.gov

⁶ The Center on Alcohol Marketing and Youth. Johns Hopkins Bloomberg School of Public Health. Retrieved from: <http://www.camy.org/research-to-practice/price/alcohol-tax-tool/index.html>.

The Michigan Department of Health and Human Services (MDHHS) does not discriminate against any individual or group because of race, religion, age, national origin, color, height, weight, marital status, genetic information, sex, sexual orientation, gender identity or expression, political beliefs or disability.

This publication was supported by Cooperative Agreement Number NU58DP001006 from The Centers for Disease Control and Prevention. Its contents are solely the responsibility of the authors and do not necessarily represent the official views of the Centers for Disease Control and Prevention.