

Increase Taxes, Lower Consequences: Why It's Time to Raise Indiana's Alcohol Tax



A program of Mental Health America of Indiana



Problem Statement and Introduction

Indiana confronts significant challenges in addressing alcohol-related public and behavioral health issues. To combat rising rates of harm and substance use disorder, immediate action to increase the alcohol tax is imperative. Establishing sustainable funding sources is crucial for prevention, treatment, and mental health services. Increasing the alcohol tax is an evidence-based strategy to boost state revenues and deter harmful drinking behaviors. This proactive measure can enhance public health outcomes and alleviate the social and economic impact of alcohol misuse in Indiana.

Alcohol misuse presents a significant problem in Indiana, resulting in billions of dollars in health and safety related costs. According to the State Drug Fact Sheet, adult alcohol consumption increased in 2021, with 52% of adults acknowledging alcohol use. Particularly alarming is the heightened rate of binge drinking among 18-25 year olds, surpassing the national average, alongside a rise in alcohol-related deaths (https://www.in.gov/fssa/dmha/files/Drug-Fact-Sheet_2023_ADA_final.pdf).

Alcohol and the Family

Alcohol misuse affects the entire family. The strong genetic components that can lead to alcohol dependence and alcoholism are passed to each generation, and the behaviors and attitudes of one family member with a substance use disorder impact everyone. It's alarming to note that one in five adults has experienced living with a family member grappling with alcohol dependency or alcoholism, highlighting the pervasive nature of this issue (American Academy of Child and Adolescent Psychiatry, www.aacap.org).

Alcohol often plays a role in domestic violence and other serious alcohol related issues such as mental, emotional, and sexual abuse. According to the National Institute on Alcohol Abuse and Alcoholism (NIAAA), studies have found that alcohol is involved in approximately 50% of domestic violence cases. Data from the Indiana Department of Children's Services reveals that 10% of child home removal cases are due to parental alcohol abuse (IDCS, 2022).

Impacts on Children

- nearly 25% of children in the US are exposed to problem drinking and 10% have a parent with an alcohol use disorder
- Youth who drink before the age of 15 are 4x more likely to develop alcohol dependency in their lifetime (NIAAA)
- Fetal Alcohol Spectrum Disorder (FASD) is the leading preventable cause of intellectual disabilities in the United States (The Centers for Disease Control and Prevention)

Among adults in Indiana who binge drink, 1 out of 4 consume at least 8 drinks per occasion and do so at least 4 times per month (BRFSS, 2022). Additionally, alcohol is the most abused substance among older adults (60 years or older), with an estimated 10%-15% of patients in primary care settings experiencing alcohol-related issues. Despite the majority of those with alcohol use disorder regularly visiting doctors, fewer than 1 in 10 are screened for or receive treatment for alcohol misuse (Cleveland Clinic Journal of Medicine).

Alcohol and Public Safety

Public Safety

First responders play a vital role in assessing whether alcohol was involved in incidents, with responses often confirming the prevalence of alcohol-related crimes. Research from the Pacific Institute of Research and Evaluation (PIRE) reveals that these crimes collectively cost society over \$38 billion annually. Most of the resources allocated to adult and juvenile corrections and courts are dedicated to addressing the consequences of substance use.

Additional studies compiled by the Bureau of Justice Statistics (BJS) on the correlation between alcohol and violent crimes (assault, sexual assault, rape, and robbery) reveal that 6 out of 10 victims of crimes committed by an "intimate" (spouse or significant other) reported alcohol as a contributing factor to the violence. For those incarcerated in state penal systems, 31% have been under the influence of alcohol at the time of their crime and 25% of persons incarcerated in a federal penal system used alcohol at the time of their crime (<https://bjs.ojp.gov/library/publications/alcohol-and-drug-use-and-treatment-reported-prisoners-survey-prison-inmates>, 2021). Out of the youth in juvenile detention facilities, 36% meet the criteria for alcohol use disorder.

Impaired Driving

Impaired driving poses a critical public safety concern, with approximately 37 lives lost every day in the US due to alcohol-impaired driving, equating to one fatality every 39 minutes. Alarming, alcohol plays a role in 31% of all traffic crash fatalities, highlighting its preventable nature. In Indiana in 2023, 817 deaths were attributed to alcohol-impaired driving, comprising 19% of all traffic-related fatalities (County Health Rankings, 2023). Research suggests that individuals who engage in binge drinking are more likely to drive under the influence compared to moderate drinkers. The economic impact of excessive alcohol consumption in Indiana is significant, estimated at over \$4.4 billion, amounting to \$1.96 per drink or \$689 per capita (source: <https://www.cdc.gov/alcohol/data-stats.htm>).

Alcohol and Public Health

Nearly 30 million Americans aged 12 and older meet the criteria for alcohol use disorder (niaaa.nih.gov). Despite its societal acceptance, alcohol remains a major contributor to leading causes of death, notably car crashes. Its repercussions include immediate effects such as alcohol poisoning, injuries, violence, and risky behaviors, along with long-term health issues like cancer, cardiovascular diseases, liver diseases, and mental health disorders. In Indiana, 21% of Hoosier 12 years of age and older engage in binge drinking which is defined as five or more drinks for males and four or more drinks for females on the same occasion (<https://www.in.gov/fssa/dmha/files/2024-State-Epidemiological-Profile.pdf>).



- In Indiana, excessive alcohol use contributes to an average of 2,960 deaths annually (<https://www.addictiongroup.org/indiana/drug-statistics>).
- The age-adjusted alcohol mortality rate in Indiana stands at 15 per 100,000 persons, marking an increase from the previous year (CDC, 2021).
- Among individuals visiting emergency rooms, 7% were admitted for alcohol-related issues, while alcohol played a role in 17% of opioid-related deaths.
- An analysis of death certificates from 2019 and 2020 revealed a 25.5% increase in deaths involving alcohol, rising from approximately 79,000 to over 99,000, one of the most substantial increases in recent history (National Center for Health Statistics).



- For uninsured individuals, nearly 78% of hospital stays for alcohol abuse originated in emergency rooms, a rate 36% higher than for patients with private insurance (Agency for Healthcare Research and Quality, Healthcare Cost and Utilization Project, Statistical Brief #4: Hospitalizations for Alcohol)
- A study comparing healthcare costs across multiple ERs found that implementing Screening, Brief Intervention, and Referral to Treatment (SBIRT) for substance use disorder led to a 21% reduction in costs, saving \$2,100 per patient annually (Source: NCBI).



- Among adults with mental illness, 30% reported binge drinking, and 10% reported heavy alcohol use, surpassing rates observed in individuals without mental illness.
- In Indiana, it is estimated that more than 250,000 people have a serious mental illness, many with co-occurring disorders. Over 10% of Hoosiers aged 12+ have alcohol use disorder ([SEOW, 2022](#))
- Only 41% of Indiana adults over 18 and 31% of adolescents aged 12-17 receive mental health treatment. In 2022, 2,333 people were admitted for alcohol-only substance use treatment, representing 12% of all admissions, with 16% specifically treated for alcohol use disorder (Substance Abuse and Mental Health Services Administration).
- Women who binge drink experience significantly more "mentally and physically unhealthy days" than non-binge drinkers, with similar effects for men (CDC). In 2022, 2,333 people in Indiana were treated for alcohol use only, making up 12% of all admissions. Alcohol use disorder is the second most common factor in suicides, involved in about 25% of cases. Indiana ranks 22nd for excessive drinking, costing \$689 per person.
- The negative impacts of substance abuse include job loss, family issues, poor health, homelessness, and incarceration. According to NAMI, people with both mental illness and substance use disorders are at higher risk for incarceration and homelessness, with 50% of homeless adults with serious mental illness also having a substance use disorder.

Recommended Strategies to Reduce Alcohol Related Problems

Prevention



- Traditional prevention strategies focus on individual behaviors and choices related to alcohol consumption, using educational campaigns for both the general population and high-risk groups. These approaches aim to change perceptions, attitudes, and behaviors. Federal agencies like SAMHSA offer model programs and guidance to help states and communities implement evidence-based interventions to prevent underage drinking and adult alcohol misuse.
- Indiana has established local community prevention coalitions across all 92 counties to address substance use among adults and youth. Some of these coalitions are funded by county fees from substance use-related offenses, while others receive additional funding from the Division of Mental Health and Addiction, utilizing federal and state resources.
- Prevention also involves universal approaches that address community-specific challenges and resources, aiming to influence broader community norms and attitudes. These strategies include environmental efforts that engage legislators, policy makers, community leaders, and advocates to tackle alcohol issues through education, policy development, and enforcement.

Treatment



- Treatment is a key individual strategy for addressing alcohol-related problems and helping people with addictive disorders regain control of their lives. Effective methods include 12-step programs, individual and group therapy, brief interventions by primary care providers, and medication-assisted treatment (MAT). Access to affordable and effective programs and services is crucial for treatment to be beneficial.

Policy



- Effective public policies to reduce underage drinking and adult alcohol misuse focus on limiting access and improving systemic capacity for prevention, diagnosis, and treatment of substance use and mental health disorders. Examples include social host laws, mandatory responsible alcohol service training, and increasing alcohol taxes. The Congressional Budget Office suggests raising the alcohol tax to \$16 per proof gallon (or \$0.25 per ounce) as a way to reduce deficits and generate revenue.
- In 2003, the Institute of Medicine's report "Underage Drinking: A Collective Responsibility" addressed the epidemic of underage drinking and offered recommendations to combat it. One key recommendation (12-7) was to increase alcohol taxes at both federal and state levels to reduce underage consumption and generate additional revenue. The report emphasized raising beer taxes and indexing excise tax rates for all alcoholic beverages to the consumer price index to keep up with inflation without requiring further legislative action.

Alcohol Taxes and Public Health

There is an urgent need for additional funding to guarantee access to effective prevention and treatment programs and services for individuals dealing with substance use and mental health disorders. While progress has been made in reforming the state's criminal justice system and mental health delivery structure, there is crucial work to do.

To address budget deficits, some states are considering increasing alcohol taxes, but the alcohol industry suggests alternatives like allowing Sunday sales or expanding sales venues. Although these measures might boost revenue, they also tend to increase alcohol-related issues, which in turn requires more investment in criminal justice and public health systems. Research indicates that relying on increased sales for funding substance use and mental health services is not a sustainable solution (Babor et al., 2003; Chaloupka et al., 2002; Edwards et al., 1994).

Alcohol policies and revenue from alcohol taxes are *vital* for a state's ability to prevent and manage substance use and mental health disorders. Studies show that, like tobacco taxes, raising alcohol taxes reduces consumption and alcohol-related problems, especially among those with limited income, including youth (Chaloupka et al., 2002; Cook & Moore, 2002). Research highlights that increasing alcohol taxes is one of the most effective strategies for addressing alcohol-related issues among young people (Chaloupka, Saffer & Grossman, 1993; Holder, 1998).

Alcohol Tax Increase Myths

1

Regressive Tax

An excise tax is a flat tax, meaning everyone pays the same amount regardless of income, not a regressive tax. The alcohol industry passes tax increases on to consumers, a standard practice for recovering such costs (Young and Blelinska-Kwapisz, 2002). Research indicates that alcohol taxes are *not* regressive since they are only paid by consumers of alcohol, unlike sales taxes which affect everyone. Therefore, those who consume alcohol should bear the primary costs associated with its consumption.

2

"Joe Six Pack"

The alcohol industry often argues that raising alcohol taxes would financially burden the "average hard-working" individual. However, beer consumption is distributed across various income levels, with those earning less than \$50,000 annually accounting for about 53% of beer consumption, though this has decreased by 17% in recent years (source: <https://extension.psu.edu/alcoholic-beverage-consumption-statistics-and-trends-2023>). High-risk drinking is largely confined to 7-8% of the population, who contribute most to alcohol-related problems. Therefore, higher taxes would primarily impact heavy drinkers, who are responsible for the majority of alcohol-related costs.

3

Jobs Will Be Lost

Claims that increasing alcohol taxes could lead to job losses or business closures are largely unfounded. Research shows that such fears are exaggerated, as the alcohol industry has seen substantial growth, with sales rising from approximately \$87 billion to \$207 billion between 2002 and 2021—a 42% increase (Statista, 2024). In Indiana, the number of microbreweries grew from 46 in 2001 to 197 in 2022, a nearly 25% increase. The state also has 100 wineries and 18 microdistilleries, contributing to thousands of jobs in Indiana's employment market.

4

Responsible Drinkers Shouldn't Have to Pay

It's a misconception that responsible drinkers bear the tax burden for alcohol-related issues. Both responsible drinkers and abstainers already pay for the societal costs of alcohol misuse, such as underage drinking, car crashes, and public health strains. Raising alcohol taxes would help offset these costs without unfairly burdening responsible and non-drinkers. Seen as a "user fee" or "insurance policy," the tax would cover expenses related to irresponsible alcohol use and would benefit everyone. Public polls show consistent support for increasing alcohol taxes, especially if the revenue is used for public health and safety initiatives.

Summary

Indiana's alcohol tax has remained stagnant since 1981 with rates at .11 cents per gallon of beer, .47 cents per gallon of wine, and \$2.68 per gallon of liquor. Despite ranking 43rd for beer, 36th for wine, and 44th for liquor taxes among all 50 states, this unchanged system leads to lost revenue and contributes to issues like underage and excessive drinking in adults. It's past time to raise this tax – Hoosier lives depend on it!