

PROPOSED POLICY POSITIONURGING THE CONGRESS TO OPPOSE INCREASES IN THE
FEDERAL EXCISE TAXES ON ALCOHOL BEVERAGES AND TOBACCOBackground

Under the U. S. Constitution, certain enumerated powers and responsibilities are assigned to the federal government, and those not specifically assigned to the federal government are reserved to the States and the people. The Twenty-first Amendment to the U. S. Constitution delegates to the States primacy in regulating traffic in beverage alcohol and tobacco within their respective borders. Closely associated with the authority to regulate traffic in alcohol beverages and tobacco is the ability of the States to generate revenue through the imposition of excise taxes upon those products. Actions by the federal government in increasing the federal excise taxes on alcohol beverages and tobacco have a direct negative impact on state revenues, and amount to an erosion of the States' authority regarding the regulation of those products within their respective borders and their ability to rely on the revenues produced through the imposition thereon of State taxes.

Any increases in the federal excise tax on alcohol beverages and tobacco will lead to an increase in the prices of those products. As the price increases, the sales of alcohol beverages and tobacco will decline. With the decline in sales will be a corresponding reduction in revenues to the States amounting to millions of dollars. There are no compelling policy reasons for Congress to further intrude in an area in which, under the U. S. Constitution, primacy in regulation (and implied taxation) has been delegated to the States.

Recommendation

The Southern Legislative Conference is opposed to any increases in the federal excise tax on alcohol beverages and tobacco at this time, and that in any future deliberations regarding increases of the federal excise tax on alcohol beverages and tobacco, Congress should acquiesce to the superior rights of the States to regulate and tax alcohol beverages and tobacco within their respective borders.

Adopted by the Southern Legislative Conference Fiscal Affairs and Government Operations Committee, August 22, 1988
(Sponsor: Representative Marshall Long, Kentucky, Member, Fiscal Affairs and Government Operations Committee)