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Summary

The Oregon legislature is considering numerous bills to raise the beer tax, perhaps by as much as 1,271 percent. Increasing the tax on beer will have negative economic effects and may pose constitutional difficulties. If the goal is to reduce harmful behavior, the Legislature should look to hold specific individuals responsible, not punish all beer consumers.

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“One of several legislative bills would increase the beer tax by 1,271 percent, or \$33 per barrel. This would amount to a 10-cent per bottle tax.”

A sober critique of the beer tax

By Joseph Coon

The cost of your favorite beer will increase if a few politicians and special interest groups in Oregon get their way. Recently, the Governor’s Task Force on the Alcohol Beverage Industry discussed a possible hike in Oregon’s beer tax. In its final report, the task force “recommend[ed] that the legislature review the need for an increase in privilege taxes on beer and wine.” Raising the excise tax on beer would punish responsible Oregonians, burden the poor and eliminate jobs in a time of economic hardship.

One of several legislative bills would increase the beer tax by 1,271 percent, or \$33 per barrel. This would amount to a 10-cent per bottle tax. If passed, Oregon’s beer tax will be the highest in the country and substantially more than the national average of 2.51-cents per bottle.

Jim Parker, executive director of the Oregon Brewers Guild, believes that the consequences of a tax hike would be disastrous to Oregon’s beer industry. According to the Beer Institute Economic Contribution Study, the beer industry directly provides 11,620 local jobs and a total economic value of \$652,200,000 in Oregon.

“It would wipe out some of the smaller breweries completely,” states Parker. If raised by \$33 per barrel, the tax increase “would cost the industry an equivalent of one family wage job for every 1,000 barrels produced.” It would increase the tax burden of Deschutes Brewery, for example, by at least \$1.5 million annually, potentially costing hardworking men and women their jobs.

Those who favor an increase argue that the negative economic impact on Oregon’s beer industry could be avoided by implementing protectionist measures that would exempt breweries that produce below a specified number of barrels of beer. Such tax discrimination poses constitutional problems, however.

A 1984 court case, *Bacchus v. Dias*, found that an excise tax in Hawaii exempting sales of specified local beverages was unconstitutional. The Supreme Court of Hawaii found that such an exemption “violates the Commerce Clause, because

it has both the purpose and effect of discriminating in favor of local products.” Yet this is the explicit intent of those who wish to increase the beer tax while proposing legal loopholes to avoid the economic consequences for some.

Such an exemption would not apply only to Oregon breweries. However, Paul Romain, a Portland lawyer and lobbyist for the Oregon Beer and Wine Distributors Association, explains that 95 percent of the breweries that would meet the exemption criteria would be from Oregon.

In addition to costing jobs, alcohol taxes place a disproportionate burden on the poor. A February 2001 report by the Congressional Budget Office states that taxes on alcoholic beverages “take up a greater percentage of income for low-income families than for middle-income and upper-income families.” Recent research by Tax Foundation senior economist J. Scott Moody reveals that the burden of alcohol taxes is 18 times more costly to low-income earners than upper-income earners.

Those who support a tax increase believe raising the cost of beer will discourage consumption and reduce negative effects associated with alcohol abuse. This raises the question: why should the overwhelming majority who consume alcohol responsibly and in moderation foot the bill for those who act irresponsibly?

If the true goal is to make beer less affordable and reduce drinking, why should the proposed tax stop at 10-cents a bottle? If they really want to make beer less affordable, why don't they increase the tax to \$10 a bottle? Or better yet, resurrect the failed prohibition policy of the 1930s and outlaw alcohol altogether.

Raising the excise tax on beer in Oregon does not make sense. There will be significant economic effects of such a tax, and there are constitutional questions about some of the proposals. To reduce alcohol's negative effects the Legislature should instead focus on methods that hold specific individuals accountable for the harm caused by their inappropriate alcohol use. No free society should punish the majority of responsible drinkers for the behavior of a few.

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