



MASSACHUSETTS SENATE SENATOR MARIAN WALSH

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State House, Room 405, Boston, MA 02133

S. 1144 – BILL SUMMARY

Creates the **Substance Abuse Health Protection Fund**

Amounts credited would provide and supplement funding for the following purposes:

- A comprehensive substance abuse treatment program, administered by the **Department of Public Health (DPH)**, for the treatment of individuals who lack public or private coverage for such treatment;
- Substance abuse treatment programs administered by the Office of Community Corrections, the Department of Corrections, the Department of Social Services, the Department of Youth Services, and the Office of the Commissioner of Probation;
- Comprehensive school health education programs, to be administered by the Department of Education, provided that such programs shall incorporate information relating to the hazards of alcohol and controlled substances use;
- Workplace-based and community substance abuse prevention and drinking cessation programs;
- Substance abuse-related public service advertising;
- Drug and alcohol education programs administered by the department of public health.

The fund will be financed by **lifting** the **exemption** on the five-percent sales tax on sales of alcohol for **off-premises** consumption.

Public Opinion on the Taxation of Alcoholic Beverages¹

80% of adults support increasing alcohol taxes if the funds collected are used for alcohol treatment/prevention programs.

40% of adults support increased alcohol taxes if the use of funds collected is not specified.

¹ Public opinion on alcohol policies in the United States: Results from a national survey. See Wagenaar AC, Harwood, EM, Toomey, TL, Denk CE, Zander KM. *Journal of Public Health Policy* 2000; 21(3):303-327.

HISTORY OF TAX ON ALCOHOL – MASSACHUSETTS²

SALES TAX

On-Premises:

- Taxed at 5.0% as part of meals tax beginning in 1977³
 - The Massachusetts Sales and Use Tax became effective March 2, 1966 as a temporary tax (3%) that was scheduled to expire on December 31, 1967.
 - In November of 1966, the citizens of Massachusetts voted to continue the Sales Tax by a substantial majority.

Off-Premises:

- Has always been exempt from sales tax⁴

STATES WITH AN OFF-PREMISES ALCOHOL SALES TAX

Total: 43 states and the District of Columbia

Alabama	Arizona	Arkansas	California	Colorado	Connecticut	Florida
Georgia	Hawaii	Idaho	Illinois	Indiana	Iowa	Kansas
Louisiana	Maine	Maryland	Michigan	Minnesota	Mississippi	Missouri
Nebraska	Nevada	New Jersey	New Mexico	New York	N. Carolina	N. Dakota
Ohio	Oklahoma	Pennsylvan.	Rhode Island	S. Carolina	S. Dakota	Tennessee
Texas	Utah	Vermont	Virginia	Washington	W. Virginia	Wisconsin
Wyoming	D.C.					

² As per Massachusetts Department of Revenue

³ M.G.L. c. 64H, Section 2 and 6(h) (Section 45 of Chapter 363A of the Acts of 1977)

⁴ M.G.L. c. 64H, sec. 6(g)

HISTORY OF EXCISE TAX ON CIGARETTES – MASSACHUSETTS⁵

YEAR	RATE
1939	\$0.02
1945	\$0.04
1949	\$0.05
1958	\$0.06
1965	\$0.08
1966	\$0.10
1969	\$0.12
1971	\$0.16
1976	\$0.21
1983	\$0.26
<u>1993*</u>	<u>\$0.51</u>
1996	\$0.76
2002	\$1.51

***The 1993 increase of \$0.25 resulted from a Ballot Initiative in 1992**

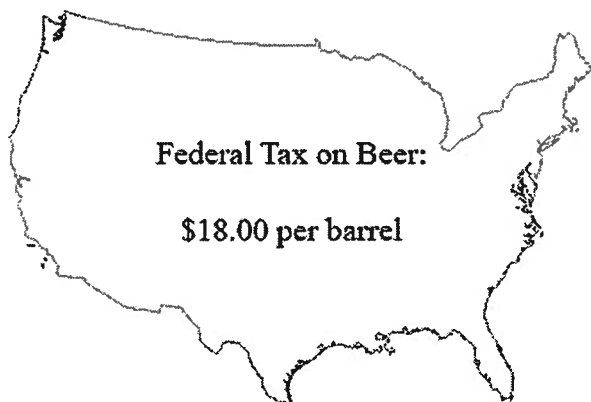
Question 1, 1992 Ballot Initiative (“Question 1 designated that the new revenues be used for tobacco education, subject to the approval of the legislature”)

⁵ As per Massachusetts Department of Revenue

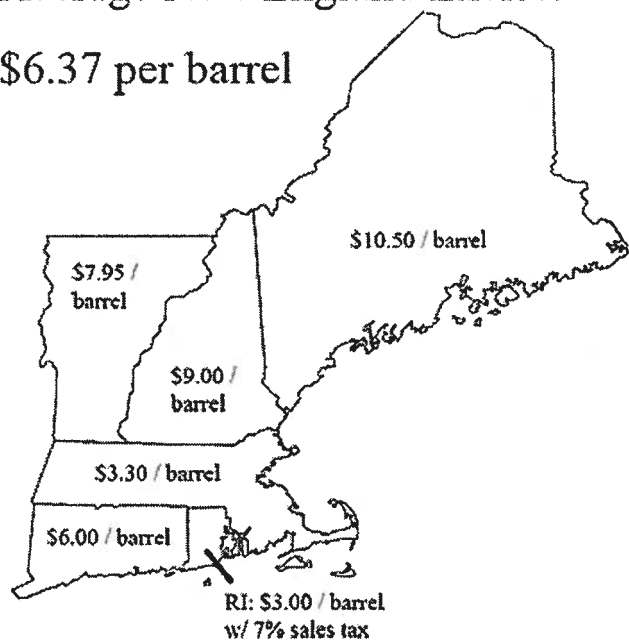
HOW DO TAXES AFFECT THE PRICE OF BEER?

Average New England Excise:

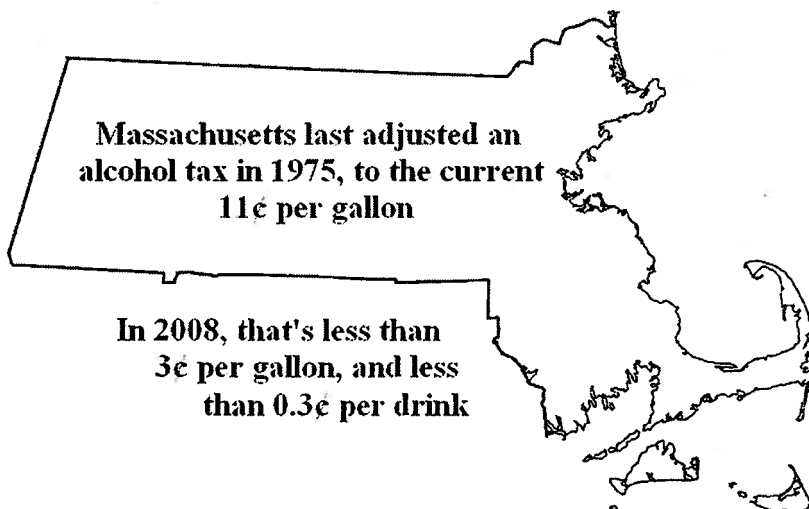
\$6.37 per barrel



Which is about 5¢ a drink



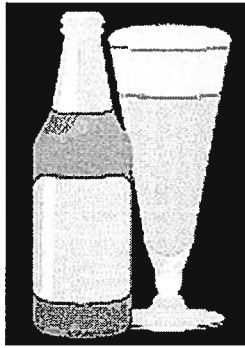
In New England, about 2¢ a drink.



FROM 2002 – 2005 IN THE US, ALCOHOL TAXES WERE RAISED ONLY **8** TIMES.

BETWEEN 2000 – 2008, CIGARETTE TAXES WERE RAISED **75** TIMES IN **43** STATES

BEER AND TAXES IN MASSACHUSETTS AND NEW HAMPSHIRE



NEITHER STATE has an Alcohol Sales Tax

NH has a HIGHER Excise Tax than MA

U.S. ALCOHOL EXCISE TAX RANKINGS (HIGHEST TO LOWEST)

NH: 13TH IN THE US

MA: 38TH IN THE US (or, 12th lowest)

BREAKDOWN OF TAXES ON BEER

	<i>Taxes in MASSACHUSETTS</i>	<i>Taxes in NEW HAMPSHIRE</i>
Federal Excise	5¢ / beer (12oz) ^{6,7}	5¢ / beer (12oz)
State Excise	1¢ / beer	3¢ / beer
<u>Combined Excise</u>	<u>6¢ / beer</u>	<u>8¢ / beer</u>
If Sales Tax Applied	Less than 4¢ / beer	—
Total	Less than 10¢ / beer	8¢ / beer

Will less than 2¢ per beer send people to N.H. at more than \$3 per gallon?

⁶ US Dept. of the Treasury – Alcohol and Tobacco Tax and Trade Bureau. <https://www.ttb.gov>

⁷ Average Beer Cost from study by The Beer Institute. 2007

WHAT DOES IT COST MASSACHUSETTS TO NOT TREAT SUBSTANCE ADDICTION?

MA Spending as a Direct Result of Untreated Substance Addiction in 1998⁸

• Justice System:	\$816,818,100	
• Education (elem/sec):	\$370,810,100	
• Health:	\$477,142,200	
• Child/Family Assistance:	\$379,090,400	
• Mental Health/Devel Disabled:	\$517,923,700	
• <u>Public Safety:</u>	<u>\$42,251,300</u>	
• Total of Affected Programs:	\$2,604,035,800	(16.8% of Budget)
• Prevention:	\$2,133,000	
• Treatment:	\$94,873,000	
• <u>Research:</u>	<u>\$0</u>	
• Total Prevent, etc.:	<u>\$97,006,000</u>	(0.625% of Budget)
• COMBINED:	\$2,701,041,600	(17.4% of Budget)

FY08 Department of Public Health Substance Addiction Budget:

- **\$114.9 million, less than 0.5% of the total budget**

HOW EVERY MA DOLLAR ON SUBSTANCE ABUSE IS SPENT⁹:

Prevention: <1 ¢

Treatment: 4 ¢

Other Public Programs: 96 ¢

TOTAL COST OF SUBSTANCE ABUSE IN THE US¹⁰:

\$148 billion

Specialty Care: 4%

Medical Treatment: 11%

⁸ Shoveling Up: The Impact of Substance Abuse on State Budgets, The National Center on Addiction and Substance Abuse at Columbia University, January 2001.

⁹ *ibid.*

¹⁰ Harwood, Henrick. Updating Estimates of the Economic Costs of Alcohol Abuse in the United States, National Institute on Alcohol Abuse and Alcoholism.

WHO WILL THE SALES TAX AFFECT? ^{11, 12}

- More than $\frac{1}{3}$ of the public do not drink.
- Another 15% have **less than one drink** per month.
- The heaviest drinkers, who need the most services, consume the largest portion of alcohol.

Drinkers by Volume	Amount of Alcohol Consumed
Top 2.5%	25%
Top 5%	40%
Top 20%	88%

EVERY MONTH, THE TOP 10% OF DRINKERS CONSUME MORE THAN 57% OF ALL ALCOHOL

SALES TAXES CAN REDUCE ALCOHOLISM¹³

- A tax at the level proposed by S. 1144 can reduce binge drinking. Studies show price increases of less than 5¢/drink can:
 - Lower men's odds of binge drinking by 30%
 - Lower women's odds by 28%

CLEAR NEED FOR TREATMENT^{14,15}

- Between 75 – 100,000 people die per year from alcohol in the US
 - More than 200 of those fatalities were in Massachusetts in 2004
- One out of ten people in Massachusetts ages 12 and older are dependent on alcohol or other drugs
- In 2005, 577,000 Massachusetts residents suffered from substance addiction
 - **455,300 of them did not receive treatment**

SALES TAXES ON ALCOHOL ARE NOT REGRESSIVE^{16,17}

- Studies have documented the fact that sales tax on alcohol is nearly proportional over the broad middle range of household incomes

¹¹ Who drinks most of the alcohol in the US? The policy implications. Greenfield and Rogers. Journals on the Study of Alcohol, 1999

¹² National Epidemiologic Survey on Alcohol Abuse and Alcoholism

¹³ ibid.

¹⁴ ibid.

¹⁵ Substance Abuse Treatment in the Commonwealth of Massachusetts. Brodin, Mary et al. 2006.

¹⁶ Sammartino, Frank. Federal Taxation.... Congressional Budget Office, 1990

¹⁷ Lyon, Andrew and Robert Schwab. "Consumption taxes in a life-cycle framework: are sin taxes regressive?" *Review of Economics and Statistics*. 77 (3): 389-406

BURDEN ON STATE AGENCIES¹⁸

State Agencies	Total Agency Patients/Citizens Processed	Percent with Substance Use Disorder
Office of Community Corrections (OCC)	250,000	91%
Probation	160,000	81%
Adult Courts	148,000	81%
EOPS/DOC	85,000	81%
Juvenile Court	18,000	72%
DSS	30,000	70%
DMH	24,500	58%
DYS	18,000	40%
DTA	300,000	19%
EOEA	2,944	15%
DOE	73,732	13%
DMR	32,000	2%

BURDEN ON CRIMINAL JUSTICE SYSTEM¹⁹:

- Over 80 percent of current inmates have a history of substance abuse.^{20, 21}
- 83% of people with substance abuse problems were using alcohol of other drugs at the time of their offense.²²
- In 1992, nearly 50% of all people arrested reported alcohol or other drug problems.
- In 1994, 75% of adult probationers and 50% of youth probationers in reported alcohol or drug problems.
- In 1994, 85% of juveniles who were found delinquent were substance involved
- 70,000 arrests each year are for O.U.I. and narcotics charges
- Between 59% & 65% of parents involved in “care and protection” cases are addicted to drugs &/or alcohol

¹⁸ Shoveling Up: The Impact of Substance Abuse on State Budgets (2001); National Center for Addiction and Substance Abuse at Columbia University; Massachusetts Agency Statistics, Commonwealth of Massachusetts Substance Abuse Strategic Plan

¹⁹ Per MA Dept. of Public Health, Bureau of Substance Abuse Services

²⁰ Mumola CJ. (1999). Substance Abuse and Treatment, State and Federal Prisoners, 1997. Bureau of Justice Statistics, Special Report.

Washington, DC: U.S. Department of Justice, Bureau of Justice Statistics, NCJ 12871.

²¹ The Commonwealth of Massachusetts Substance Abuse Strategic Plan (May 16, 2005) reports that 81% of the state prison population has a substance abuse disorder.

²² Commonwealth of Massachusetts Substance Abuse Strategic Plan. 2005