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# PLATTE CHAT

## **Hate the Sin, Tax the Sinner?**

By Berk Brown  
Platte Institute

No state in the Midwest is as on harsh on citizens who consume products with “sin taxes” than Nebraska. And, at the end of the day, these wildly varying taxes with arbitrary rates worthy of much head scratching don’t have a history of reducing the consumption of “sins” they are meant to reduce.

Taxation is meant to raise revenue for the operations of government. Yet, as sin-tax revenue has grown by leaps and bounds across the country and here in Nebraska, government has not-so- gingerly crossed the line into trying to change people’s behavior and implementing moral values. As the following statistics will show you, these sin taxes in Nebraska have not curbed behavior nearly as much as they have lined the state’s coffers with more of its citizens’ money.

**Beer Taxes**

strongly believes in the importance of citizens participating in the public dialogue on issues important to Nebraska. Writing a letter to the editor is an outstanding way to partake in the discussion and have your voice heard by thousands of people. To make the process easier, the Platte Institute has assembled a list of links which allow you to submit a letter to the editor to nearly all Nebraska newspapers. Simply [CLICK HERE](#) for a listing of the newspapers and follow the appropriate link to submit your letter.

## Contact Us

If you would like to contact someone at the Platte Institute, you are always welcome to give us a call, drop us an email or stop by the office. Our telephone number is 402.452.3737. We are located at 10050 Regency Circle – Suite 120 – in Omaha. Below is a list of staff email address:

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Perhaps one of the best examples of not lowering the “sin” but significantly improving government’s bottom line is the beer tax in Nebraska. Citizens in Nebraska face the highest tax burden – by far - on beer than consumers in bordering states. Consider that you will pay the following amounts in beer tax for a standard case of 12-ounce cans:

- Nebraska – 70 cents
- South Dakota – 61 cents
- Iowa – 43 cents
- Kansas – 41 cents
- Colorado – 18 cents
- Missouri – 14 cents
- Wyoming – 4 cents

Has such a high beer tax reduced consumption of beer by Nebraskans? Absolutely not. In 2009, there was 46.3 million gallons of beer distributed in the state – the most ever recorded. Nebraska last raised its beer tax in the middle of 2003, when it jumped from 23 cents a gallon to 31. During 2003, there were 44.2 million gallons of beer distributed and the amount in 2004 – despite the 34 percent increase in tax – grew to 44.8 million gallons. In fact, of the last seven times Nebraska has raised the beer tax, beer sales grew the following year five times.

When examining the following data, it is clear that the tax on beer in Nebraska has not slowed the consumption of it. The tax has, however, greatly increased the amount of revenue the state government gets from the product. In fact, the rate of growth Nebraska government has earned from beer has greatly exceeded the growth in the state’s population as well as the consumption of beer.

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	1967	2009	Growth
State Population	1,457,000	1,783,000	22%
Beer Consumption	27,128,345 gallons	46,388,475 gallons	71%
Beer Tax Rate	8 cents per gallon	31 cents per gallon	288%
Beer Tax Revenue	\$2,170,000	\$14,380,000	562%

## Cigarette Taxes

If you're looking for an example of the oddly arbitrary and inconsistent tax rates of sin taxes in Nebraska, look no further than the state's cigarette tax. While the Cornhusker state is excessively harsh on its beer drinkers compared to neighboring states, Nebraska is surprisingly kind to its smokers when compared the same way. The following is the state cigarette taxes – per pack – as of July 1, 2009:

- South Dakota - \$1.53
- Iowa - \$1.38
- Colorado - \$0.84
- Kansas - \$0.79
- Nebraska - \$0.64
- Wyoming - \$0.60
- Missouri - \$0.17

While the total quantity of cigarettes sold in Nebraska has dropped significantly, it has generally taken excessive measures to do so. Since 1967, Nebraska has raised the tax on cigarettes seven times. The last time Nebraska did it was October 1, 2002, when the state tax rate went from 34 cents to 64 on a pack of 20 cigarettes.

The result in 2003 was that cigarette sales dropped by 13 percent, but Nebraska's government added \$22 million in revenue from the tax that year – a one-year increase of 47 percent. The information below shows once again that the biggest winner of this sin tax is government.

	1967	2006	Growth
State Population	1,457,000	1,759,779	20%
Cigarette Packs Sold	157,925,000	104,100,600	(-34%)
Cigarette Tax Rate	8 cents per 20 pack	64 cents per 20 pack	700%
Cigarette Tax Revenue	\$12,010,375	\$65,407,475	444%

### **Wine Taxes**

No "sin" has exploded in Nebraska over the last four decades like the consumption of wine. With this explosion has come a windfall of cash for the state government as well. As sales of wine began to increase significantly in the late 1960s, the state government wasn't too far behind in capitalizing on the profits that came with trying to legislate so-called sins. On July 1, 1972, Nebraska raised its wine tax a whopping 55 cents a gallon – from 20 to 75. Among neighboring states, Nebraska currently has the second-highest tax on wine.

- Iowa - \$1.75
- Nebraska - \$0.95
- South Dakota - \$0.93
- Missouri - \$0.42
- Kansas - \$0.30
- Colorado - \$0.28
- Wyoming – all wine sales are through state-run

stores.

	1967	2009	Growth
State Population	1,457,000	1,783,000	22%
Wine Sold in Gallons	650,842	2,677,211	311%
Wine Tax Rate	20 cents per gallon	95 cents per gallon	375%
Wine Tax Revenue	\$267,641	\$2,481,815	827%

### **Spirits Taxes**

If history is any indication, Nebraska may soon be looking to increase its already high tax on spirits. When the sale of spirits reached an all-time high in Nebraska in the mid 1970s at 2.7 million gallons, the state followed with a series of tax hikes. Between 1977 and 1987, Nebraska raised the spirits tax five times, bringing the total up to \$3 per gallon from its rate of \$2. Slowly, the sale of spirits started to drop and bottomed out at 1.8 million gallons in the mid 1990s before rising back up. When sales hit 2.1 million gallons in 2003, the state again raised the rate to its current level of \$3.75. Nonetheless, sales of spirits still rose every year between 2003 and 2008, translating into a huge influx of cash for the government.

- Iowa - \$12.47 (state controls sales – rate is an implied excise tax rate)
- South Dakota - \$3.93
- Nebraska - \$3.75
- Kansas - \$2.50
- Colorado - \$2.28
- Missouri - \$2.00
- Wyoming – control state where the implied

excise tax rate as calculated is than zero.

	1967	2009	Growth
State Population	1,457,000	1,783,000	22%
Spirits Sold in Gallons	2,099,339	2,761,747	31%
Spirits Tax Rate	\$1.60 per gallon	\$3.75 per gallon	134%
Spirits Tax Revenue	\$3,358,942	\$10,356,551	208%

### **Conclusion**

As stated earlier, taxation is meant to raise revenue for the operations of government. Unfortunately, in the cases of these taxes, government has used taxation as a means of trying to influence behavior. As government agencies have taken the path of least resistance and milked much more revenue than they need from these areas, they have begun taking a look at other “unhealthy” or “immoral” activity which they can slap these taxes on. Nationwide debate has already happened about adding such taxes to soda and fatty foods. They rationalize the attempt by saying that similar “sin taxes” are already in place.

The above information shows very little – if any – curbing of the activities these taxes are associated with. At the same time, it shows what a large – and easy – source of revenue such things can become. Today the debate may center on adding extra taxes to things like sodas and unhealthy food, but the trend suggests the next generation may hear debate about the need to tax slothful television viewing or the super sizing of your lunches and dinners.

Recently, Nebraska senators overrode a veto by Gov.

Dave Heineman on legislation for a five-fold increase on the cost of a license for a liquor manufacturer to ship products into Nebraska. If you read between the lines on what is being said in the public about the veto, the rationale is that it was an easy way to raise an extra \$500,000 a year.

These sin taxes are an easy target for legislators, but the real sin here is how government continues to exploit these areas.

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