

Exhibit 4.3.45: Alcohol Tax Changes 2003–2011

		Beer		Wine		Spirits		Total
		Specific excise tax	Ad valorem excise tax	Specific excise tax	Ad valorem excise tax	Specific excise tax	Ad valorem excise tax	
Number of jurisdictions that:	Increased rates	5	1	6	1	5	2	20
	Decreased rates	1	3	1	3	1	3	13

References and Further Information

Legal research and data collection for this topic are planned and managed by SAMHSA and conducted under contract by The CDM Group, Inc. To see definitions of the variables for this policy, go to Appendix B. For further information and background see:

Chaloupka, F., Grossman, M., & Saffer, H. (2002). The effects of price on alcohol consumption and alcohol-related problems. *Alcohol Research & Health, 26*.

Community Preventive Services Task Force. (2010). Increasing alcohol beverage taxes is recommended to reduce excessive alcohol consumption and related harms. *Am J Prev Med, 38*, 230–232.

Elder, R. W., Lawrence, B., Ferguson, A., Naimi, T. S., Brewer, R. D., Chattopadhyay, S. K., Toomey, T. L., & Fielding, J. E. (2010). The effectiveness of tax policy interventions for reducing excessive alcohol consumption and related harms. *Am J Prev Med, 38*, 217–229.

National Research Council and Institute of Medicine. (2003). *Reducing underage drinking: A collective responsibility*. Washington, DC: National Academies Press.

20. LOW-PRICE, HIGH-VOLUME DRINK SPECIALS

Policy Description

Low-price, high-volume drink specials restrictions prohibit or limit the ability of on-premises retailers from using various price-related marketing tactics such as happy hours, two-for-one specials, free drinks, and so on, that encourage heavier consumption. These promotions are particularly prevalent in college communities, where large numbers of underage students are present.

Research has examined the impact of on-premises retail drink specials on binge drinking among college students. For example, one study measured self-reported binge drinking rates among college students from 119 colleges, conducted an assessment of marketing practices of on-premises outlets in neighboring communities, and determined whether these communities restricted low-price, high-volume drink specials. The results demonstrated that price-related promotions were significantly correlated with higher binge-drinking and self-reported drinking and driving rates among students (Wechsler et al., 2003).

Based on this and other research, the Surgeon General's *Call to Action* concluded that "increasing the cost of drinking can positively affect adolescent decisions about alcohol use," and recommended "[e]limination of low price, high-volume drink specials, especially in proximity to college campuses, military bases, and other locations with a high concentration of youth."

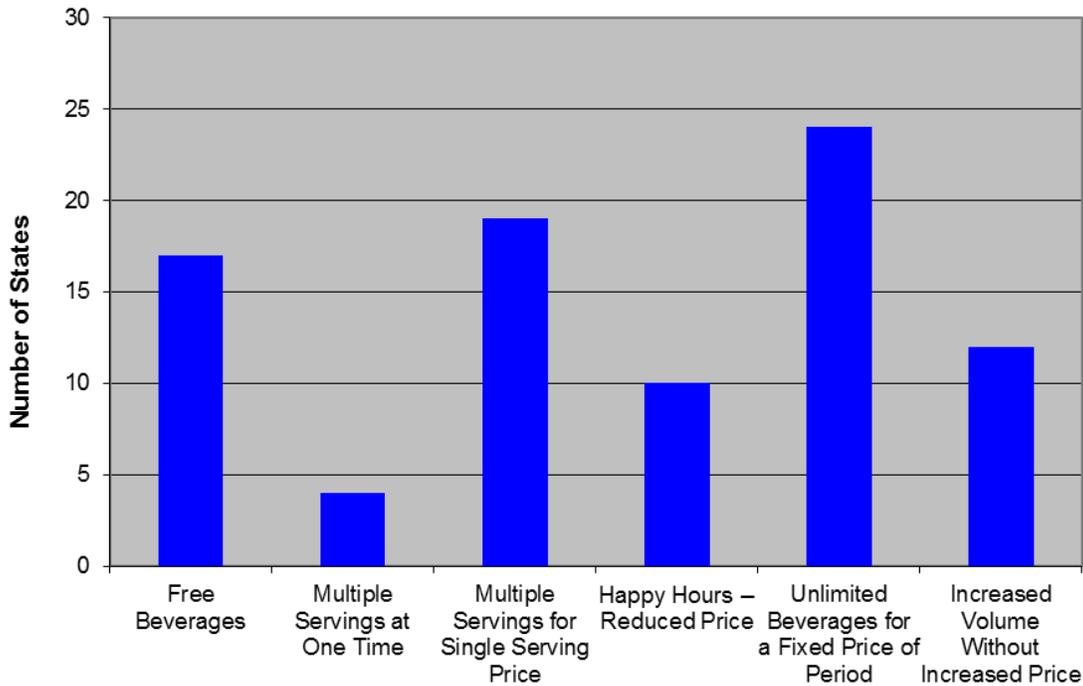
A State low-price, high-volume drink specials law may prohibit or restrict the following practices:

- Providing customers with free beverages either as a promotion or on a case-by-case basis (e.g., on a birthday or anniversary, as compensation for poor services)
- Offering additional drinks for the same price as a single drink (e.g., two-for-ones)
- Offering reduced-price drinks during designated times of day ("happy hours")
- Instituting a fixed price for an unlimited amount of drinks during a fixed period of time (e.g., "beat the clock" and similar drinking games)
- Offering drinks with increased amounts of alcohol at the same price as regular-sized drinks (e.g., double shots for the price of single shots)
- Service of more than one drink to a customer at a time

Status of Low-Price, High-Volume Drink Specials Law

Exhibit 4.3.46 shows the number of states that prohibited the six low-price, high-volume specials discussed above.

Exhibit 4.3.46: Number of States Prohibiting Various Low-Price, High-Volume Drink Specials

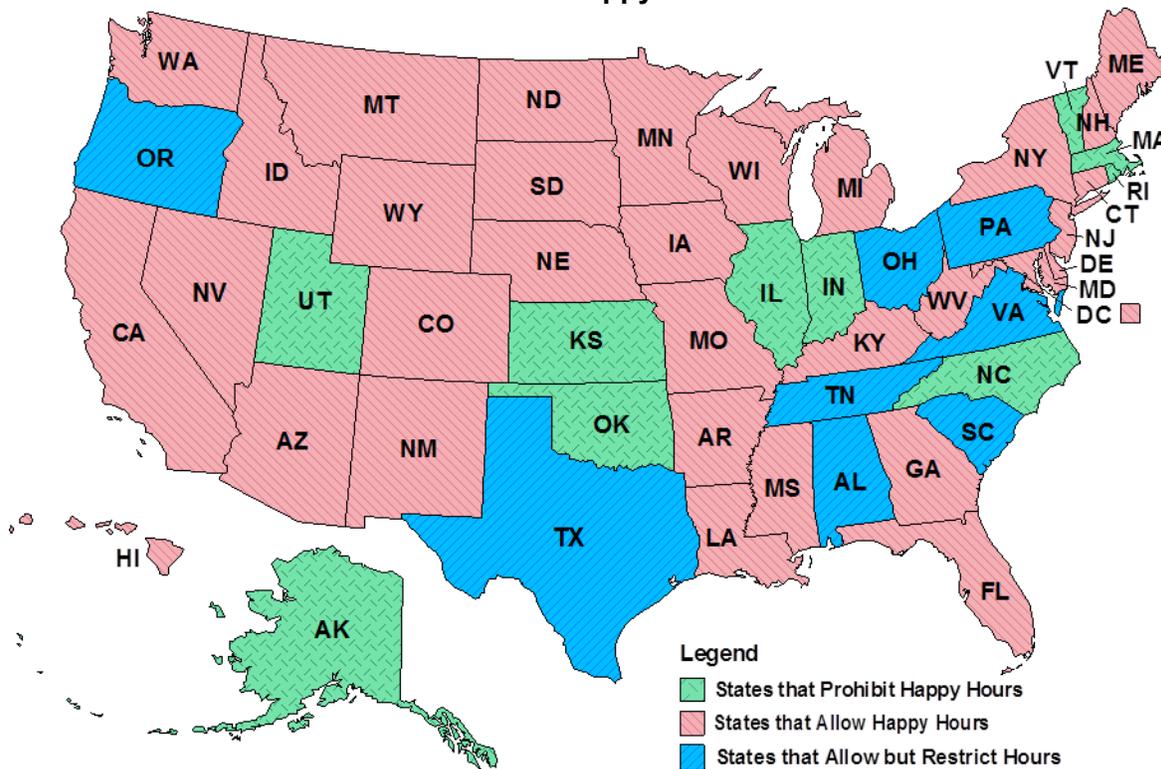


Seventeen States prohibited *free beverages*. Five additional States (New Jersey, New Mexico, South Carolina, Texas, and Washington) allowed a licensee to offer a free drink on a case-by-case basis only (e.g., on a birthday or anniversary, as compensation for poor services).

Four states prohibited *multiple servings at one time*. In one of these States (Tennessee), this prohibition applied only after 10 p.m. Nineteen States prohibited *multiple servings for single serving price*. Twenty-four States prohibited *unlimited beverages for a fixed price or period*. In one of these (Louisiana), this prohibition applied only after 10 p.m. Twelve states prohibited *increased volume without increase in price*, with Tennessee making it unlawful after 10 p.m.

As can be seen in Exhibit 4.3.47, 10 States prohibited *happy hours (reduced prices)*. Eight additional States allowed happy hours but restricted the hours in which they may be offered.

Exhibit 4.3.47: Happy Hours 2011



Trends in Low-Price, High-Volume Drink Specials Law

Between 2010 and 2011, only one small change has occurred in low-price, high-volume drink specials law. One State expanded its definition of “drink” to include two different drinks customarily served at the same time. Such a change created a decrease by one State in “multiple servings at one time.”

References and Further Information

Legal research for this topic is planned and managed by SAMHSA and conducted under contract by The CDM Group, Inc. To see definitions of the variables for this policy, go to Appendix B. For further information and background see:

Babor, T., et al. (1978). Experimental analysis of the ‘happy hour’: effects of purchase price on alcohol consumption. *Psychopharmacol* 58, 35–41.

Beverage Information Group, Fact Book. (2010). Norwalk, CT: Beverage Information Group (annual publication).

Chaloupka, F., et al. (2002). The effects of price on alcohol consumption and alcohol-related problems. *Alcohol Res & Health* 26(1), 22–34.

Department of Health and Human Services. (2007). *The Surgeon General's call to action to prevent and reduce underage drinking*. Rockville, MD: HHS, Office of the Surgeon General. Available at: <http://www.surgeongeneral.gov> and at <http://www.hhs.gov/od>

Kuo, M., Wechsler, H., Greenberg, P., & Lee, H. (2003). The marketing of alcohol to college students: The role of low prices and special promotions. *Am J Prev Med* 25(3), 1–8.

National Highway Traffic Safety Administration. (2005). Research report: Preventing over-consumption of alcohol – sales to the intoxicated and “happy hour” (drink special) laws. Springfield, VA: National Technical Information Service, DOT HS 809 878, February 2005.

Wechsler, H., Lee, J., Nelson, T., & Lee, H. (2003) Drinking and driving among college students: The influence of alcohol control policies. *Am J Prev Med* 25(3), 212–218.

21. WHOLESALER PRICING RESTRICTIONS

Policy Description

The 21st Amendment to the Constitution repealed Prohibition and gave States broad authority to regulate alcohol sales within their borders. Most States established a three-tier structure: producers, wholesalers, and retailers. Many States included restrictions on wholesaler pricing practices, intended to strengthen the three-tier system, reduce price competition among wholesalers and retailers, and combat corruption and crime in the alcohol market.

Research suggests that the specific wholesaler pricing restrictions described below increase the price of alcohol to consumers. Research also shows that underage consumption and problems are strongly influenced by alcohol prices. One study has suggested that restrictions on certain wholesale pricing practices may have a stronger effect on alcohol pricing than alcohol taxes.

Some States operate alcohol wholesale operations directly through a State agency, usually limited to distilled spirits, beer with high alcohol content, and wine with high alcohol content.³⁹ In these cases, the State sets wholesaler prices as part of its administrative function, and statutory provisions are only relevant to that portion of the wholesaler market in the control of private entities. For this policy, an index beverage has been selected: beer (5 percent), wine (12 percent), and spirits (40 percent). If the index beverage is controlled, in whole or in part, by the State at the wholesale level, the State is coded as CONTROL and no additional coding is displayed.

In general, wholesaler pricing policies fall within four types: (1) Restrictions on volume discounts; (2) restrictions on discounting practices; (3) price posting requirements, and (4) restrictions on the ability of wholesalers to provide credit extensions to retailers. These policy categories are closely interrelated but may operate independently of each other. Each is described briefly below.

Types of Wholesaler Pricing Policies

Volume discounting restrictions: Large retailers often have an advantage over smaller retailers due to the large volumes they are able to purchase at once. This purchasing power allows them to

³⁹ For a State-by-State review of control State wholesaler systems, see www.apis.niaaa.nih.gov.